



PRIME MINISTER
SHIPBUILDING

cc Mr Hoskyns

A. Prime Minister

To note. (I have already, in fact, shown you the minutes of the ECEA discussion on this.)

MS

As you know, the British shipbuilding industry - in common with most of its competitors - is in a mess. Contraction is inevitable and the cost is likely to be high.

Sub-

The Ministerial/Committee on Economic Affairs has begun an examination on the position on the basis of proposals which Adam Butler put to us. We confined ourselves at the first meeting to the general strategy and will return to the detail shortly. You may however care to know that we reached a general consensus on the strategy: we accepted that a major contraction of the industry was inevitable - in all probability British Shipbuilders' capacity for merchant shipbuilding will need to be at least halved; we agreed that the Government should not become committed to underwriting any particular capacity target - which would in effect give BS a blank cheque; and we agreed that decisions on particular closures, dependent as they are on the level of Government financial support and BS success in competing in world markets, were matters which the Government should leave to BS management.

At our next meeting we will be considering specific measures to help British Shipbuilders to secure orders; means of alleviating the effect of closures; the appropriate financial arrangements between the Government and BS; and the public presentation of

/our ...



our policies. I will report to you again when this discussion has taken place.

I am copying this minute to the members of the Sub-Committee, to the Secretary of State for Northern Ireland (because of his interest in Harland and Wolff), the Minister of State for Defence, and to Sir John Hunt.

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9 July 1979