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DEPARTMENT OF INDUSTRY  
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From the  
Minister of State

PS/Norman Lamont MP

Michael Scholar Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London  
SW1A 2AA

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Chairman  
Minister  
Prime Minister  
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cost of  
retaining Middle Dock  
MS 29/10*

Dear Michael

You wrote to me on 19 October to report the Prime Minister's reaction on BS' decision to retain the Middle Dock facilities at South Shields. The advice we gave to the Prime Minister for her letter of 10 August to Dr Clarke of course reflected the position as it was then.

When the Department first knew of BS' change of heart, which we too found surprising after their protracted study of the situation, my Minister took it up with Mr Atkinson.

Mr Atkinson explained that there had been no change of overall strategy. The target of an overall reduction from 2,400 to 1,000 men at the Tyne Shiprepair Group is being adhered to. But there has been a greater reduction of numbers employed on the north side to compensate for the retention of Middle Dock. BS changed their minds on the closure of Middle Dock because their shiprepair customers had made it clear to them that they liked the Middle Dock facilities. BS came to the view in the light of this customer preference that they would also gain additional flexibility if they retained these facilities. The unions also agreed on interchangeability of labour on both sides of the river.

You will recall the Prime Minister did ask Mr Lamont to explore with BS whether there was any way of lessening the impact of their intended cut-backs. As it turns out BS's decision will help slightly to alleviate the employment situation on the South side of the Tyne. In our view it was right to leave BS to exercise their commercial judgement on how and where these reductions should be reached provided there was the same overall reduction in capacity.

*Yours,  
John*

JOHN ALTY  
Private Secretary

Not. Ind. - Shipbuilding Pol. Pt. 4

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10 DOWNING STREET

From the Private Secretary

2 November 1982

Dear John,

Thank you for your letter of 28 October about British Shipbuilders' decision to retain the Middle Dock facilities at South Shields. I showed this to the Prime Minister over the weekend.

The Prime Minister minuted that we must view any advice from British Shipbuilders with the utmost scepticism; they had shown themselves to be totally unreliable. She has asked me to tell the Chairman of her views on this episode - particularly in view of the fact that British Shipbuilders' advice was given in response to a Member of Parliament's enquiry.

We have discussed this, and you have assured me your Minister will let Mr. Atkinson know the Prime Minister's views.

I enclose a copy of a letter which the Prime Minister has received from Mr. Atkinson about depreciation allowances to ship owners building new ships in the UK.

I enclose, too, a copy of the letter which I have sent to Mr. Atkinson in acknowledgement of this letter. I should be grateful if you could let me have advice on what action, if any, the Prime Minister might take, and for your comments on the British Shipbuilders' note.

Yours sincerely,

Michael Scholar

John Alty Esq  
Department of Industry.

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