

SUBJECT

cc Murray

RECORD OF A MEETING HELD AT 10 DOWNING STREET AT 1145 HOURS ON
TUESDAY 27 JULY 1982

Present:	Prime Minister	Mr. David Lea
	Secretary of State for Industry	Mr. Terry Duffy
	Mr. Brian Mower	Mr. Bill Sirs
		Mr. Alex Ferry
		Mr. T. Christopher
		Mr. K. Gill
		Mr. T. Crispin
		Mr. D. Delay
		Mr. D. Thomas
		Mr. B. Barber

ATLANTIC CONVEYOR "REPLACEMENT"

Mr. David Lea thanked the Prime Minister for seeing a delegation from the TUC, and offered the apologies of Mr. Len Murray, who was involved in an uncancelable engagement elsewhere in the country. Mr. Lea said that the TUC had had a meeting with Lord Matthews of Cunard, with the object of persuading Cunard to place the order for this new merchant ship with British Shipbuilders. They had now sought the present meeting with the Prime Minister because they believed that the Government, too, had a responsibility in this regard. It would be a disgrace if this order went outside the UK, given that the ship was to be a replacement for the Atlantic Conveyor, and given the circumstances surrounding the demise of the Atlantic Conveyor. If the order went to the Far East the TUC would campaign around the UK to get this decision reversed. The British people would not understand an order being placed outside Britain.

Mr. Sirs said that he was shocked at the decision which appeared to have been taken at an earlier stage to place the order outside the UK. The Government seemed to be standing to one side. This was a big let down after the Falklands campaign. Our Forces had fought well in the campaign, and could not have believed that their success would be followed by a surrender of British jobs. The Government

/ should insist

should insist on the order being placed here. He and his members were proud of the Falklands campaign, and it would be very regrettable if a sourness should enter at this stage. The Prime Minister had a large influence in these matters, and he hoped she would use it.

Mr. Ferry thanked the Prime Minister for seeing the TUC. He said that it would be a betrayal of British interests if this order were placed outside the UK. He did not propose to discuss differences in price between British Shipbuilders and their overseas competitors, since price and competitiveness had nothing to do with the matter: the Japanese and Korean prices were artificial; they amounted to only the material cost in the British Shipbuilders quotation. Mr. Ferry said that British Shipbuilders and the unions concerned were doing all they could to retain a shipbuilding base in this country. British Shipbuilders' losses were down from £100m to around £19m, their productivity was up 15%, and the industry had been largely restructured. Mr. Ferry said that their members had responded superbly to the demands of the Falklands operation. Swan Hunter, who were most likely to get an Atlantic Conveyor replacement order placed in the UK, had done eight weeks work in six to finish HMS Illustrious ahead of time. If the order were placed outside the UK there would be a further 1,000 redundancies on top of 1,400 already in the pipeline for the Tyne. Some package must be got together to keep the order in the UK. It was particularly offensive that Cunard should be contemplating offering the order to a country which, during the Falklands crisis, either abstained or voted against us in the United Nations. Mr. Ferry said that they had received more correspondence from individuals on this issue than on any other subject. They were determined to campaign very vigorously to achieve their objective of keeping the order in Britain.

The Prime Minister said that the Government wanted as much as the TUC did that this merchant ship should be built in the UK. If the Government had not taken this view the order would already have been placed elsewhere. The Government was currently engaged in trying to put together a package to that end. But help was needed from all those involved. Could the union side put British Shipbuilders

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in a position to quote a nearer delivery date? Or to reduce their price through lower costs? This was not simply a point for the ship-building unions but also for the steel unions and the others involved. The Prime Minister said that the Government's wish to see the ship built in this country could not lead it to a commitment to subsidise the whole of the gap between British Shipbuilders and its competitors' price, whatever that gap might be. A 30% subsidy of British Shipbuilders' contract price had already been offered. What was needed was a concerted effort on all sides, of the kind which had been seen in mobilising for the Falklands campaign.

Several of the Union side said that Lord Matthews had not, in their meeting with him, made much of the delivery date. The Prime Minister pointed out that the Korean delivery date was much more favourable than that which had been offered by British Shipbuilders. Mr. Ferry said that the unions would do all they could to ensure that the ship was delivered on time. Mr. Sirs said that the steel for the ship would be provided as quickly as possible. The price had already been shaved to the bone. The Prime Minister referred to four recent ship orders which had come to the UK, partly as a result of efforts from Downing Street. She referred, too, to the Polish ships order and said that, as she understood it, not one of the Polish ships had been delivered on time. It would be essential for the unions to undertake to reduce British Shipbuilders' costs and to tighten up the delivery schedule. The gap between the British Shipbuilders' price [redacted] (a price which took account of a 30% Government subsidy) and the Korean price [redacted] was very large indeed. Nevertheless, she shared the opinions which the TUC had expressed that this order must come to British Shipbuilders. This was a deeply instinctive view. On this, the TUC were preaching to the converted. Nonetheless, the gap must be reduced; if it were not we would be advertising our inefficiency to the world.

Mr. Duffy said that the employers, the Government and the unions all had the same objective. The Government should announce that it had taken a decision that this ship would be built in the UK. There should be no conditionality about this. Mr. Christopher said that

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too much should not be made about the need to reduce British Shipbuilders' costs. If British Shipbuilders were to build the ship at a Far Eastern price, its workforce would need to work for no pay at all. The Prime Minister commented that this argued for cost savings in British Shipbuilders' suppliers. The Government accepted that some subsidy was necessary, in the face of subsidised overseas competitors, for British shipbuilding. She pointed out that, in addition to the 30% subsidy already conceded, the Government was looking, as had been reported in the press that morning, at other ways of financing this ship. Mr. Gill said that we could compete with the Koreans only if our workforce were made to accept a Korean standard of living. Cunard's stance in the matter was that they were simply taking the Government's advice to act in a commercial way. The Prime Minister said that a move by Cunard was an essential part of the package. They too, would have to do all they could to achieve the common desired end. The issue was one of patriotism. Mr. Duffy said that the unions believed that the Prime Minister had very considerable influence with Cunard. The Prime Minister reiterated that efforts would be required on all sides. Mr. Duffy said that the unions would, as a matter of honour, bend all their efforts on the delivery schedule for the ship. They had given the Prime Minister a pledge on this. They had the impression that they were pushing at an open door so far as the Government was concerned.

Mr. Lea said that the TUC believed that if the order went outside the UK it would be wrong to lay the responsibility for this at the door of shipyard workers. The Prime Minister said she was not contemplating that the order would go outside the UK. She asked the unions to look at ways of reducing British Shipbuilders' costs yet again. There would be further discussions with Lord Matthews and with British Shipbuilders. She was always ready to see the TUC, on this, and on other matters.

MCS

28 July 1982



BK

10 DOWNING STREET

From the Private Secretary

23 July 1982

Dear Caroline,

ATLANTIC CONVEYOR "REPLACEMENT":
MEETING WITH THE TUC

I enclose a copy of a record of the Prime Minister's meeting yesterday with the delegation from the TUC about Cunard's order for a new merchant ship.

I am sending copies of this letter to John Kerr (HM Treasury), John Rhodes (Department of Trade), Barnaby Shaw (Department of Employment), Nick Evans (Ministry of Defence), John Alty (Department of Industry), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,

Michael Scholar

Ms. Caroline Varley,
Department of Industry