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SECRETARY OF STATE
FOR
NORTHERN IRELAND

NORTHERN IRELAND OFFICE

WHITEHALL

LONDON SW1A 2AZ

Prime Minister

- This raises 2 issues:
- (i) The line to be taken in negotiations with Tikkoo.
 - (ii) What should be said in tonight's adjournment and the PA tomorrow.

I imagine on (i) you will want to wait for colleagues' views. On (ii) I have already passed the comment marked on the last page. Are you content on that basis?

The Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury
Great George Street
LONDON
SW1

RK 6
19/6

29 June 1988

Ministerial

Comment from DTI - Treasury -

Dear John,

This is a very irregular way

of taking such a big decision

NEGOTIATIONS FOR SALE OF HARLAND & WOLFF TO MR RAVI TIKKOO

At the ad hoc meeting on 31 March colleagues indicated that they were content for negotiations to continue with Tikkoo, in particular about a possible transfer of the Yard to the private sector.

We hope shortly to receive sufficient information about the P3000 Project from H&W and Mr Tikkoo to enable us to make a decision as to whether or not to enter serious negotiations on privatisation. Mr Tikkoo has indicated his willingness to enter such negotiations positively. I for my part would go forward only if the initial assessment of the P3000 was favourable.

I would be anxious that you and colleagues should be aware of the parameters within which I would intend to authorise officials to embark on initial negotiations. In framing these parameters we are seeking to keep in line with the Kvaerner/Govan arrangements.

The parameters would be as follows:

- (a) The limit of our total involvement must be within what would otherwise be the cost of closure. This is estimated at £240m.
- (b) Phasing of the assistance would be such that public expenditure in any financial year would not exceed £60m. This is the amount included currently in the Northern Ireland baseline for H&W. The cost of support payments up to £60m per annum would be borne by the NI Block.
- (c) I would consider offering financial assistance to Mr Tikkoo to cover:
- (i) any losses on existing orders;
 - (ii) unrecovered overheads in the period before reductions in the labour force take effect;
 - (iii) payments to those made redundant;
 - (iv) intervention subsidy on P3000, at a scale to be determined; and
 - (v) appropriate aid in respect of any new capital investment.
- (d) For orders after the P3000 Intervention support would be considered on its merits and in conformity with then current EC and UK policy (ie there would be no guarantee of 28% IF for future orders).
- (e) In addition, existing loans of £366m would have to be written off, but there was no realistic prospect of their repayment.

Clearly if in the course of negotiations we wished to change any of these parameters I would return to discuss the matter with you.

Finally we face an Appropriation Debate tonight and an oral question on Thursday which is unlikely to be reached and will therefore be a written answer. I attach a copy of our draft reply which would also be the basis of briefing for John Stanley who will be handling the Appropriation Debate.

I am copying this letter to the Prime Minister, other E(A) colleagues and to Sir Robin Butler.

Z -
TK *lan*

BY DR LEWIS MOONIE (L, KIRKCALDY)

To ask the SOS for Northern Ireland, if he has any plans to privatise shipbuilding operation at Harland and Wolff; and if he will make a statement.

DRAFT REPLY

The future of Harland & Wolff is now heavily dependent on whether the company, the Government, and Tikkoo Cruise Line Limited can come to agreement about terms on which the cruise liner P3000 could be economically built in Belfast. The Government has received the preliminary costings for this vessel and is now assessing these, and considering whether, and to what extent, it might provide contract support. *in addition,* [That is the first priority.] But, as I indicated in my response to the adjournment debate on 27 May, if there were to be an expression of interest in the privatisation of Harland & Wolff the Government would take any such proposal very seriously. Such an expression of interest has now come forward from Tikkoo Cruise Line Limited, and will be considered in the context of the Government's assessment of the P3000 project. We would wish to reach early decisions on this project and on the future arrangements for Harland & Wolff. In connection with the latter, the Government would be prepared to consider proposals from any other parties which might lead to the privatisation of the company.

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COMMERCIAL IN CONFIDENCE
From: THE PRIVATE SECRETARY

CCBA



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

Miss Jill Rutter
Private Secretary
HM Treasury
Great George Street
LONDON
SW1

30 June 1988

For Jill.

HARLAND AND WOLFF

WITH PG?

Following Mr King's letter of yesterday to the Chief Secretary, he has agreed to a redraft of a Parliamentary reply which will issue this afternoon in written form. I have already discussed the revise with you, Paul Grey and Peter Smith; and I now attach a copy for information.

I am copying this letter and enclosure to the Private Secretaries to the Prime Minister, other E(A) colleagues and to Trevor Woolley.

Yours Sincerely,

David Watkins.

D J WATKINS

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As I indicated in my response to the adjournment debate on 27 May, if there were to be an expression of interest in the acquisition of Harland & Wolff, the Government would take any such proposal very seriously.

An expression of interest in the acquisition of Harland & Wolff has now come forward from Tikkoo Cruise Line Limited. The Government will consider this and any proposals from any other parties which might lead to the privatisation of the company.



As indicated in my response to the adjournment debate of 17th June 1971, it is my view that the Government would take any such proposal into account in the light of the expression of interest in the acquisition of the company.

Very respectfully,

An expression of interest in the acquisition of the company of the type referred to in the adjournment debate of 17th June 1971, has not yet been received from the company concerned. The Government will consider this and any proposals for any other acquisition which might lead to the privatisation of the company.