



CONFIDENTIAL

Prime Minister

✓ CNO

Although Mr Tebbit is proposing no action, he is bringing this to your attention as it is relevant to the decision to allocate work on Type 22 frigates to Messenyside in the North East

PRIME MINISTER

AUSTIN AND PICKERSGILL

AT
28/1

You and Cabinet colleagues should be aware that British Shipbuilders (BS) may shortly have to declare some 675 lay-offs at Austin and Pickersgill in Sunderland. These lay-offs will need to be converted to redundancies by about April when Austin and Pickersgill may close unless they are able to secure new orders by then. It seems increasingly unlikely that they will be able to find such orders.

2 This would be a further severe blow to shipbuilding in the North East (as you know Swan Hunter on the Tyne are in the process of making 2,100 workers redundant). I do not however propose that either my Department or BS should do more than we are currently doing to find new work for Austin and Pickersgill. There are only three prospects for major orders:

the first, from a German owner who is currently demanding terms greater than BS are prepared to pay under the financial limits we have set them following E(A)'s agreement last summer that we should set BS's merchant order intake on a downward glidepath;

the second, from Ethiopia, for which there is inadequate ECGD cover. The official Export Guarantee Committee has recommended against extending the s.2 country limit. BS are exploring alternative financial packages, but the prospects for success do not look good;

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the third, a possible order from ODA for a ship for St Helena, but it seems likely that a smaller ship will be required than could sensibly be built at Austin and Pickersgill. In any case OD will not be ready to take a decision for some time.

3 Austin and Pickersgill currently employs 1,827 people. If they were to close, some might be employed by Sunderland Shipbuilders but the rest would probably become redundant.

4 I am copying this minute to members of the Cabinet, to the Chief Whip and the Paymaster General, and to Sir Robert Armstrong.

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22 January 1985

Department of Trade and Industry

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MAIL ROOM

23 JAN 1985

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U.S. AIR FORCE



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