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CABINET

THE STATE OF THE SHIPBUILDING INDUSTRY

Note by the Secretary of State for Trade and Industry

1. In December 1970, the Economic Policy Committee accepted the conclusions of an Official Report on Shipbuilding Policy. These were that after the ending of the Shipbuilding Industry Board (SIB) in December 1971, there would be no case on economic grounds for giving special support to the industry other than that afforded by the home credit scheme and by "shipbuilders relief" (the latter being a 2 per cent subsidy). It was concluded, however, that on regional employment grounds any major closures ought to be phased over a period. This policy was reviewed by the Committee in May 1971 and reaffirmed.
2. The first real test of the policy came when Upper Clyde Shipbuilders (UCS) collapsed in June 1971. We let the collapse take place and have been seeking to pick up the bits, redundancies being phased over a period at high cost to public funds, in view of the high level of unemployment on Clydeside. Now we are faced with Cammell Laird, saved from imminent collapse by the promise of a Government loan, though only temporarily; Doxford which could go the same way at any moment, and Swan Hunter and Lower Clyde either of which could come to grief and would no doubt be in greater danger of doing so as a result of confidence being still further shaken by Cammell Laird or Doxford. The Annex gives more details of the situation of some major groups.
3. The background to all this is inefficient management; inadequate facilities and bad labour relations despite the Geddes report of five years ago, the activities of the SIB and the expenditure of some £60 million of public funds. We perhaps don't need a merchant shipbuilding industry in the long term but, if we mean to have one it will take a proper strategy to attain it involving a substantial new departure; further expenditure of very large sums; and the introduction of high quality management. All these things would have to be found by Government because there is nobody else prepared to do so.

4. Even if we initiate the development of such a strategy it will take time to work out and certainly won't help in the short-term to meet the problems of a collapsing industry. That can only be achieved by baling out as we are doing at UCS and are preparing to do at Cammell Laird at very high cost providing little or nothing towards the resurgence of a competitive industry for the future. There are some 55,000 jobs in all directly at risk, the large majority in assisted areas (Annex gives details). In addition a large number of jobs will be at risk in suppliers, the majority also in assisted areas.

5. A working group of officials has been looking once again at the whole problem and have tried to devise a means of rescue. I have no doubt that this can be done but it must be realised that if we adopt such a scheme it is in plain contradiction with our announced policy towards industry in general and this industry in particular. And it will cost a great deal, perhaps £40 million or more. Moreover if as is likely it aims at subsidising unviable businesses before they collapse we are going to have to explain why we didn't do just that in the case of UCS.

6. There is no case whatever on industrial grounds for adopting these short-term policies. On the contrary it is quite probable that to pursue them will in the end militate against the development of a sound merchant shipbuilding industry. The only reason for them is the unacceptably high level of unemployment. Before putting forward any proposals to save shipbuilding firms for employment and social reasons, I am sure that we should pause and consider the fundamental questions of industry policy which are at issue.

J D

Department of Trade and Industry

2 November 1971

SELECTED SHIPBUILDING COMPANIES: EMPLOYMENT AND FINANCIAL STATISTICS

Company	Location	Employment on Shipbuilding	Latest Turnover	Profit/(Loss) Before Tax	
				1969 £	1970 £
Austin & Pickersgill (subsidiary of London Overseas Freighters Ltd)	Sunderland (S.D.A.)	2,500	N/A	N/A	1,708,000
Brooke Marine Ltd. (subsidiary of Dowrett Holdings Ltd.)	Lowestoft	1,100	4,321,000	52,000	48,870
Cammell Laird (S & E)	Birkenhead (D.A.)	7,000	24,200,000	(7,970,448)	(623,571)
Doxford & Sunderland Ltd.	Sunderland (SDA)	4,100	17,070,000	562,000	(1,250,000)
Harland & Wolff Ltd.	Belfast	5,500	N/A	(8,330,000)	(182,000)
Rcbb Caledon	Burntisland Dundee Leith (D.A.)	2,100	5,889,000	(238,000)	(617,000)

Company	Location	Employment on Shipbuilding	Latest Turnover	Profit/(Loss) Before Tax	
				1969 £	1970 £
Scott Lithgow	Lower Clyde (S.D.A.)	6,250	17,596,232	N/A	(1,559,123)
Swan Hunter Group (shipbuilding activities)	Mainly Tyne (S.D.A.)	17,000	64,000,000	(5,057,728)	N/A
Yarrow (S) (subsidiary of Yarrow & Co.)	Upper Clyde (S.D.A.)	3,800	7,982,369	(1,147,996)	(2,724,526)

