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Prime Minister

Mr Atkinson's

Caxton House Tothill Street London SW1H 9NA

negative views on privatisation

Telephone Direct Line 01-213.....

6400

Switchboard 01-213 3000

A British shipbuilder

25 July 1980

Tim Lankester Esq
10 Downing Street
London SW1

Dear Tim,

MS requested
28/5

BRITISH SHIPBUILDERS

My Secretary of State met Mr Robert Atkinson, Chairman of British Shipbuilders on 23 July. In view of the discussion to be taken at Cabinet next week Mr Prior thought the Prime Minister and the Chancellor should see the enclosed note of the meeting recording, in particular, the strong views expressed by Mr Atkinson on the question of privatisation.

I am sending a copy of this to John Wiggins (Treasury). A copy of the note has already gone to Peter Stredder (Department of Industry) but I am sending him also a copy of this letter.

Yours ever
Richard Dykes

R T B DYKES
Principal Private
Secretary

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NOTE OF A MEETING BETWEEN THE SECRETARY OF STATE AND MR ATKINSON,
CHAIRMAN OF BRITISH SHIPBUILDERS - 23 JULY 1980

Present:	Secretary of State	Mr Atkinson
	Mr West	Mr Clark
	Mr Dykes	

1. Mr Atkinson said he was grateful for the opportunity to outline his current concerns about the shipbuilding industry particularly in respect of employment prospects and about the damaging consequences of any early moves towards privatisation.

2. In the short time since his appointment he had already identified considerable scope for savings on administration and other overheads, but there was no doubt that the cash limit for this year would be exceeded. The market situation was still very tight. He had had a meeting on the previous day with the Secretary of State for Defence who had told him that there was no prospect of bringing forward further naval contracts. While this at least had the merit of clarity, he felt the Government should be in no doubt about the serious employment consequences that would be felt in sensitive areas like Merseyside and the Clyde.

3. Productivity was still a major problem. So far from there being improvements in this area, productivity had in fact declined and he was determined to face up to this squarely with the trade unions. Their acceptance of an 11% pay deal this year was not enough in itself; they had so far failed to deliver the productivity improvements which formed part of the settlement. In addition he thought some further restructuring was now inevitable.

4. On the question of privatisation Mr Atkinson said that in principle he was all in favour of making moves in this direction at the right time. He was already in the process of organising BS into separate divisions which would facilitate either the injection of private capital on the BP model into the yards or the selling off of the general engineering companies which might be practicable very soon.

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5. For the present, however, he was convinced that to take steps to dispose of any of the yards would be disastrous. Almost all the senior management in the industry were against it. Morale was already low and it was increasingly difficult to attract and retain management personnel of the high quality that was needed. It would also lead to resignations from the Board. The 3 trade union members, Mr Chalmers, Mr Robson and Mr Baker were all dedicated, able and reasonable men with a real contribution to make; they would almost certainly resign as would some other full time members including Mr Griffin, the Deputy Chairman.

6. The most important factor against such a move at this stage, however, was the effect this would have on the depleted industry that would remain under BS control. He could see no way in which such a rump of merchant yards could ever be made viable and profitable if they were put under such a handicap now. They were in fact no more inefficient than the naval yards, which were protected by cost-plus contract arrangements. By far the better course was to keep the Corporation as one entity for the time being, concentrate on rationalising capacity and improving competitiveness against the time when better market conditions allowed the injection of private capital to be more effectively achieved.

7. The Secretary of State thanked Mr Atkinson for expressing his thoughts so clearly. The Government had made no decisions as yet on the future structure for the industry, although these were imminent. His views would certainly be taken fully into account.

RD

R T B DYKES

24 July 1980



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