



10 DOWNING STREET

THE PRIME MINISTER

10 August 1982

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Dear Mr. Clark,

At our meeting on 30 July on the BS plans for closure of shiprepair yards at South Shields, you suggested that if one of the warships damaged in the Falklands could be allocated to Tyne Shiprepair this would save one of the yards on the south side of the river.

The Board Member for shiprepair at British Shipbuilders has told the Department of Industry that, while BS would naturally very much welcome a major warship repair task, this would only postpone for a short time the closure of a yard on the south bank of the river. It would not save it. BS's decision to close was only taken after a most thorough review, including market prospects, which are very poor. As you know, Tyne Shiprepair Ltd. has been making substantial losses now for a number of years, and we have had numerous complaints from the private sector that the company has been undermining private sector shiprepair jobs by taking work at a loss.

I have, however, looked very closely at whether repairs on warships could be given to Tyne Shiprepair Ltd. But I am sorry to say that we cannot offer help through this route. Repairs are already in hand at the Royal Dockyards on seven of the eight warships damaged in the Falklands. The eighth warship, HMS ARROW, which is on her way back from the South Atlantic, will be going to Devonport at the end of August for

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a normal programmed refit and repairs will now be done at the same time. The Royal Dockyards are able to cope expeditiously with this work in addition to their normal programme because of the decision last year to abandon major mid-life refits. The loss of four warships in the Falklands has also reduced the workload for the Royal Dockyards. Repairs on the first damaged warship to return home, HMS GLASGOW, are already nearly complete.

You will see from this that repairs on the damaged warships are not causing loading problems for the dockyards. It is the long established policy of the Ministry of Defence to repair and refit warships at the Royal Dockyards. We also have to take into account that it is normal practice for warships to be repaired whenever possible at the Royal Dockyard at their home port, where the crews have their homes and families.

I appreciate very much the further problems at South Shields which will result from these closures. We will do our utmost to attract new jobs. The European Commission, at our request, has recently designated the Tyne and Wear Metropolitan County as a Special Programme Area under the European Regional Development Fund non-quota section Shipbuilding Programme. Assistance under this scheme will be available for small and medium sized enterprises. We have also retained Special Development Area status for South Tyneside, and the reduction from the beginning of this month in the total coverage of the Assisted Areas from nearly half the working population to just over one quarter should enhance its attractiveness, particularly for the newer industries.

Yours sincerely

Raymond Fletcher

Dr. David Clark, MP.



10 DOWNING STREET

Prime Minister

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Here is a letter to David Clark following up his last closure meeting. It will be a disappointment to him. But you will see that British Shipbuilders do not think that even his suggestion would have saved ~~Tyne~~ Shiprepair Ltd from closure. The group has made a loss every year since its formation.

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CONFIDENTIAL



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123 VICTORIA STREET  
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From the  
Minister of State  
PS/Norman Lamont MP

W Rickett Esq  
Private Secretary to the  
Prime Minister  
10 Downing St  
Whitehall  
London SW1

6 August 1982

*Dear Willie* *or type* *W.R.*

Thank you for your letter of 30 July recording the Prime Minister's meeting with Dr David Clark MP on the closure of three BS shiprepair establishments at South Shields. I enclose a draft letter for the Prime Minister to send to Mr Clark which includes a contribution from the Ministry of Defence. We have also inquired of British Shipbuilders whether the statements attributed by Mr Clark to a senior executive at BS HQ might be correct. The Board Member for Shiprepair had no knowledge of these conversations with Dr Clark but he thought that it could be possible that one of the shiprepair executives might have spoken along the lines indicated by Dr Clark. The passage in the draft setting out BS's views has been cleared with him.

My Minister's letter of 4 August to the Prime Minister on John Corrie's complaint on unfair competition from BS sets out the general background to these closures, and I attach a copy for ease of reference.

I regret that there is really no positive good news for South Shields which can be used to offset the disappointment which Dr Clark will feel when he is told that we cannot help through the allocation of work on warships.

Copies of this letter and enclosure go to J Ridley (Ministry of Defence) and Helen Ghosh (Department of the Environment).

*Yours,*  
*John Alty*

JOHN ALTY  
Private Secretary

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From the  
Minister of State  
Norman Lamont MP

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing St  
London SW1

*Dear Prime Minister*

Thank you for your letter of 19 July about the shiprepair case which John Corrie wrote to you about.

Unfortunately British Shipbuilders cannot identify the particular case despite having gone through all their shiprepair contracts for this year. They will look into the matter further if John Corrie is able to give more details. However all our experience is that allegations of unfair competition are very difficult to prove through individual cases because it is almost impossible to be sure that quotations are on a comparable basis. Shiprepair work consists of one-off jobs difficult to specify precisely, and shiprepairers in preparing their quotations make varying allowance for work not foreseen at the commencement of contract and later additions to the contract at the request of the shipowner. As an example of the difficulty in making comparisons, the Shipbuilders and Shiprepairers Independent Association, which represents the private sector, earlier this year sent to the Commission complaints about unfair competition from BS which the Commission did not uphold.

But despite the Commission's findings it is quite clear to me from BS's heavy losses on shiprepair that they must have been making losses on individual contracts even though the Corporation has assured me that their normal pricing policy on shiprepair is to achieve at least breakeven with full recovery of overheads. I have stressed the Government's strong concern for the private sector and Mr Atkinson has assured us he regards the losses in BS's shiprepair activities as unacceptable and intends to rectify the situation.

It is as a result of continual pressure from the Government that Mr Atkinson announced on 14 July a very substantial cutback in shiprepair activity. (This should not be disclosed to John Corrie as it must be presented as BS's own decision.) The cutback principally affects Tyne Shiprepair where up to 1,400 jobs could be lost from the rationalisation of BS's activities on one side of the river. I should say that virtually all the complaints of

PS/SOS  
PS/M Butler  
Mr Manzie  
Mr Russell  
Mr Beale  
(on file)

CORRES COPY

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4 August 1982



unfair competition have related to work taken by Tyne shiprepair. The redundancies will be difficult and controversial to carry out in an area which already has high unemployment, as you will recall from our conversation with David Clark MP on this very problem. However BS are determined to implement this policy and according to Mr Atkinson it will go a considerable way towards restoring viability to BS shiprepair division. Profitability in the division would help both to ensure and demonstrate fair competition.

I am very conscious of the very real anxieties of private sector shiprepairers about BS losses in this area, and I can assure you that I shall continue to monitor very closely BS performance on shiprepair. We have monitoring information from BS quarterly and I have asked Mr Atkinson to let me have profit and loss shiprepair figures monthly in addition. He is in no doubt whatsoever that because of the private sector allegations of unfair competition we are scrutinising this area of BS activities with the greatest care.

*Yours  
Norman*

NORMAN LAMONT



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO DR DAVID CLARK MP

At our meeting on 30 July on the BS plans for closure of shiprepair yards at South Shields you suggested that if one of the warships damaged in the Falklands could be allocated to Tyne Shiprepair this would save one of the yards on the south side of the river.

The Board Member for shiprepair at British Shipbuilders has told the Department of Industry that while BS would naturally very much welcome a major warship repair task this would only postpone for a short time the closure of a yard on the south bank of the river. <sup>It would</sup> ~~not~~ save it. BS's decision to close was only taken after a most thorough review including market prospects, which are very poor. As you know Tyne Shiprepair Ltd has been making substantial losses now for a number of years, and ~~indeed~~ we have had numerous complaints from the private sector that the company by taking work at a loss has been undermining private sector shiprepair jobs.

<sup>However</sup> Nevertheless I have looked very closely at whether repairs on warships could be given to Tyne Shiprepair Ltd, but I am sorry to say that we cannot offer help through this route. Repairs are already in hand at the Royal Dockyards on seven of the eight warships damaged in the Falklands. The eighth warship, HMS Arrow, which is on her way back from the South Atlantic, will be



going to Devonport at the end of August for a normal programmed refit and repairs will now be done at the same time. The Royal Dockyards are able to cope expeditiously with this work in addition to their normal programme because of the decision last year to abandon major mid-life refits. The loss of four warships in the Falklands has also reduced the workload for the Royal Dockyards. Repairs on the first damaged warship to return home, HMS Glasgow, are already nearly complete.

You will see from this that repairs on the damaged warships are not causing loading problems for the dockyards. It is the long established policy of the Ministry of Defence to repair and refit warships at the Royal Dockyards. We also have to take into account that it is normal practice for warships ~~wherever possible~~ to be repaired <sup>wherever possible</sup> at the royal dockyard at their home port, where the crews have their homes and families.

I appreciate very much the further problems at South Shields which will result from these closures. We will do our utmost to attract new jobs. The European <sup>a</sup> Commission, at ~~the Government's~~ <sup>our</sup> request, has recently designated the Tyne and Wear Metropolitan County as a Special Programme Area under the European Regional Development Fund non-quota section Shipbuilding Programme, and Assistance under this scheme will be available for small and medium sized enterprises. We have also retained Special Development Area status for South Tyneside, and the reduction





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