



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone Direct Line 01-212 3301
Switchboard 01-212 7676

PS/Secretary of State for Industry

5 September 1979

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Tim,

GOVERNMENT SUPPORT FOR THE UK SHIPBUILDING INDUSTRY

I am attaching notes produced today in an attempt to meet the Prime Minister's requests for information about the scale of support to the UK shipbuilding industry. I regret that it has not been possible to isolate the assistance to the individual yards which are now scheduled for closure. I know that the Prime Minister wanted to relate these amounts of assistance to the wages bill and can only suggest that this relationship is expressed instead in terms of the total amount of assistance to the industry. As you will see, in 1977/8 total assistance was £95 million, to which should be added losses by British Shipbuilders of £108 million - ie a total of £203 million. In 1978/9 the total was £85 million, plus losses of £46 million - ie £131 million. A very rough indication of the total wages bill for the merchant shipbuilding industry would be 30,000 times rough average earnings of £5,000 - ie £150 million.

It would be fair to say that the industry has received hundreds of millions of pounds of taxpayers money and that in recent years this has been on the same scale as the entire wages bill of the merchant shipbuilding industry.

Some notes are also attached on the scale of contraction planned in other countries.

Andrew Duguid

Andrew Duguid
ANDREW DUGUID
Private Secretary

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Director of the
Bureau of the Census

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SHIPBUILDING CONTRACTION IN OTHER COUNTRIES

Our major competitor countries in the developed world are already involved in substantial contraction of their shipbuilding industries or have announced plans to do so. Japan has already begun to implement a programme of scrapping or freezing 35% of its 1978 facilities by March 1980, with an envisaged reduction of 20,000 of the 64,000 workers employed in the industry at the end of 1978.

Within the EEC, West Germany has announced that the number of manhours worked in the industry will be cut by over 50% on mid-1975 levels by 1980. Over the same period France envisages a 50% cutback in capacity (output). In the Netherlands, employment is being reduced by some 35% (1975-1981). Contraction programmes are also being drawn up in Italy and Ireland and in Denmark merchant shipbuilding employment has already fallen by one-third from 1975.

The Swedish Parliament has endorsed an employment cutback of 20% on 1978 levels. (This will amount to a reduction of 50% since 1974.) In Norway the Government has recommended that employment be reduced by 40% (on 1975).



1. Assistance⁽¹⁾ to the Shipbuilding Industry - United Kingdom

	£million
1972/73	46.0
1973/74	53.9
1974/75	90.4
1975/76	93.8
1976/77	87.5
1977/78	95.0
1978/79	85.0
Total	<u>551.6</u> ⁽²⁾

Notes

(1) Includes assistance in the form of shares, loans, grants, interest support costs of loans to shipowners, and shipbuilders relief, but excludes Regional Development Grants (details are not readily available)

(2) The losses before tax of British Shipbuilders, £108m in 1977/78 and £46 million in 1978/79 are excluded from the above figures.

2. Assistance paid to Companies which are subject to yard closures.

	£ million			
	1975/76	1976/77	1977/78	1978/79
1,400 Govan Shipbuilders (Fairfield and <u>Scotstoun</u>)	5.7	4.0	45.2 ^(a)	-
1,100 Robb Caledon (Leith and <u>Dundee</u>)	0.04	0.01	1.8	0.11
1,200 Sunderland Shipbuilders (Pallion, Deptford and <u>North Sands</u>)	13.1 ^(b)	-	2.8	4.6
660 Scotts Shipbuilding Co Ltd (Cartsburn and <u>Cartsdyke</u>)	0.1	0.07	0.81	1.64
220 Scott & Sons (Bowling) Ltd (<u>Bowling</u>)	0.02	-	0.04	-

Notes

(a) Includes conversion £14 million of loans previously provided, into shares, and of £9.3 million of loans converted to grants.

(b) Includes the conversion of loans of £7 million into shares.

(c) Excludes trading losses.

4,320