



Chancellor of the Duchy of Lancaster

PRIME MINISTER

SHIPBUILDING

1. I am unfortunately still locked in combat on the Telecommunications Bill. I will not therefore be able to come to the meeting of E(NI) on Monday. My views on British Shipbuilders and Harland and Wolff are set out below.

British Shipbuilders

2. It is impossible to come to any informed judgment on what is said in the Secretary of State's paper on the basis of the information given. Neither the Corporate Plan nor the 1983-84 forecast accounts have been circulated. We are being asked therefore to take the figures on trust, although I imagine the Treasury will be examining them in detail. There are however a number of general points which may be made.
3. Three different "Scenarios" are set out in Annex A. Essentially these are based on different output levels - 200,000 tons, 150,000 tons and 100,000 tons. But no indication is given whether the particular proposals adopted to give effect to each scenario are the only or even the best proposals. Thus under Scenario 1 (200,000 tons) 1 small yard, out of a total of 8 yards (5 large and 3 small) is to be closed. Is this the most economic way of producing 200,000 tons? Or might it not be more cost efficient to produce this output with a smaller number of yards?
4. No information is given about the assumptions underlying the figures. For example on productivity, which is crucial in the present context. The rejected Corporate Plan envisaged that productivity would increase by 100% over the next four years, although subsequently this was watered down to 50%. The figure assumed for the purposes of Annex A is crucial - whether at one

extreme it is good enough and at the other whether it is achievable.

5. No base year figures are given in Annex A. The importance of this is illustrated by the fact that Scenario 3 involves job losses of over 10,000 compared with 1983-84. It is not possible to tell how many of these have already occurred and how many are still to come.
6. Finally it does seem odd to assume that nothing we could do now would affect the cash outturn for 1984/85.

Harland and Wolff

7. This is an employment maintenance operation rather than a shipbuilding operation. The question which arises therefore is whether the relationship between the employment created and the cost involved is at the optimum point. I entirely agree therefore with the Chief Secretary's point endorsed by the Secretary of State for Northern Ireland that a detailed assessment of this by consultants is essential.
8. I am circulating this minute to members of E(NI), James Prior, Michael Heseltine, Nicholas Edwards and Sir Robert Armstrong.

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Loss -

A.C.

COCKFIELD
17 February 1984