

PRIME MINISTER

Shipbuilding

There are ^{few}~~three~~ points which we need to get across:

(i) Huge subsidies have been paid, and are continuing to be paid to this relatively small industry. There are 30,000 employed in merchant shipbuilding, and the merchant shipbuilding industry has received about £550m of assistance since 1972. In addition, British Shipbuilders, in its first two years of operation, made losses totalling £154m. Assistance to the industry during the last two years has been truly massive:

- in 1977/78 total assistance was £95m to which must be added British Shipbuilders' losses of £108m. Total £203m.
- in 1978/79 total assistance was £85m plus BS losses of £46m. Total £131m.

The total wage bill for merchant shipbuilding is approximately £150m. Thus, during the past two years, total assistance has either exceeded or been close to the total wage bill. (Unfortunately, it is not possible to isolate the total assistance paid to the individual Yards which are now scheduled for closure. This is because BS do not break down their losses Yard by Yard. Nonetheless, the Yards which are due for closure in Scotland are those with the worst prospects. They are Scotstoun on the Upper Clyde, Scotts^B Bowling and Scartsdyke on the Lower Clyde and Robb Caledon at Dundee. Scotstoun is one of the old Upper Clyde Shipbuilders' Yards: it and the Fairfield Yard have continued under the name of Govan Shipbuilders. They have absorbed vast sums of money over the past 7 years (£45m in 1977/78 alone), and it is a great pity that the Scotstoun Yard was not closed years ago.)

(ii) There are no orders to speak of even at the current high rates of subsidy. Total annual capacity in merchant shipbuilding is about 600,000 tonnes. In 1978 BS took orders amounting to only 230,000 tonnes (of which 134,000 tonnes was represented by the infamous Polish order). This year, there is little prospect of reaching even this figure. BS have advised that there is little hope of future orders if the present levels of subsidy remain limited to the present maximum of 30% of contract price.

/(iii) Other

(iii) Other countries are already embarked on a substantial contraction of their industries, or have announced plans to do so. Contraction in the UK, however, has barely started. Examples:

- Japan will close 35% of its 1978 capacity by March 1980, nearly a third of its employees will go.
- West Germany has announced a 50% cut-back in man-hours work in the industry by 1980, compared with 1975.
- France is planning for a 50% cut-back in capacity.
- In the Netherlands, employment is being reduced by 35%

The number of jobs which will be lost in the current BS closure programme amounts to only 4,000. BS are planning to cut capacity and employment by about one third by 1981, but up to now actual closures have been minimal (Falmouth shiprepairing and one of the Yards in the North East).

(iv) Productivity at our Yards is dreadful - far below all our main competitors despite massive investment in recent years. Hence the stagnation of output since the 1950s, while other countries forge ahead.

TL.

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cc: Mr Wolfson
Mr Howe
Mr Hoskyns
Mr James