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13th December 1985

De Luce

DEVONPORT DOCKYARD - MANAGEMENT BID

I have very recently seen your minute of 5 December to the Prime Minister commenting on the conflicts of interest which could arise from the management bid for the Devonport contract.

I agree that we need to be clear about the conditions on which approval is given and my reply to Mr Johnston covers this in stark terms; the appropriate passage is attached. My officials have also written to interested companies explaining our position and giving assurances that our dealings with them, at all stages, will be scrupulously fair. Any changes in current management responsibilities within the dockyard which will help to ensure this are now being considered by my Department.

Your third condition is, I believe, met for the time being by the undertakings which, once they have been cleared with your officials, will be sought from the Managing Director. They will need to cover potential conflicts of interest in dealings with other companies and in operating the dockyard, as well as those relating to the use of public resources which I referred to in my earlier minute. I would accept, though, that once the position you envisage in your fourth

Richard Luce Esq MP



paragraph is reached, such undertakings might not be enough, and we are looking at how this might be handled.

I am copying this to recipients of your minute.

yes uw
HL

Michael Heseltine



In giving our agreement to your proceeding with the announcement and further elaboration of your bid, I should remind you that there will remain a danger - through to bid submission - of conflicts of interest, both for you as Managing Director, Devonport Royal Dockyard and as the leader of the bid team, and for many of your staff. This situation will be kept under continuous watch, as I am not prepared to see the overall competition for the running of Devonport put in jeopardy because of any actions from your side. But at this stage, and in the light of the guarantees you have given to continue to work loyally within the Civil Service supporting government and Royal Naval objectives, I believe that the conflict of interest is more potential than real.

Exam P1 Pr 13

PRIVATISATION

