

SECRET



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John Major MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

9 May 1988

Dear John,
BRITISH SHIPBUILDERS

You sent me a copy of your letter of 4 May to Kenneth Clarke.

I have considered your proposal that I fund the costs this year of any remedial measures in Scotland arising from our decisions on British Shipbuilders. To the extent that additional demands will fall on the SDA and local bodies in receipt of funding through my programmes, there may be remedial costs falling on my programmes which I am prepared to bear without seeking additional provision. So far as Kenneth's proposal for an enterprise company is concerned, this is a body which I consider should be established, funded and operated on a Great Britain basis. When enterprise activities have been promoted through other nationalised industries - steel, coal, rail - the funding responsibility has always, I believe, fallen to the Department dealing with the respective industry.

I see no reason to take a different approach on this occasion. In my opinion, all the funds should be provided as a call on the Reserve, as part of the closure costs of the Corporation which will be the channel through which the funds are paid to the company. I do not dispute that the remedial costs are likely to be relatively modest, but this is an argument which cuts both ways. It does of course assume that the company is funded on an annual basis, rather than established with an adequate endowment. That is perhaps an assumption which bears further examination, and would of course change the level of costs which might fall on Kenneth or me under your proposals.

Copies of this letter go to the recipients of yours.

*Yours ever,
Malcolm Rifkind*

MALCOLM RIFKIND