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*From the
Minister of State*

APS/Norman Lamont MP

Ms Caroline Stephens
Private Secretary to the
Prime Minister
10 Downing St
London SW1

28 July 1982

Dear Caroline,

I enclose the briefing for the Prime Minister's meeting tomorrow with Dr David Clark MP. This comprises a brief on British shipbuilding and shiprepairing and brief on regional industrial policy.

*Yours ever,
Cecily.*

CECILY MORGAN
Assistant Private Secretary



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PRIME MINISTER AND MR LAMONT'S MEETING WITH DR DAVID CLARKE MP
29 JULY 1982

BACKGROUND

BS announced on 15 July contraction of their shiprepair activities affecting mainly Tyne Shiprepair Limited which currently employs 2500. The company is to be concentrated at Wallsend Dry Docks on the North Bank of the Tyne and three shiprepair establishments in Dr Clarke's constituency are to close. The total reduction of the labourforce could be up to 1,400 men. Discussions with the unions are to take place soon at yard level. (A copy of the BS Press Notice announcing the contraction is attached).

Dr Clarke can be expected to argue that because of the very high unemployment in the constituency the closures should be postponed and that in any case they are due to the reduction in BS's loss limit from £25m last year to £10m this year.

POINTS TO MAKE

- (i) Tyne Shiprepair has been lossmaking every year since Vesting Day and losses increased from £5.3m in 1980/81 to £7.9m last year. BS regard these losses as unacceptably high.
- (ii) There have been numerous causes of complaint by private sector shiprepairers that BS has been taking business at a loss and competing unfairly. Practically all these complaints on investigation were about contracts taken by the Tyne Shiprepair Group. It is difficult to judge whether a particular price is unfair because shiprepair consists of one off jobs. But the strongest evidence is the very high rate of loss at Tyne Shiprepair which no private



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company could sustain for a year.

- (iii) Keeping open the over capacity in BS shiprepair would therefore be only too likely to damage private sector shiprepair companies and this point was recognised by the Industry and Trade Select Committee's first Report on British Shipbuilders early this year who stated that "they would wish to see the clearest evidence within the next year that BS have started to carry out their Chairman's intention of closing, selling or getting rid of any company which continues to show no sign of viability. Meanwhile tendering at below cost should cease."
- (iv) This Government has endeavoured to help the shiprepair industry. In 1979 this Government extended the Home Credit Scheme for UK owners to cover conversions on ships costing over £1m. On Monday the Minister of State announced that credit on conversions for UK owners would be increased from 5 years to 8½ years.
- (v) Substantial aid is going to Tyneside, apart from the very substantial support to shipbuilding, the Government has provided £58m to Tyneside in Regional Development Grants and offers of Selective Financial Assistance - indeed the latter is estimated to have safeguarded around 9000 jobs and directly created about 3000 jobs.
- (vi) As part of our policy of concentrating assistance on areas of greatest need the Government is on 1 August reducing the coverage of assisted areas from nearly a half of the population to just over a quarter and this will naturally enhance the attractions of Special



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Development Areas such as Tyneside and South Shields.

DEFENSIVE

HOW CAN BS CONTRACT THEIR SHIPREPAIR ACTIVITIES WHEN THEY HAVE A STATUTORY DUTY TO HAVE FULL REGARD TO THE REQUIREMENTS OF NATIONAL DEFENCE IN ALL THEIR ACTIVITIES?

BS of course consulted the Government whether there are Defence implications in their restructuring plans for shiprepair but there is ample capacity in shiprepair taking account of capacity in the Royal Dockyards and indeed Chatham Dockyard has to go because there is surplus Royal Dockyard capacity.

ARE BS WILLING TO SELL THE YARDS TO PRIVATE SHIPREPAIR COMPANIES?

The Government position is that if the private sector is willing to take on any of these facilities, they would be most welcome. It is the employment which would be offered that is important and the Government would certainly be prepared to talk to British Shipbuilders if they need any persuasion to be willing to sell. However the position is that so far it is too early to tell whether the private sector is going to be seriously interested.



PRIME MINISTER AND MR LAMONT'S MEETING WITH DR DAVID CLARK MP
29 JULY 1982

Supplementary Note re Naval Orders

Background

The "Queen Elizabeth 2" and "Canberra" are being reconditioned at Vospers, Southampton. Navy Department are negotiating in respect of other vessels, taking account of their owners' wishes. Tyne Shiprepairers will probably get some work but it will be too little and temporary to have any significance for BS's decision.

Line to Take

Work on repairing vessels from the South Atlantic could only have, at most, a very short term effect. It could not justify any reversal of BS's decision.



THURSDAY, JULY 15, 1982

BS SHIPREPAIR RESTRUCTURING

British Shipbuilders announced today that, as a result of appalling market conditions and consequential adverse financial performance in the Shiprepair sector, they are restructuring shiprepair companies on the Tyne, Tees and at Grangemouth.

British Shipbuilders has made strenuous efforts to achieve financial viability overall and its performance has improved dramatically with losses being reduced from £108 million in the first year of operation to a limit for the current year of £10 million.

Considerable success has been achieved throughout the Corporation, but shiprepair remains a difficult area. This is caused by the worldwide recession which has affected shipping, which in turn means that there is only limited, and highly competitive shiprepairing business available. This is a problem common to the industry worldwide, but particularly in Western Europe.

However, in certain areas of the UK there are additional problems such as the geographical location of some repair facilities in rivers or estuaries where the traditional shipping trade has been reduced, thus limiting the possibilities of voyage repairs, etc..

For further information:

*Benton House, 136, Sandyford Road, Newcastle upon Tyne, NE2 1QE Tel: Newcastle upon Tyne (0632) 326772
197, Knightsbridge, London SW7 1RB Tel: 01-581 1393*

Because of all these factors, the Shiprepair Division has been sustaining heavy losses, of more than £1 million per month in recent times. Clearly figures of this order threaten the objective of achieving viability, and would undermine other parts of the industry.

The action now being taken is intended to correct the situation taking into account the adjustments needed to cover the long-term effects of the changes in the market and to match the repair facilities offered by British Shipbuilders to the requirements of the shipping industry.

In this way, shiprepair will continue to provide services and facilities competitive with other parts of Western Europe and offer a long-term future for the companies and security for their employees.

Regrettably, the changes now being introduced could involve a total of more than 1,500 employees at the yards affected. Every effort will be made to minimise the effect on individuals and, in the first instance, the Corporation will so far as possible offer transfer and voluntary redundancy where appropriate.

Following meetings with the Shipbuilding Negotiating Committee of the Confederation of Shipbuilding and Engineering Unions, and discussions which will now take place at yard level, the situation will be kept under close review during the next three months.

It should be stated that British Shipbuilders firmly intends to remain in the shiprepair business, in accordance with its statutory duties under the Aircraft and Shipbuilding Industries Act 1977.

The detailed changes are :

Vosper Shiprepairs Ltd., Southampton : No change in labour force but continued urgent efforts to reduce overheads.

Falmouth Shiprepair Ltd. Falmouth : No change.

Grangemouth Dockyard Ltd. Grangemouth: Labour force to be reduced by 40 to 95.

Smith's Dock Ltd. Middlesbrough : This company is principally in shipbuilding and this will remain unchanged, but it will cease shiprepairing, and about 100 employees could be affected.

Tyne Shiprepair Ltd. : Shiprepair to be concentrated on North Bank of River Tyne in Wallsend Dry Docks. Labour force could be reduced by 1,400 together with other urgent efforts to reduce overheads.

ends.



THE PRIME MINISTER'S MEETING WITH DR DAVID CLARKE MP 29 JULY 1982

BRIEF ON REGIONAL INDUSTRIAL POLICY

Dr Clarke's constituency (South Shields) lies in the South Tyne Travel-to-Work-Area (TTWA) which is, and will remain after the changes in Assisted Areas (AAs) to be implemented on 1 August, a Special Development Area - the highest category of Assisted Area. The boundaries of the constituency virtually match those of the South Shields Employment Office Area (EOA) which is in the South Tyne TTWA.

2	UNEMPLOYMENT	1979 %	1981 %	July 1982 Nos	1982 %	July 1982 (P) %
	South Tyne TTWA	10.7	17.1	33,890	18.7	19.6
	South Shields EOA (Nos only: no rates quoted for areas smaller than TTWAs)			8,118		8,852
	All SDAs	10.2	16.5		18.1	Not Available
	GB	5.6	11.1		12.6	13.2

3 GOVERNMENT ASSISTANCE TO SOUTH SHIELDS EOA

(i) REGIONAL DEVELOPMENT GRANTS (£'000) (Estimates)

1979/80	1980/81	1981/82	Total
960	400	310	1670

(Note: Only details of payments over £25,000 are recorded at EOA level but figures above include an estimate of smaller payments)

(ii) SELECTIVE FINANCIAL ASSISTANCE (INDUSTRY ACT 1972 SECTION 7)

Since May 1979 there has been one offer of Selective Financial Assistance of £52,500 creating 35 new jobs.

(iii) NATIONAL SELECTIVE ASSISTANCE (INDUSTRY ACT 1972 SECTION 8)

Since May 1979 there has been one minor offer of Section 8 assistance worth £175.

4 GOOD NEWS - at ANNEX 1.

5 BAD NEWS/REDUNDANCIES - at ANNEX 2.



NORTHERN REGION

6 After 31 July some 88% of the working population of the Northern Region will remain in AAs: only Wales (94%) will have a higher percentage of the working population in AAs.

7 In terms of Regional Aid per head of the working population the Northern Region received more than any other region in 1979/80 and was second to Wales in 1980/81 and 1981/82. The figures are:

	1979/80	1980/81	1981/82	
North	£47.9	£47.1	£58	(est)
Wales	£36.1	£61.5	£72.3	
Scotland	£23.6	£35.1	£45.7	

LINE TO TAKE

The Prime Minister may care to say that Dr Clarke's constituency, within the South Tyne Travel-to-Work-Area, is in a Special Development Area and industry there is thus eligible for the full range of regional aid at maximum levels. Special Development Area status is the highest category of Assisted Area status which will be enhanced from 1 August when the coverage of the Assisted Areas is reduced from nearly half the working population of the country to just over one quarter.

RPDG1a
DoI
July 1982



GOOD NEWS

Two principal companies provide the good news for the South Tyne TTWA as a whole; they are not in Dr Clarke's constituency but that area may receive some benefit.

(i) NEI -

- a) £60million contract for Power Station for Metals and Ferro Alloys of India (Reynolds, Hebburn in S Tyne will benefit) Dec 1981.
- b) £250million contract for Power Station for Rihand, India, announced in May 1982. (NEI plants in both North and South Tyne will benefit.)
- c) The introduction of a new Robotic Welding Line at NEI, Power Engineering, Gateshead which the Prime Minister visited in March, has created 100 new jobs. (But, note that NEI Clarke Chapman, Marine Engineering, Gateshead lost 98 jobs in April.)

(ii) Reid Furniture Ltd Team Valley, Gateshead

30,000sq ft extension to its factory will come into use in September 1982 - 80 new jobs.



BAD NEWS/REDUNDANCIES

A WITHIN DR CLARKE'S CONSTITUENCY

Mary Harris (Women's clothing)	147	May
CW Taylor Foundry	60	July
Crompton Parkinson (Batteries and Battery making equipment)	70	July-September

B WITHIN THE SOUTH TYNE TTWA

NCB (Boldon Colliery)	600	April-October
Marconi Radar (Felling)	290	April
Filtrona (Filter tip manufacturers, Jarrow and Hebburn)	194	May-August
Dunlop (Hydraulic hoses, Gateshead)	180	May
NEI Clarke Chapman (Marine Engineers, Gateshead)	98	April
Baker Perkins (Plant and machinery, Jarrow)	66	May-July



28th July 1982

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Dear Prime Minister,

Meeting: Thursday 29th July at 15.45 hrs.

I thought it might be helpful if I gave you advance notice of a request I shall be making to you at the above meeting.

Eight warships were damaged during the Falklands War. Six of these are:-

HMS Glasgow
HMS Argonaut
HMS Arrow
HMS Glamorgan
HMS Plymouth
HMS Brilliant
+ 2 Others.

Clearly all these ships cannot be repaired quickly in the Naval Dockyards and therefore it would be helpful if one of these could be allocated to a South Shields yard which have a good record of Naval work.

Yours sincerely,

Dr David Clark MP.

NOTES FOR MEETING BETWEEN THE PRIME MINISTER AND
AND DR DAVID CLARK MP SOUTH SHIELDS ON THURSDAY
29TH JULY 1982 AT 15.45 hrs.

SOUTH SHIELDS.

UNEMPLOYMENT FIGURES.

JULY 1982.

SOUTH SHIELDS					
MALE		FEMALE		BOTH	
NO	%	NO	%	NO	%
6,263	28.9	2,589	16.3	8,852	23.6

Unfilled Vacancies			
	EO	CO	BOTH
SOUTH SHIELDS	115	15	130

MALE UNEMPLOYMENT IN SOUTH SHIELDS WILL EXCEED 40% IF CLOSURES EFFECTED.

CALCULATION.

TOTAL MEN IN, OR SEEKING WORK IN SOUTH SHIELDS.....21682

MEN UNEMPLOYED CURRENTLY IN SOUTH SHIELDS..... 6263 (28.9%).

THUS EACH 1000 MEN REPRESENTS APPROXIMATELY 5% OF TOTAL.

IT IS ESTIMATED THAT OVER 2000 MEN WILL BE MADE REDUNDANT (BOTH IN AND OUTSIDE THE SHIPYARDS) IF BS'S PLANS GO AHEAD.

THEREFORE 10% IS ADDED TO THE CURRENT FIGURE OF 28.9%.

SOUTH SHIELDS

DURATION OF UNEMPLOYMENT

APRIL 1982

Age and Duration Summary JAN 82 E O data UNEMPLOYED OVER 6 MONTHS

Males	%-age	Females	%-age	Total	%-age	(AOA) Name
3039	52.97	905	53.90	3944	53.18	SOUTH SHIELDS

Age and Duration Summary JAN 82 All data UNEMPLOYED OVER 12 MONTHS

Males	%-age	Females	%-age	Total	%-age	(AOA) Name
2020	33.66	499	25.58	2519	31.67	SOUTH SHIELDS

INCREASE IN UNEMPLOYMENT

MAY 1979

Men 3646 (15.7%)

Total 4964 (12.8%)

JULY 1982

Men 6263 (28.9%)

Total 8852 (23.6%)

1. The Facts

Shiprepairing in the local economy

- 1.1 The economy of South Tyneside has long been dominated by the traditional industries of shipbuilding and repairing, mining and heavy metal manufacture, which in 1961 accounted for 26% of the Borough's employment. The area was therefore particularly vulnerable to industrial decline. By 1978, when the Borough's total employment had fallen to just under 59,000, the proportion in these industries had fallen to 18%. The number employed in Shipbuilding and Shiprepair fell from 8,927 in 1961 to 5,647 in 1978 (see Table 1, in the Appendix).
- 1.2 The vast majority of these work either in the Hebburn shipbuilding dock of the British Shipbuilders company Swan Hunters or in Tyne Shiprepair. Current employment in the latter is as follows:
- | | |
|-----------------------------------|-------|
| Brigham and Cowan, South Shields) | |
| Middle Docks, South Shields) | 1,326 |
| Readheads, South Shields) | |
| Mercantile Dry Dock, Jarrow) | |
| Wallsend Dry Dock | 718 |
- + 348 members of staff shared between these docks, but at present mainly located in the Tyne Shiprepair headquarters in South Shields.
- 1.3 Around 1,600 people are therefore employed by Tyne Shiprepair Ltd in South Tyneside, mostly in South Shields.
- 1.4 The overall significance of shiprepairing to South Tyneside, and particularly to South Shields, is much wider than this. A study carried out by the Borough Council in 1979 estimated that for every job in the Borough's shipyards there were two further dependent jobs in directly related manufacturing industries or in general service industries. Moreover South Shields' whole traditional character and raison d'etre as a maritime centre would be severely eroded by the loss of the ship-repair yards. Many retail, commercial and leisure businesses also rely heavily upon the needs of the crews whose ships are docked in the repair yards.