



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon John Major MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1E 3AG

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*MBM d the*  
*stage.*  
*Perle*

15 September 1988

*Dear John,*

**BRITISH SHIPBUILDERS: CLARK KINCAID**

*cat map*  
You sent me a copy of your letter of 8 September to Tony Newton about Clark Kincaid.

I see no justification for linking our decision on the engine orders which British Shipbuilders is attempting to secure for Clark Kincaid from Govan, with a decision on the future of the Ferguson yard. The additional costs mentioned by Tony would only arise if Clark Kincaid is not sold but at this stage I understand we have no reason to doubt the soundness of the two bids received, and I know through the Scottish Development Agency, which had contact with the management buyout team at an earlier stage in the preparation of their proposals, that the team, if selected as the preferred bidder, have every intention of seeing their bid through to a satisfactory conclusion.

If, as Tony has told us, the bids both mean that disposal will be cheaper than closure, then I fail to see how we reach any decision other than disposal. This would be so even if the difference were narrower than the considerable gap which currently seems to be the case.

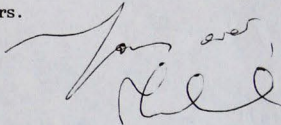
As for your remarks about Ferguson's future, I could not support linking that decision with the decision on the engines. I see no reason not to take each issue on its merits. Linking would be a totally artificial arrangement, and presentationally, the favourable decision we might take on Clark Kincaid would be invalidated by the outcome you are suggesting for Ferguson, and would bring us no credit at all.

I had understood that a decision on the engines was needed quickly, whereas the bidders interested in Ferguson are entitled to reasonable notice to submit their bids for the yard. It does not seem practicable to keep one decision awaiting the other. In any case I believe we should await the outcome of the bidding before we decide what our next steps should be, and in this respect I have reservations about the assurance you seek from Tony that no more loss-making orders will be proposed for any of the BS yards. I think this is an option we should not close off

for ourselves if the taking of such an order would facilitate a yard's disposal, while keeping the total costs less than the costs of closure.

I would therefore urge you to agree as soon as possible that Clark Kincaid may be allowed to take these orders.

I am copying this to the recipients of yours.

A handwritten signature in black ink, appearing to read 'Malcolm Rifkind', with a stylized flourish above the name.

**MALCOLM RIFKIND**

NAT 1-10: Shipbuilders  
A14



For convenience if the listing of such an order would facilitate a party's  
shipment, while keeping the total costs less than the costs of course.  
I would therefore urge you to agree as soon as possible that  
Clark Knott may be allowed to take these orders.  
I am copying this to the recipients of yours.

*[Faint signature]*

MALCOLM BIRNBAUM