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DEPARTMENT OF TRADE AND INDUSTRY



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From the
Minister of State
PS/Norman Lamont MP

John Kerr Esq
Private Secretary to the
Chancellor of the Exchequer
H M Treasury
Parliament St
London SW1

28 July 1983

Dear John

BRITISH SHIPBUILDERS: STATEMENT

As agreed at E(NI) this morning I attach a final draft of the statement Mr Lamont will be making this afternoon on BS.

... I am copying this to Michael Scholar, Bernard Ingham and the private secretaries to the Leader of the House, Chancellor of the Duchy of Lancaster and the Chief Whip.

Yours John Alty

JOHN ALTY
Private Secretary



STATEMENT ON BRITISH SHIPBUILDERS

Mr Speaker, with permission I will make a statement about British Shipbuilders.

As the House knows British Shipbuilders has requested special help from the government, to get orders in the recession.

We have had a number of discussions of this request with British Shipbuilders. As I told the House on 18 July, we need to have a clear strategic view of British Shipbuilders' situation. Too often in the past we have rushed into short term measures. The Chairman-Designate, Mr Graham Day, has been asked to formulate a plan for the long term future of the business.

I have told the present Chairman, Sir Robert Atkinson, that, while plans for the future of BS are being formulated, we are prepared to give consideration to specific requests for assistance on a case-by-case basis within international rules.

The Government have applied to the European Commission for approval to an interim extension for Intervention Fund support until 31 October. Present Intervention Fund arrangements expire during July.



It is, however, also apparent that, in the present market situation, the present rate of Intervention Fund support is not sufficient to secure orders for BS. The Government have therefore decided as an additional measure to have urgent talks with the European Commission, with a view to securing approval for making an increased rate of Intervention Fund support available for a temporary period.

These measures are justified by the very depressed state of the market. In 1982, world new orders fell by 20%, and BS took the lowest level of new orders that it has ever recorded.

Nonetheless, the very poor results that BS announced yesterday reflect not the current lack of orders, but losses incurred on orders in earlier years.

Of the £117 million loss announced yesterday, a substantial amount is attributable to losses on four large contracts.

This is a very disappointing set of results. The four individual contracts on which particularly large losses have been made during 1982/83 reflect very poor performance at some of the Corporation's major yards.

As I have already made clear, however, some parts of BS are profitable. The Government remains firmly committed to privatising British Shipbuilders' activities as soon as possible, and wherever possible.



The support that BS had had from the Government comes to it at the expense of other industries. BS must understand that it is operating in a fiercely competitive market, and that it cannot be insulated from this. The performance of BS, as revealed by its very poor results for 1982/83, has got to improve if the Corporation is to survive.

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