

PM.

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Not  
Incl

### Shipbuilding

Adam Butler's statement (Flag B) was received in complete silence. Mr. Silkin had earlier said that he would have preferred Sir Keith Joseph ("the butcher") to make the statement rather than Mr. Butler ("the butcher's boy"), but Mr. Butler dealt with the House quietly, firmly and successfully.

Mr. Silkin said that he was proposing the virtual destruction of one of our traditional major industries and totally disregarding the social consequences of his action. He said that the programme was too short, that British ships should be built in British yards and that the limits of Government subsidy should be greatly increased to provide comparable terms to those available in other countries.

Mr. Butler said in reply that it was true that all shipbuilding industries throughout the world were subsidised, but we could not make the level of subsidy limitless. The important thing was for British shipbuilders to deliver their ships to order, to specification and on the due delivery date. The Government was well aware of the levels of unemployment in the areas concerned, almost all of which were special development areas. There had been 11,000 redundancies in merchant shipbuilding in the last two years.

In response to other questions, he said that he was concerned about the position of the Falmouth Docks; that any scrap-and-building scheme had to be cost effective; that this Government was more likely to provide orders for warships than the Labour Government; that we had to remember always that subsidising unnecessary jobs had effects on profitable industry, where the funds for those subsidies came from, as well as the recipients; and that we needed to end up with a merchant shipbuilding industry which was able to survive without subsidy.

/The Opposition



The Opposition response was muted, since the contents of the statement had been largely discounted in advance. There was a minor fuss about Harland and Wolff, since the Northern Ireland Written Answer was only just becoming available as Adam Butler spoke. But very few Labour Members argued seriously that there was a case for maintaining the industry at its present size or anything like it.

NJS

23 July 1979



PARLIAMENTARY STATEMENT ON SHIPBUILDING BY MINISTER OF STATE  
FOR INDUSTRY

One of the most serious and immediate industrial issues facing the Government on taking office was the state and prospects of merchant shipbuilding. The Government has now completed a review of the situation with British Shipbuilders, and has had wide consultations with Unions, private sector interests, the shipping industry and the EEC Commission. I am now in a position to inform the House of the situation, and of the approach the Government proposes to adopt. Plans for the Belfast shipyard of Harland and Wolff will be made known separately by my Rt hon friend the Secretary of State for Northern Ireland.

Our consultations have fully confirmed the view of the last Government .. and indeed of those working in the industry - that further contraction is inevitable given the extreme severity of the world recession.

At the end of last year, British Shipbuilders put their plans for dealing with this grave situation to the previous administration, advising in effect contraction in merchant shipbuilding to an annual rate of some 430,000 tons by March 1981, with a reduction of manpower to around 20,000.





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With the severe difficulties in securing new orders - only 230,000 tons in 1978 - British Shipbuilders recognised at that time the magnitude of the task facing them in avoiding contraction below 430,000 tons, and the vital need to increase competitiveness as well as for recovery in the market.

So far this year recovery has not taken place, and my consultations with British shipowners and others afford few grounds for optimism in that respect. Substantial over-capacity exists world-wide and at present there appears to be no early prospect of recovery. I must warn the House that BS will find it very hard to sustain their target capacity.

In such circumstances the Government must judge how far and how much it can help.

One of the Government's early acts on taking office was to seek a renewal of the Intervention Fund which it found had lapsed on March 15, and a temporary agreement was reached with the EEC Commission. The Government is now making proposals for a fund of £120 million to cover the next two years. In putting these proposals to the Commission I have had to say that the capacity of 430,000 tons is the highest figure that in our view could be retained in 1981.





In addition to the Intervention Fund, the Government will pursue other measures of support. It is ready to take part in a Community Scrap and Build Scheme providing that it is cost-effective; it is proposing credit for conversions by UK ship owners, and will support improved credit terms in current OECD discussions; and it will advance public sector orders where practicable.

The Government will give British Shipbuilders a nil commencing capital debt. We are considering further the most appropriate means of financing the Corporation. In the meantime, British Shipbuilders will continue to be financed on an interim basis from the National Loans Fund.

The cost to public funds will be substantial and BS are aware of the need for strict financial discipline. For the current financial year BS' cash limit of £250 million and trading loss limit of £100 million, after crediting Intervention Fund assistance, are not being changed. | The Corporation are also being set a financial target for 1980-81 of limiting their trading loss, before crediting Intervention Fund assistance, to £90 million. The Corporation must make substantial progress towards providing in the longer term an adequate return on capital employed.





It is unavoidable that contraction will occur mostly in localities where unemployment is already high. For the most part the shipbuilding industry is located in Special Development Areas and we are concentraing our regional industrial assistance on these areas. To help alleviate hardship to individual workers and their families the Government has extended the Special Redundancy Payments Scheme to the full period authorised by the Shipbuilding Redundancy Payments Act.



Mr Speaker, the Government wants to see a viable and flourishing merchant shipbuilding industry. But the economic facts of the present situation are there for all to see. Prospects depend on the ability to win orders within the limits of the substantial financial assistance which the Government is making available. For the future, we attach particular importance to the prospect of British Shipbuilders achieving high levels of efficiency and productivity and of their being able to compete, without subsidy, when the recession is over, in what is still likely to be a very tough world. We are prepared to put public funds, for a two year period, behind the industry's own efforts to achieve viability. After that, it will depend largely on the extent to which all those who work in the industry have been successful in helping themselves.