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FM WARSAW
TO IMMEDIATE FCO
TELNO 647
OF 011040Z NOVEMBER 88

1977 - 87,000
1988 - 4,000

MY TELNO 642: LENIN SHIPYARD, GDANSK

SUMMARY

1. BRIEF ECONOMIC PROFILE OF LENIN SHIPYARD, BASED ON OFFICIAL FIGURES AVAILABLE, SHOWS SHIPYARD IN VERY WEAK ECONOMIC POSITION. BUT COMPARISONS SUGGEST IT IS NOT A CLEAR WORST-OFFENDER. IMPLIES DECISION TO SINGLE OUT LENIN SHIPYARD POLITICALLY NOT ECONOMICALLY MOTIVATED.

DETAIL

2. LENIN SHIPYARD IN GDANSK IS ONE OF POLAND'S THREE LARGEST SHIPYARDS, ALONG WITH THE WARSKI SHIPYARD IN SZCZECIN AND KOMUNA PARYSKA SHIPYARD IN GDYNIA. FOLLOWING PROFILE IS BASED ON AVAILABLE OFFICIAL FIGURES:

EMPLOYMENT: 11,000 WORKERS
(WARSKI 8,000
KOMUNA PARYSKA 7,800)

GROSS TONNAGE PRODUCTION 1987: 71,000
(WARSKI 88,000
KOMUNA PARYSKA 174,000)

TOTAL VALUE OF FIXED ASSETS 1988:
68.3 BILLION ZLOTYS

CURRENT DEBT TO SUPPLIERS: AROUND 9 BILLION ZLOTYS, WITH
AROUND 28 BILLION ZLOTYS BANK CREDITS

LEVEL OF SUBSIDIES 1987:
5.6 BILLION ZLOTYS
(KOMUNA PARYSKA 11.6 BILLION ZLOTYS)

LEVEL OF LOSSES 1987: 1.7 BILLION ZLOTYS
(KOMUNA PARYSKA 8.9 BILLION ZLOTYS)

PAGE 1
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SALES YIELD PER ZLOTY INVESTED 1987:

1.01 ZLOTY

(WARSKI 1.57 ZLOTY

KOMUNA PARYSKA 0.97 ZLOTY

HUTA KATOWICE STEELWORKS 0.64 ZLOTY)

PRODUCTION 1987: 9 SHIPS (OF WHICH 6 EXPORTED - 4 TO SOVIET UNION)

(WARSKI 12 SHIPS - 9 OF WHICH TO SOVIET UNION)

(KOMUNA PARYSKA 9)

PRODUCTION TARGET 1988: 11 SHIPS

ORDER BOOK INCLUDES 29,000 TON BULK CARRIER, 11,500 TON R-O-R VESSEL, 2 COLD STORAGE VESSELS AND A NUMBER OF FISHING AND TIMBER VESSELS.

3. THE WHOLE POLISH SHIPBUILDING INDUSTRY IS IN A VERY BAD STATE. PROBLEMS PECULIAR TO THE LENIN SHIPYARD ARE A SHORTAGE OF SKILLED LABOUR (LABOUR FROM THE FAR EAST HAS BEEN USED) AND OVER-INVESTMENT IN FIXED ASSETS (IN 1987 FIXED ASSETS WERE BETWEEN 55 - 60% UNDER-USED) AND AN EXCEPTIONALLY LONG SHIPBUILDING CYCLE. SINCE THE STRIKES AT THE SHIPYARD IN MAY THERE HAS BEEN INCREASED PUBLIC DISCUSSION OF THE SHIPYARD'S ECONOMIC FUTURE, INCLUDING THE POSSIBILITIES OF SPLITTING IT UP, RESTRUCTURING PRODUCTION OR INCORPORATING IT INTO OTHER ENTERPRISES. THE SHIPYARD WAS PROBABLY ALREADY ON THE LIST OF 300 LEAST PROFITABLE ENTERPRISES WHICH THE MINISTRY OF INDUSTRY PROMISED TO SUBJECT TO SCRUTINY. AN INDUSTRY COMMISSION ESTABLISHED IN JUNE TO REVIEW THE SHIPBUILDING INDUSTRY ASSESSED THE LENIN AND KOMUNA PARYSKA SHIPYARDS AS THE LEAST EFFICIENT AND CONSIDERED THE LENIN SHIPYARD TO BE IN A SLIGHTLY WORSE POSITION BECAUSE ITS FIXED ASSETS WERE OLDER. THE SHIPYARD UNDERTOOK A PROGRAMME OF RESTRUCTURING ON THE BASIS OF THE COMMISSION'S FINDINGS, AIMED AT REDUCING THE LEVEL OF FIXED ASSETS.

COMMENT

4. IN THE ABSENCE OF ANY OTHER RELIABLE INFORMATION WE MUST USE THE OFFICIAL FIGURES AS THE BASIS FOR OUR JUDGEMENTS. ACCORDING TO THESE, THE LENIN SHIPYARD IS UNDOUBTEDLY IN A VERY WEAK ECONOMIC POSITION WITH HIGH SUBSIDIES, LOW SALES YIELD AND A POOR RECORD ON MEETING PRODUCTION TARGETS. BUT MANY OTHER MAJOR ENTERPRISES SUFFER FROM THE SAME PROBLEMS AND IT IS NOT CLEAR THAT THE LENIN

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SHIPYARD IS THE WORST OFFENDER. CERTAINLY IN THE SHIPBUILDING SECTOR IT SEEMS VERY DOUBTFUL THAT THE LENIN SHIPYARD IS A BETTER TARGET FOR LIQUIDATION THAN THE KOMUNA PARYSKA SHIPYARD IN GDYNIA. ALL THIS LENDS WEIGHT TO THE VIEW THAT THE LENIN SHIPYARD WAS SINGLED OUT FOR POLITICAL, NOT ECONOMIC REASONS. THERE IS A PARTY AS WELL AS SOLIDARITY DIMENSION: THE LIQUIDATION OF THE LENIN SHIPYARD MAY BE DESIGNED TO DIMINISH PARTY OPPOSITION TO SUBSEQUENT CLOSURE OF OTHER HEAVY INDUSTRY PLANTS, IF, AS THE GOVERNMENT CLAIMS, THESE ARE TO FOLLOW.

5. IT IS STILL TOO EARLY TO JUDGE POPULAR REACTIONS. BUT ONE FACTOR WHICH WILL ENTER INTO THESE IS THAT THE POLISH SHIPBUILDING INDUSTRY HAS TRADITIONALLY BEEN A MAJOR SUPPLIER TO THE SOVIET UNION. THE AUTHORITIES WILL HAVE TO EXPLAIN WHY THIS HAS BEEN SUCH AN UNPROFITABLE BUSINESS.

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18

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