

CONFIDENTIAL

Ref. A0735

PRIME MINISTER

Govan Shipbuilders

(Minute to you from the Secretary of State for Industry dated 16 November and E(79) 66)

BACKGROUND

The question is whether British Shipbuilders should be authorised to accept an order for two ships from Liberty Maritime in association with Hambros. E(EA) discussed this on 13th November (E(EA)(79) 20th Meeting, Item 4) and agreed, on balance, that it should. You had however asked that the decision should come to you for confirmation before action was taken, and in the event asked that the matter should be further considered in E. As an aid to the discussion the CPRS have circulated E(79) 66.

HANDLING

2. You might ask Sir Keith Joseph to report on the discussion in E(EA) and then Sir Kenneth Berrill to introduce his paper. Mr. Prior and Mr. Younger will then wish to comment on the industrial relations and employment aspects for Clydeside. Finally Mr. Biffen might comment on financial aspects (though the conditions which he laid down at E(EA) have been met).

3. The questions raised by CPRS are summarised in paragraph 9 of their paper and you may wish to run through these. We understand that the answers are likely to be along the following lines:-

- (i) The yard may be able to get further orders on a normal commercial basis. If not it will start to run down by August 1980. By then the Polish ships will have left the yard and there is no penalty for late delivery of the Liberty Maritime ships to give the workers the leverage they now have.
- (ii) These orders will occupy the yard till that run-down starts.
- (iii) The delivery schedule is the latest BS estimate. No reason to doubt it. The ships should be released well before August.

Prin Smith

*You should see
the letter in his
files from Norman
Tebbit (writing on
behalf of the Mott
who is among).*

*R
23/11*

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- (iv) The terms will not be publicised. And British Shipbuilders can be told it isn't a precedent.
- (v) Without industrial trouble BS are likely to stay within their cash limit this year, and will be told to stay within it next year, taking account of these orders. Industrial trouble, however, especially if widespread, could very easily cause them to exceed their cash limits, this year or next.

CONCLUSION

4. The decision turns on a political judgment on the relative disadvantages of the alternative courses. The primary decision will be either to go ahead or to refuse these orders. If the decision is to go ahead you will wish the Department of Industry to take steps to minimise the repercussions as far as possible. This might involve telling BS that:-

- (a) the order is not a precedent;
- (b) they must not give 'half commitments' of this kind to the workers again;
- (c) they must stay within their cash limits no matter what happens.

RA

(Robert Armstrong)

23rd November, 1979