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PRIME MINISTER

BRITISH SHIPBUILDERS

British Shipbuilders (BS) is facing serious difficulties. It is starting to run out of work; the Chairman, Sir Robert Atkinson, has warned the Unions that 9000 (out of a total of 65,000) jobs will be at risk if orders do not improve; and losses have begun to escalate again.

2 Sir Robert has asked for "special emergency help" for merchant shipbuilding - of the order of £150 million over the next two years - to enable BS to get more orders.

3 I originally intended that we would consider this request for help at E(NI) in July, with the Corporation's full Corporate Plan in front of us. I feel strongly that we should not be rushed into major decisions on this industry. Its track record is at best patchy; after a period when losses have been declining, it has now emerged that losses in 1982/3 for the Corporation as a whole may exceed £100 million. A large part of this is due to the mismanagement of a few large contracts. On top of this, there is now the dearth of orders, caused by the collapse of the market and fierce competition from the Far East. BS has got a lot to do to put its house in order - a point which Mr Graham Day, who takes over in September, fully recognises. We agreed at E(NI) in February (E(NI) 83 2nd Meeting) that BS should produce a realistic Corporate Plan along the lines that we laid down, and this they have been instructed to do.

4 The immediate orderbook situation is not quite as catastrophic as BS itself and the Labour Party are presenting it. BS have recently secured one major merchant ship order for Austin &

Prime Minister

Agree, subject to

colleagues, to the written answer at May A?

M/S 10/5

Yes
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cc No

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Pickersgill and have two more in the pipeline. The frigate orders for which the Secretary of State for Defence intends to invite tenders very shortly will also help. (It would clearly be helpful if this invitation to tender could be issued before Parliament is dissolved).

5 But work is running out, particularly in some of the smaller yards. Clelands (Wallsend) and Henry Robb (Leith) are both very short of work. BS have also told us that they want to close Goole Shipbuilders (Goole) in July. However, I do not expect any closure announcement to be made in the very near future.

6 We are under intense pressure both in Parliament and the country at large, to respond publicly to Sir Robert Atkinson's request for help. The fact that he has made this request is widely known. And although Norman Lamont made our position clear to the House on 19 April, when he said that we would give Sir Robert Atkinson's ideas careful and sympathetic consideration, the impression is being fostered that the delay in responding to BS's plea for help means that we are unconcerned about the industry's problems (as Michael Foot's recent letter to you shows).

7 Of course, virtually any action that we decide to take must be preceded by consultation with the EC. In advance of our consideration of BS' future later in the year, I have asked officials to undertake the groundwork for a possible approach to Brussels.

8 In the meantime, we need to respond publicly to Sir Robert's request, making two points absolutely clear.

9 First is that we are indeed greatly concerned by British Shipbuilders' problems, but we can only consider the right course of action to take against the background of a full Corporate Plan, and in the context of our international obligations.



10 I should also like to make it clear that we are prepared to make assistance available, on a case by case basis, if it is needed to secure individual orders during the period before we can consider the Corporate Plan.

11 Accordingly, I propose to make an announcement later this week by Written PQ along the lines of the attached draft. This statement has been drafted so as to minimise the risk of criticism from the European Commission.

12 I would like to know by midday on Wednesday if any colleagues are not content with this draft statement.

13 Copies go to other members of E(NI), the Foreign Secretary, the Secretary of State for Northern Ireland and Sir Robert Armstrong.

PATRICK JENKIN

(approved by the Secretary of State and signed in his absence)

10 May 1983

Department of Industry



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WHAT PROVISION IS THE GOVERNMENT MAKING TO HELP BS OBTAIN ORDERS IN CURRENT MARKET CONDITIONS?

We already provide considerable assistance. Since early 1979 British Shipbuilders has received £700 million of taxpayers' money to help meet its losses, and to restructure. This includes support through the Intervention Fund, which enables BS to quote prices which do not cover their costs. Support is also given through the Home Shipbuilding Credit Scheme, which encourages UK owners to place their orders in UK yards.

2 The Government are currently considering detailed proposals from the Chairman of BS for extra help in the light of the deterioration of the market. These will need to be considered against the background of a full business plan for the future of the Corporation, which BS are now preparing, and in the light of our international obligations. I have told Sir Robert Atkinson that in the meantime the Government will give careful consideration to specific requests for help on a case by case basis within the framework of the international rules.

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FILE

B/C Mr OWEN

RM

12 May, 1983

BRITISH SHIPBUILDERS

The Prime Minister has approved the draft statement attached to your Secretary of State's minute of 10 May.

I am sending a copy of this letter to the Private Secretaries to the other members of E(NI), Brian Fall (FCO), John Lyon (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

J. Spencer, Esq.,
Department of Industry

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Prime Minister

Now agreed.

Treasury Chambers, Parliament Street, SW1P 3AG

MUS 11/5

Rt Hon Patrick Jenkin MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1E 6RB

11 May 1983

His Secretary of State,
BRITISH SHIPBUILDERS

will yes?

I would be content with the draft statement attached to your minute to the Prime Minister of 10 April, although the promise to "consider requests for help on a case by case basis within the framework of the international rules", goes a step further than our previously agreed policy of there being no question of any special assistance until there was a fully worked-up strategy for BS's merchant yards.

We do not yet have such a strategy but I believe that there is a reasonably clear understanding of which yards are prospectively least viable. I am prepared to go along with the statement provided we adhere to our policy of not entering commitments which would prejudice eventual decisions on the most questionable yards. It would of course be helpful if Sir Robert Atkinson could be persuaded to avoid confronting the Government with propositions of this kind during the interim period before there is a clear strategy.

I am sending a copy of this letter to the Prime Minister, other members of E(NI), the Foreign Secretary, the Secretary of State for Northern Ireland and Sir Robert Armstrong.

yours sincerely
NL

for LEON BRITTAN
(approved by the Chief Secretary & signed in his absence)

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