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C(66) 126COPY NO. 672nd August, 1966CABINETREORGANISATION OF THE SHIPBUILDING INDUSTRYMemorandum by the President of the Board of Trade

I believe it is essential that the Government should announce their decisions on the Geddes Report before the Recess.

2. The Geddes Report, which was published in March, recommended a radical reorganisation of the shipbuilding industry, the abandonment of restrictive practices, and financial and other assistance from the Government. The main proposal was that we should set up an independent Shipbuilding Industry Board with powers to make loans over a period of five years up to a maximum of £32½ million, and grants of up to £5 million, to facilitate the concentration of the existing twenty-seven major yards into four or five large groups.

3. The Report proposed that both sides in the industry should be given three months from the publication of the report to give their considered reactions to its recommendations, and that the Government should then announce their decisions in the following month. I made a statement in March, on behalf of the Government, and by agreement with my colleagues, welcoming the general Geddes approach and undertaking that we would play our part in implementing it, if both sides in the industry were prepared to play their part. On this basis both management and unions have now committed themselves to the reorganisation of the industry, although this commitment is dependent on the Government carrying out their share of the package. The unions have already accepted a number of interchangeability agreements and one major demarcation agreement.

4. At their meeting on 22nd July the Ministerial Committee on Productivity agreed that we should go ahead broadly on the lines which Geddes recommended. My colleagues had serious misgivings about making an announcement at present so soon after the Prime Minister's statement of 20th July on the ground that Government financial assistance was involved. Although we should only be committing ourselves to expenditure in due course (mainly in the financial year 1968-69 and later), it was feared by some that a decision to find £37½ million for shipbuilding might be contrasted, both at home and abroad, with our measures to restrict public and private spending.

5. I consider that there are strong practical and presentational reasons for making the statement now. The industry cannot make further progress with reorganisation until the proposed Shipbuilding Industry Board is set up on a non-statutory basis. Unless the Government show that they intend to follow up the Report with the

sense of urgency that Geddes recommended, the fresh start in industrial relations which the industry has been trying to make will falter. Confidence in the industry's future will be sapped and this will weaken both its current financial position and its ability to book further orders. The Geddes proposals were essentially a programme with a timetable as well as a package: the proposed Government statement was supposed to have been made in July.

6. Everything we have said about the report has led the industry and public to expect a statement; and we have no more reason to defer a statement on this than on other measures like the establishment of the Industrial Reorganisation Corporation, which will not involve immediate expenditure, and are necessary to the improvement of productivity. We can offer no adequate reason for putting this back in view of our claim that the transfer of responsibility for the industry will not upset or delay the follow up of the Report. It is, I believe, a confusion of thought to suppose that measures to promote industrial productivity ought to be held up in order to restrict the use of public money. We are far more likely to be criticised, and rightly, for failing to press on with positive proposals for enhancing productivity, of which this is one of the most promising now open to us. In any case only small amounts of money will be involved over the next 2 years.

7. I therefore ask my colleagues to agree that I should be authorised to make a statement before the Recess confirming the Government's intention to play its part in the reorganisation of the industry on the lines agreed at the Productivity Committee.

D. P. T. J.

Board of Trade, S. W. 1.

2nd August, 1966

