

*Done - no alternative
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Prime Minister



The cost of keeping this yard open - £4,500 per man year - is appalling. But I fear, for political reasons, there is no alternative. The money is already provided for in N. Ireland programmes though we could do with the savings. Are you content?

PRIME MINISTER

SHIPBUILDING POLICY: HARLAND AND WOLFF LTD (H&W)

Keith Joseph reported to you on 9 and 13 July the strategic and detailed decisions which the Sub-Committee on Economic Affairs (E(EA)) had reached on shipbuilding policy. An assessment of the position at H&W was included in the papers before E(EA), but detailed plans for H&W were left for consideration by the Ministers primarily concerned. I am accordingly reporting to you separately the proposals on H&W which I have agreed with Keith Joseph and John Biffen, and of which other colleagues on E(EA) are also aware.

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H&W's order book of 8 ships is better than that of most of British Shipbuilders' (BS) merchant yards and lasts until about March 1981 (though massive redundancies would be necessary well before then if no new orders were obtained). It is a single yard Company, and it is impossible to close part of it: the immediate alternatives are to keep the whole yard going, to close it now or to announce that it will be closed when the present orders are completed. To decide now to close the yard or to seek no new orders would create severe political employment and other difficulties in Northern Ireland: either course would involve extremely heavy financial penalties for failure to deliver the existing order book on time.

I therefore intend to provide the Company with funds to enable present orders to be executed, and new orders to be undertaken if they can be obtained on the terms agreed with the EEC, within a clear financial limit of £65 Million from 1 April 1979 up to March 1981 for all purposes. Even if such new orders were taken, total employment would fall from 7,800 now to a projected figure of about 6,430 by June 1980. Whether orders can be obtained on these terms remains to be seen: as in the case of BS, there is no question of our underwriting a particular level of future capacity.

The cost of keeping the yard in operation is disturbingly high and will impose severe pressures on Northern Ireland's public expenditure allocations, but there is no cheaper alternative. The proposed course of action keeps our longer term options open, and gives H&W the chance to move back towards the relatively promising level of performance achieved 18 months ago. If they succeed in this it will reduce the call on the finance which I am making available. I intend to look at all the options again next year when the existing order book is nearer completion; this will be a fundamental review taking full account of developments in BS.

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It has also been agreed that our plans for H&W and BS should be put to the EEC jointly, as proposals for the UK shipbuilding industry as a whole.

I intend to outline our plans for H&W in a Written Answer in the House immediately after the proposed statement on BS by Keith Joseph. On present plans this will be on 23 July.

I am sending copies of this minute to the members of E(EA), to the Minister of State for Defence and to Sir John Hunt.

H.A.

H A
20 July 1979

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