

PRIME MINISTER

Shipbuilding - EC Notification of UK Shipbuilding Aid

You have already seen Mr. Tebbit's proposals. Since then replies have come in from the Foreign Secretary and the Secretary of State for Scotland, both of whom endorse Mr. Tebbit's proposals. Lord Cockfield, however, has warned against the danger of allowing the tail to wag the dog, with notification to the Commission influencing our policy on the future of British shipbuilders.

The Chancellor has now minuted, expressing disquiet on much the same lines as yourself. Agree I minute Mr. Tebbit as follows:

- (i) expressing your concern at the delay in bringing the corporate plan for British Shipbuilders to E(NI).
- (ii) Asking that the proper sequence should be to take the fundamental policy decisions first and then to decide the subsidy levels necessary to sustain those decisions.
- (iii) Expressing concern at the tactic of bidding up in our approach to the Commission which could give the wrong signals both to the shipbuilding industry at home and to Community partners who might be encouraged to follow suit.
- (iv) Suggesting that if contact with the Commission is thought to be essential, it should be much more limited and provisional, conducted on strictly bilateral terms with no attempt to mobilise other Community countries.

I spoke to Lord Cockfield yesterday and mentioned to him that you wanted him to pay particular attention to the corporate plan and other major industrial decisions which will be coming forward to E(NI) and E(A) in the next two or three months. He suggested

/ that it would

that it would be desirable for the papers on these issues, which are often very long and complex, to be circulated with more than the minimum of one week's notice. Agree I incorporate this suggestion in the letter?

AT Yes please mb

11 January 1984

with AT R07



FWE

B/c: B. Young, P. unit

E(NI): HMT Chief Sec
DOE D. Energy
SO De. Emp
DTI CDL
D.Trans CO

10 DOWNING STREET

From the Private Secretary

12 January, 1984

BF

SHIPBUILDING - EC NOTIFICATION OF UK SHIPBUILDING AID

The Prime Minister has seen your Secretary of State's minute of 22 December and the terms of the proposed approach to the European Commission. She is concerned at the delay in bringing the corporate plan for British Shipbuilders (and that for Harland and Wolff) to E(NI). She also feels that what is being proposed represents the wrong sequence of decision taking. The correct approach is to take the fundamental decisions on the future size of merchant shipbuilding in this country first and then seek the subsidy level necessary to sustain the industry at the size decided. The Foreign and Commonwealth Secretary's minute of 5 January makes it clear that the Commission is also likely to look at the question in this way and is unlikely to take any decisions until it is clearer about the future shape of the merchant shipbuilding industry in this country.

The Prime Minister sees great dangers in the manner in which it is intended to approach the Commission. The tactic of bidding up could give the wrong signals both to the shipbuilding industry (and its unions) at home and to Community partners who might be encouraged to follow suit.

She therefore takes the view that an approach to the Commission before a decision in E(NI) is best avoided. If however your Secretary of State considers that some contact with the Commission is essential it should be much more limited and provisional, conducted on bilateral terms with no attempt to mobilise other Community countries.

The Prime Minister hopes that British Shipbuilders corporate plan will be brought to E(NI) at the earliest possible date. She has also noted that this is likely to be the first of a number of major corporate plans or industrial decisions which will come to E(NI) or EA in the next two or three months. The papers on

cu

CONFIDENTIAL

- 2 -

these issues may well be long and complex. In view of this, the Prime Minister would like them to be circulated, wherever possible, with more than the minimum of one week's notice.

I am copying this letter to the Private Secretaries to members of E(NI), and to Brian Fall (Foreign and Commonwealth Office), Derek Hill (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

(A. Turnbull)

Callum McCarthy, Esq.,
Department of Trade and Industry

CONFIDENTIAL



Chancellor of the Duchy of Lancaster

u NO
Z RPS

PRIME MINISTER

SHIPBUILDING - NOTIFICATION OF UK AID

I have only just seen a copy of Norman Tebbit's minute to you of 22 December 1983.

While I agree that in the light of the probability of protracted negotiations, we would be well advised to start now, it is equally important that we do not allow the proposals we put to the EC which no one expects to be accepted as they stand, unduly to influence the decisions we ourselves take about the future of British Shipbuilders.

I am copying this minute to the other members of E(NI) and to Sir Robert Armstrong.

A.C.

A C

9 January 1984

NAT IND : Shipbuilding
Pt 5

12 11 1984
12 11 1984
12 11 1984
12 11 1984
12 11 1984

12 11 1984
12 11 1984

CONFIDENTIAL

PRIME MINISTER

SHIPBUILDING

Mr. Tebbit's minute of 22 December states that discussion of British shipbuilders Corporate Plan in E(NI) is likely to be delayed. Nevertheless, he wishes to begin negotiations with the Commission on the size of the Intervention Fund and the rate of subsidy.

A number of questions remain to be answered:-

(i) does it make sense, and is it really necessary, to discuss the level of aid with the Commission before discussion of the Corporate Plan?
Does it make sense to do any of this if there is a strike going on?

(ii) Would it be better to seek an ad hoc extension of the present arrangements while the more fundamental issues are being discussed?

(iii) Why is it so urgent to start negotiations with the Commission if these are likely to be protracted?

(iv) Is it right to increase the rate of subsidy for shipbuilding and to encourage Community partners to do the same?

redundant (v) Does Mr. Tebbit really intend raising the rate of subsidy to 35 per cent (nearly double the present rate) or does this figure contain a large margin of negotiation? If so, what figure does he really have in mind?

/Contrary

CONFIDENTIAL

Contrary to what is stated in paragraph 3, the draft letter to the Commission is not agreed inter-departmentally. The Treasury have yet to respond and will not do so until next week. I suggest that at this stage you merely take note of these papers which I will put back to you when we have a Treasury view.

Agree?

Yes ^{AT}
ms

4 January 1984

cc: Mr. Young