

E. R.  
NAT IND  
PT 7 Shipbuilding  
with AT

PRIME MINISTER

SHIPBUILDING

Mr. Tebbit's statement today did not raise great passions. The Opposition's talk of privatisation of warship building was fairly routine.

Attached is a copy of the statement, together with speaking notes on the main points which arose.

25 July 1984

## SPEAKING NOTES

### Closures

British Shipbuilders' Corporate Plan contains no plans to close shipyards. But the future of any shipyard in the UK depends upon its ability to obtain new orders and build ships to time and to cost. The Chairman of British Shipbuilders is aiming for new orders of about 200,000 tons this year. Whether he succeeds depends on the success of British Shipbuilders competing in the world market.

### Inadequate Support for British Shipbuilders?

The Government has provided over £1.1 billion in support of British Shipbuilders since 1979, over £20,000 per employee. It is now up to British Shipbuilders to put its operations on a more competitive footing.

### 1983/84 Losses

Last year British Shipbuilders lost £117 million and this year £161 million. Of that loss Scott Lithgow contributed £75 million and the Government agrees with the Chairman of British Shipbuilders that a better performance next year is essential.

### Warship Building Privatisation

The Manifesto upon which the Government fought and won the Election proposed the privatisation of substantial parts of British Shipbuilders. This decision gives effect to that pledge.

/Effect on

Effect on Merchant Shipbuilding of Privatisation

British Shipbuilders merchant shipbuilding interests must survive and compete on their own merits. Merchant shipbuilding cannot be cross-subsidised from the defence budget.



Secretary of State for Trade and Industry

BRITISH SHIPBUILDERS STATEMENT

---

MR SPEAKER, WITH PERMISSION I WILL MAKE A  
STATEMENT ABOUT BRITISH SHIPBUILDERS.

THE CORPORATION TODAY PUBLISHED ITS ANNUAL  
REPORT AND ACCOUNTS FOR 1983/84.

COPIES HAVE BEEN LAID BEFORE THE HOUSE.

1

JH2ATX



Secretary of State for Trade and Industry

cc P. office

THE CORPORATION MADE A TRADING LOSS OF £161M  
OF WHICH £75M WAS CONTRIBUTED BY SCOTT  
LITHGOW, WHICH IS NOW IN THE PRIVATE SECTOR  
FOLLOWING THE SUCCESSFUL RESCUE OPERATION IN  
MARCH.

THE CHAIRMAN HAS STATED, AND I AGREE, THAT THE  
CORPORATION CANNOT ACCEPT A CONTINUATION OF  
THE LAST TWO YEARS' PERFORMANCE.

I WELCOME HIS ASSURANCE THAT POLICIES HAVE NOW  
BEEN ESTABLISHED TO ENSURE THAT THE PRINCIPAL  
LOSSES SHOULD NOT BE REPEATED.

2

JH2ATX



Secretary of State for Trade and Industry

I ALSO WELCOME THE STEPS THAT THE CORPORATION HAS BEGUN TO TAKE ON THE RATIONALISATION AND RESTRUCTURING OF ITS ACTIVITIES.

ON 4 JUNE I RECEIVED THE CORPORATION'S PROPOSED CORPORATE PLAN FOR THE PERIOD 1984/85 TO 1978/88 AND I AM PLACING IN THE LIBRARY A VERSION WITH COMMERCIALY CONFIDENTIAL INFORMATION DELETED.

3

JH2ATX

V5788



Secretary of State for Trade and Industry

THE GOVERNMENT ENDORSES THE CORPORATION'S PRIMARY AIM OF CONCENTRATING RESOURCES ON A STABLE, COST-EFFECTIVE MAINSTREAM MERCHANT SHIPBUILDING BUSINESS.

THE CORPORATION IS WELL AWARE THAT THE KEY TO ITS FUTURE DEPENDS ON IMPROVING THE EFFICIENCY OF PRODUCTION OF MERCHANT SHIPS.

IT SEES THE PRIMARY NEED AS BEING THE CONCENTRATION AND INTEGRATION OF ITS PRODUCTION, SERVICE AND ADMINISTRATIVE FACILITIES TO INCREASE EFFICIENCY, FLEXIBILITY AND PRODUCTIVITY.

4

JH2ATX

V5788



Secretary of State for Trade and Industry

IN ALL THIS A FURTHER KEY ELEMENT WILL BE THE IMPLEMENTATION OF THE FLEXIBLE WORKING PRACTICES AGREED WITH THE WORKFORCE EARLIER THIS YEAR.

THE HISTORY OF SUCH ATTEMPTS TO SAVE, LET ALONE, REVITALISE, MERCHANT SHIPBUILDING IS NOT ENCOURAGING.

5

JH2ATX

V5788



Secretary of State for Trade and Industry

THE NEW PROGRAMME IS AMBITIOUS IN ITS SCOPE BUT IT IS ESSENTIAL, AND IT IS SUPPORTED BY THE GOVERNMENT.

THE CORPORATION PLANS TO BE ABLE TO ACCEPT ORDERS AT A RATE OF UP TO 180-210,000 CGRT A YEAR.

THIS CONTRASTS WITH THE 117,000 CGRT OF ORDERS WON IN 1983/84.

THE HOUSE WILL APPRECIATE THAT THE CORPORATION'S ABILITY TO WIN ORDERS AT SUCH A RATE WILL DEPEND ON A NUMBER OF FACTORS.

6

JH2ATX

V5788



Secretary of State for Trade and Industry

THESE INCLUDE THE STATE OF THE WORLD MARKET;  
THE AGREEMENT OF THE EUROPEAN COMMISSION TO AN  
ENHANCED RATE OF SUBSIDY THROUGH THE  
INTERVENTION FUND; THE SIZE OF THAT FUND; THE  
DEGREE TO WHICH PRODUCTIVITY IS IMPROVED; AND  
THE EXTENT TO WHICH COMPETITIVENESS IS  
INCREASED.

THE GOVERNMENT WILL TAKE DECISIONS ON FUNDING  
LEVELS IN THE AUTUMN IN THE LIGHT OF THE  
NEGOTIATIONS IN BRUSSELS.

7

JH2ATX



Secretary of State for Trade and Industry

I HAVE ALREADY WARNED THE CORPORATION THAT A  
TIGHT FINANCIAL REGIME WILL HAVE TO APPLY,  
AND THAT FUNDING LEVELS WILL DEPEND ON THE  
OVERALL PUBLIC EXPENDITURE POSITION AT THE  
TIME.

IN THE LIGHT OF OUR MANIFESTO COMMITMENT TO  
PRIVATISE A SUBSTANTIAL PART OF BRITISH  
SHIPBUILDERS THE GOVERNMENT HAS DECIDED THAT  
BRITISH SHIPBUILDERS SHOULD SELL THEIR  
WARSHIPBUILDING INTERESTS, MAKING SUBSTANTIAL  
PROGRESS TOWARDS PRIVATISATION BY 31 MARCH  
1985 AND COMPLETING IT BY 31 MARCH 1986.

8

JH2ATX



Secretary of State for Trade and Industry

THE CORPORATION WILL ALSO CONTINUE TO DISPOSE OF OTHER SALEABLE ASSETS.

ACCORDINGLY I HAVE TODAY ASKED THE CORPORATION TO SET IN HAND ACTION TO DISPOSE OF THOSE PARTS OF THE CORPORATION ENGAGED MAINLY OR WHOLLY IN WARSHIPBUILDING.

TO SECURE THE MAXIMUM PRACTICAL EXTENT OF FAIR COMPETITION WE WOULD PREFER TO SEE THE YARDS SOLD SEPARATELY OR IN SMALL GROUPS.

9

JH2ATX



Secretary of State for Trade and Industry

I HAVE, HOWEVER, ALSO ASKED THE CORPORATION TO SET IN HAND CONTINGENCY PREPARATIONS FOR A FLOTATION ON THE STOCK EXCHANGE OF ALL OR SOME OF THE COMPANIES IN CASE INDIVIDUAL SALES MAY NOT BE ACHIEVED.

I BELIEVE THAT THIS WILL ENABLE THE CORPORATION TO PURSUE SINGLE MINDEDLY THEIR AIMS FOR THEIR MERCHANT SHIPBUILDING BUSINESS AND TO TAKE THE STEPS TO IMPROVE EFFICIENCY ON WHICH THEIR LONG-TERM FUTURE DEPENDS, WHILE PROVIDING AN ASSURED COMPETITIVE WARSHIPBUILDING CAPABILITY.

10

JH2ATX