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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP  
 Chancellor of the Duchy of Lancaster  
 and Minister of Trade and Industry  
 Department of Trade and Industry  
 1 - 19 Victoria Street  
 London  
 SW1H 0ET

10<sup>th</sup> June 1988

Dear Chancellor,

**BRITISH SHIPBUILDERS: FINANCING REMEDIAL MEASURES**

Thank you for your letter of 31<sup>st</sup> May. I have also seen Malcolm Rifkind's letter of 2 June.

I agree that it is desirable that there should be a ceiling on expenditure on remedial measures in 1988-89. If £4 million now looks to be the likely level of spend then I would have no objection to this limit being imposed on expenditure in England. But I really cannot agree that the Reserve should carry the risk of any overspend; this would be quite contrary to well established cash management disciplines. As you are aware, the Reserve is under pressure this year and I must therefore continue to look to you to finance any excess you might choose to allow over the £4 million in 1988-89.

As for the Scottish enterprise measures, it is unfortunate that Malcolm and you should not yet have been able to reach agreement on financing. I should be willing to go along with any reasonable agreement that was made on financing these small expenditures in 1988-89 from existing DTI and Scottish Office provision. I therefore welcome the opportunity of looking at the proposals you may make either, as Malcolm suggests, once the expenditure implications are clearer or sooner if you prefer.

I am copying this letter to the Prime Minister, David Young, Malcolm Rifkind, Tom King and Nicholas Ridley and to Sir Robin Butler.

Yours sincerely,

for JOHN MAJOR  
 Approved by the Chief Secretary

NAT IND: Shipbuilding policy: pt 14

