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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

nbrn at this stage.

*PR 66
28/7*

*Recd. 28/7
July 1988*

The Rt Hon Antony Newton OBE MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1

Dear Tony,

Kenneth Clarke recently reported the position on the disposal of British Shipbuilders' subsidiaries, in his minute of 18 July to the Prime Minister. I have a number of points concerning my Scottish interests which I would be grateful if you would take into account in taking matters forward.

On the Ferguson yard at Port Glasgow, where Kenneth says the prospects for sale are not encouraging, I understand that there is work at the yard until at least next spring. I do not therefore expect closure, as Kenneth suggested, as early as September, although it may be possible that the yard has to start to shed labour in the autumn. Job losses, however, should not be as large as 500, as the yard employs only around 300.

The position will of course be different if the yard can secure new work. One imminent prospect is the ferry for Mauritius which the yard has been pursuing for some time, and on which a decision is now expected towards the end of the summer from the Mauritian Government. I understand that overseas aid has been offered to Mauritius if the order is placed in the UK, and I would ask that nothing be done regarding the yard that might prejudice the chances of securing this order; and that the yard be allowed actively to seek other orders. I am sure that more interest might be generated, and the prospects for a satisfactory disposal correspondingly improved, if the yard had an order book that went beyond next spring and had shown recent ability to win new orders.

Kenneth had reservations about the only interest remaining in the yard, from the Ailsa-Perth yard in Troon. There is some evidence that the company's intention would be to maintain operations at both Port Glasgow and Troon. I would therefore like to keep an open mind on the availability of Intervention Fund until the company's intentions have been fully established.

This will not be an easy yard to sell. I believe some interest may emerge from a new source shortly, but I would not want any early deadline for submission of bids, and I hope you can agree that the yard can effectively remain on the market at least until all current work is completed.

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Other Scottish points are less pressing at present, but I am aware through the Scottish Development Agency, which has been advising the management buyout team at Clark Kincaid, that there may be some concern emerging among Clark Kincaid's customers about placing business with the company because of the continued uncertainty over its future, and I hope that, if at all possible, consideration of its disposal will not be prolonged to such an extent that prospects for the business's longer term future are damaged as a result.

I should also mention that I hope the management buyout team for the Scottish operation of Marine Design Consultants (in Dundee, not Aberdeen) be given a fair chance to present their proposals for a buyout separate from the rest of MDC. I know Kenneth received representations on this from the local Members, and I am concerned that the Dundee operation, despite having been an independent unit until 1986, might be vulnerable if any rationalisation were to follow acquisition of the company as a single entity.

Copies of this letter go to the Prime Minister, Nigel Lawson, David Young, Tom King, Norman Fowler, Nicholas Ridley and John Major and to Sir Robin Butler.

*Yours ever,
Malcolm*

MALCOLM RIFKIND

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Shipbuilding 1114



Other points are being at present, but I am aware through the Government Agency, which has been advised the management of the firm at Clark's, that there may be some interest among Clark's customers about placing business with the company because of the continued uncertainty over its future, and I hope that, if at all possible, consideration of its financial will not be prejudiced to such an extent that progress for the business's future term future not damaged as a result.

I should also mention that I hope the management of the firm for the operation of Marine Design Consultants (in London, and elsewhere) be a given a fair chance to present their proposals for a further separate from the rest of M.D.C. I know that the received representations on this from the local members, and I am convinced that the London operation, despite having been an independent unit since 1945, might be vulnerable if any rationalisation were to follow cessation of the company as a single entity.

Copies of this letter go to the Prime Minister, Nigel Lawson, David Young, Tom King, Norman Fowler, Nicholas Ridley and John Major and to Sir Robin Butler.

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MALCOLM RIPKIND

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