



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 5902  
SWITCHBOARD 01-212 7676

From the  
Minister of State  
Norman Lamont MP

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

4 August 1982

*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



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

Lamont

(D.T.)

19th July 1982

John Corrie has sent on to me your letter to him dated 28th June, together with the letter from his constituent, Mr Keith Murray.

I have also seen Ian Gow's letter to you dated 6th May, and a copy of your reply to him dated 28th May.

Have you yet heard from British Ship Builders, as envisaged in the 2nd sentence of the 2nd paragraph of your letter to John Corrie?

You will understand my concern about this.

Norman Lamont Esq MP



10 DOWNING STREET

THE PRIME MINISTER

cc. *Timmer/Scholar.*  
*BF Mrs or*  
*WM To see.*  
*Me*

*CF/ who produced the*  
*draft for this letter?*  
*Whose idea was it?*

9th August 1982

*MCS 6/9*

British Shipbuilders - Ship Repairing

Thank you for your letter of 4th August.

I am glad to know that you are very fully aware of the deep interests of private sector ship repairers, and that you have now asked Mr Atkinson to let you have profit and loss ship repair figures each month.

Because of the great concern among our own backbenchers about this, would you please send a copy of these monthly figures to me, together with your own comments upon them?

Norman Lamont Esq MP



Prime Minister (2)

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From the  
Minister of State  
Norman Lamont MP

Do you wish to  
see these monthly  
reports?  
MUS 15/10

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

X This is a  
constant charge.  
You will  
remember they  
said they  
couldn't - and  
we won't -

13 October 1982

Dear Prime Minister

You asked me in your letter of 9 August to send you BS monthly profit and loss figures for shiprepair each month.

The position is as follows:

<u>Loss for August</u>	<u>Loss April-August</u>	<u>Forecast loss to end of year</u>
£598,000	£4.2 million	£6.2 million

accordingly,  
Please follow  
with  
Norman  
Lamont  
MP.

The losses principally result from the position at Tyne Shiprepair and illustrate the reason why BS under pressure from us decided that a drastic cut back was necessary. You will recall from your meeting with Dr Clark the controversy that the announcement of BS's plans caused in an area which has been particularly hard hit by closures. Nevertheless BS are pressing ahead with 1,400 redundancies and about 1,000 men have already gone. BS after consultation with the unions have decided to retain one shiprepair yard at South Shields but Mr Atkinson has assured me that he expects that this can be made profitable once the restructuring exercise has been completed. We cannot expect while restructuring is going on that Tyne Shiprepair should make a dramatic recovery and traditionally the winter months in shiprepair are the most difficult. This is reflected in the overall loss forecast for the year. I shall be keeping a close watch for any divergence.

If the restructuring at Tyne Shiprepair is successful BS would expect that the shiprepair division as a whole will be running at a profit by the end of the year. The rest of the division in aggregate are now forecasting a profit for the year. The refits to the QE2 and the Canberra after their service in the South Atlantic have made a useful contribution.

COMMERCIAL IN CONFIDENCE



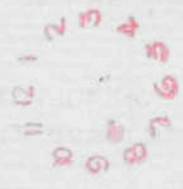
I have recently reminded Mr Atkinson very firmly again that the private shiprepair sector must not have grounds for complaint about BS's pricing policies, and he has assured me that this will be the case.

BS have taken some time to produce this first report. They have however undertaken to let me have future reports four weeks after the end of the month.

*Yours in*  
*Norman*

NORMAN LAMONT

3 OCT 1982



CONGRUENCE



file re: L. Gow

10 DOWNING STREET

*From the Private Secretary*

19 October 1982

The Prime Minister was grateful for your Minister's letter of 13 October which gave the BS monthly profit and loss figures for shiprepair.

The Prime Minister was astonished to read that BS, after consultation with the unions, have decided to retain one shiprepair yard at South Shields. She has commented that this is a complete change of course, and that in her meetings with Dr. David Clark she had said, on advice, that it would be impossible to retain this yard; and that she wrote in these terms to Dr. Clark.

I would be grateful if you could let me have a note on the reasons for this change of course.

M. C. SCHOLAR

John Alty, Esq.,  
Department of Industry





Prime Minister

MUS 10/12

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From the  
Minister of State  
Norman Lamont MP

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

9 December 1982

Dear Prime Minister

I have now seen British Shipbuilders figures on shiprepairing losses for the period from 24 September to 22 October. The position is:

Loss for Period 7	Year to Date	Forecast loss to end of year
£789,000	<u>£5.6 million</u>	£7.050 million
(Period 6 £549,000)		(Previous forecast £6.2 million)

The deterioration in performance on the trading loss is due to the severity of the present recession in shiprepair. I referred to some of the worldwide consequences of this in my last report; even the Far East is now affected. British Shipbuilders' problems are however to a large extent concentrated at Tyne Shiprepair Company which is still seriously short of work though its restructuring programme is now virtually complete. Only 159 of the 1,400 redundancies have still to be secured.

I have arranged to meet the Chairman of BS tomorrow to discuss the situation and the interest being shown by a number of enquirers in purchasing some BS shiprepair yards which have closed on the Tyne. This interest could lead to some more employment in the area. BS may argue that added competition could mean that their losses might increase. But we shall be maintaining a tight EFL and this extra competition would, in my view, increase the pressure on them either to improve efficiency or to contract further.

NORMAN LAMONT

*Yours*  
*Norman*



Prime Minister

MUS 10/12

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NORMAN LAMONT

*Yours*  
*Norman*

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From the  
Minister of State  
Norman Lamont MP

*Prime Minister*

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London  
SW1A 2AA

*MA*

7 January 1983

*wh*  
*12/1*

*Dear Prime Minister*

I have now seen British Shipbuilders' figures on shiprepairing losses for the period from 23 October to 19 November. The position is:

<u>Loss for Period</u>	<u>Year to Date</u>	<u>Forecast Loss to end of year</u>
<u>Period 8</u>		
£212,000	£5.8 million	£7.05 million
<u>Previous Period</u>		
£789,000		

The improvement in period 8 largely reflects a better month at Tyne Shiprepair Ltd following the reduction of overheads secured by the restructuring. However the shiprepair market remains very depressed and BS have advised the CSEU at national level that closure of Tyne Shiprepairers and Grangemouth Dockyard is a possibility unless there is a substantial improvement in performance and prospects. There is nothing to add to my letter of 24 December in private sector interest in BS shiprepair facilities. Discussions are still going on between the consortium and BS.

*Yours*  
*Norman*

NORMAN LAMONT

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Stamp

Confidential

CSU



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From the  
Minister of State

Norman Lamont MP

Prime Minister (2)

MUS 18/2

The Rt Hon Margeret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1

18 February 1983

Dear Prime Minister

ms

I now have British Shipbuilders' figures on shiprepairing losses for the period to 31 December 1982. The position is:

Loss for Period	Year to Date	Forecast loss to end of year
Period 9 £328,000	<u>£6.1 million</u>	<u>£7.5 million</u>
Previous Period £212,000		<u>Previous Forecast</u> £7.05 million

There has been a slight worsening in Period 9 largely because Vosper did not have available passenger liner refit work.

Overall however the results now show a considerable reduction in the rate of loss which was running last year at over £500,000 a month. This is largely due to the contraction of Tyne Shiprepair. The overall trading climate though remains difficult. A further substantial reduction in the annual rate of loss seems unlikely without the closure of Tyne Shiprepair.

The negotiations with the consortium who were interested in taking over the whole of BS' shiprepair division have broken down because they did not wish to buy the loss-making yards, and BS are again considering whether to close Tyne Shiprepair. I have told them that their losses are unacceptable.

NORMAN LAMONT

*Yours*

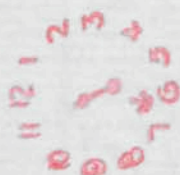
*Norman*

Next Ind.  
Shipbuilding, Pt 4

DEPARTMENT OF INDUSTRY  
LONDON & HOUSE  
15, MARK LANE, LONDON  
E.C. 3



18 FEB 1983





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From the  
Minister of State  
Norman Lamont MP

Prime Minister 2

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

11 March 1983

LM  
w/3

mb

*Saw Prime Minister*

I now have British Shipbuilders' (BS) figures on shiprepairing performance for the period to 28 January. The position is:

Trading Profit/(Loss) for Period	Loss for Year to Date	Forecast Loss to end of Year
Period 10 - <u>£170,000</u>	<u>£6.0</u> million	<u>£6.3</u> million
Previous period - (£328,000)	-	£7.5 million
<i>Period before that - £212,000</i>		<i>£7.05 million</i>

There has been a significant improvement in the trading position during Period 10 and Tyne Shiprepair made a profit for the first time this year.

With the exception of Vosper Shiprepairers who still need to find work to supplement their traditional liner refit activities, the Shiprepair Division secured a good workload with some improvement in prices. This improvement looks as if it will continue at least to the end of this financial year and BS have lowered their trading loss forecast for the year as a whole from £7.5 million to £6.3 million.

BS are not sure whether this improvement marks a lasting change of trend but if so it could help our objective of privatising the Division in 1983/84. Graham Day, the Chairman Designate, has already been informed of this objective and accepts it.

*Yours as  
Norman*

NORMAN LAMONT

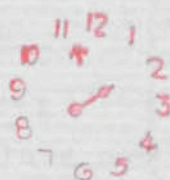
NAT END : Shipbuilding Plan

Pt 4



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1 MAR 1983



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From the  
Minister of State

Norman Lamont MP

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

*Prime Minister*

*ms 21/4*

*21* April 1983

*Dear Prime Minister*

*last figures 11/3/83*

I now have British Shipbuilders' (BS) figures on shiprepairing performance for the period to 25 February. The position is:

Trading Profit/(Loss)	Loss for year to date	Forecast loss to end of year
Period 11 (£74,000)	£6.03 million	£5.8 million
Previous Period £170,000	-	£6.3 million

Following the overall trading profit for the previous period the shiprepairing division as a whole has slipped back into a small loss for this latest period. However, within this overall picture both Tyne Shiprepair Ltd (TSL) and Falmouth Shiprepair Ltd have remained profitable on a trading basis. Vosper Shiprepairers Ltd had a poor month with a low workload, but generally the division's workload remained strong. Vosper has recently won two important contracts which give it a strong workload and BS consider its performance also should improve markedly during the next few months.

*Yours -  
Norman*

NORMAN LAMONT

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NATIONALISED INDUSTRIES: Shipbuilding

P44

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Prime Minister

(2)



DEPARTMENT OF INDUSTRY Mus 13/S  
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From the  
Minister of State  
Norman Lamont MP

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



13 May 1983

*Dear Prime Minister*

I now have British Shipbuilders' figures on shiprepairing performance for the period to 1 April and the provisional trading figures for the full financial year. The position is:

Trading Profit (Loss)	Provisional Loss for full year	Previous Forecast
Period 12 £456,000	£5.6 million	£5.8 million
Previous Period (£74,000)		

The provisional end-year figures indicate that Falmouth Shiprepair turned in the largest trading profit at £1.062 million whilst Tyne Shiprepair, although trading profitably for the last quarter, made an overall trading loss of £6.42 million. These figures are of course subject to audit and, therefore, to some revision. British Shipbuilders say that all yards in the division are expected to start the financial year with good workloads but the usual seasonable downturns may well follow in some cases.

British Shipbuilders will be reviewing the position of Tyne Shiprepair and Grangemouth at the end of June.

*Yours faithfully*  
*Norman*

NORMAN LAMONT

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DEPARTMENT OF MINISTRY  
ASHDOWN HOUSE  
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73 MAY 1983



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