

PRIME MINISTER

23 January 1985

TYPE 22 FRIGATES

Whatever the previous history on this order the note by officials (DTI, Treasury and Policy Unit) sets out the current facts. MOD officials were also involved in drawing up the note and do not dispute its content.

One T22 frigate order is to go to Swan Hunter. The issue is whether they also get the second one or whether Government intervenes within British Shipbuilders and directs it to Cammell Laird at an immediate extra cost of £7 million.

1,200 jobs will be lost by the yard that misses out. Unemployment in Birkenhead is at the same level as Newcastle. If the order goes to Swan Hunter then Cammell Laird should close and be sold off as a facility. But if Cammell Laird get the order then Government will face further additional costs of at least £40 million split equally by way of reduced privatisation proceeds at Swan Hunter and, de facto, a continuing overhead burden at Cammell Laird.

Both workforces have come under heavy union pressure to fight the large compulsory redundancies that have affected their yards. The Swan Hunter workforce has overridden the union from the start whereas the Cammell Laird one waited for the 37 sitters-in to be arrested before the Back to Work Committee took them across the picket line. Will Government signal a better message towards union moderation by backing the prodigal son or the one that resisted temptation?

British industry has been blighted by stubborn workforces which only accept change when it is too late. Closure of Cammell Laird is a bitter pill but it would allow the vital message to be made that militancy must be resisted from the

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start and not only when it has so undermined viability as to be obvious to everyone. After all, if Cammell Laird did get a T22 the militants would claim it was because of the sit-in. What's more, they would be right!

Michael Heseltine has argued that because Cammell Laird were only allowed to bid for one ship their overheads were inevitably loaded against them. In fact, like all BS yards, Cammells were allowed to assume that the rest of the yard would effectively be fully employed and so no excess overhead is reflected in the price. This is confirmed by only a £2 million difference in the quotes of each of the yards for a single frigate.

BS only let Cammells bid for one T22 because by that stage to give them both orders would have required them to recruit a further 800 men whilst sacking an additional 800 men at Swan Hunter. This would clearly have been wrong.

However, the question is not just the £7 million difference in the tenders, it is whether it can be worth spending £47 million plus to shift 1,200 redundancies from Newcastle to Birkenhead so as to reward the belated Back to Work move: but which is equally likely to give the militants an excuse to claim the credit and that the sit-in on HMS Edinburgh worked. We therefore recommend that both T22 orders go to Swan Hunter.

The compromise of finding other work for Cammell Laird (Balder London and possibly a submarine) would be expensive although much less so than giving them a T22. If Cammell Laird were then sold with this limited workload it might survive; just as from very similar circumstances Scott Lithgow still has chances of winning through.

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