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CABINET

ASSISTANCE FOR BUILDING FISHING VESSELS

Memorandum by the Chancellor of the Exchequer

The Home Affairs Committee have had under consideration a scheme for Government assistance in the reconstruction of the Fishing Fleet. The proposals they have discussed relate both to inshore and herring boats and to the larger vessels of the inner and middle water fleets. Their main object is to find some financial incentive which will induce owners to scrap and rebuild. Experience has shown that loans at normal rates of interest are not in themselves sufficient.

2. The most obvious solution is, of course, to make provision for loans at a reduced rate of interest. But I am sure that this must be rejected. It would undermine our whole credit policy. The Treasury has enforced with vigour the new rates of interest and has sternly refused to make any exceptions. There is no doubt that if one were allowed the position would be weakened and we should be faced with demands for a host of others - ranging from local authority loans on the one hand to the small loans which the Development Commission makes to rural craftsmen on the other. There are many cases in which the arguments for a special rate are just as strong as, if not stronger than, they are in the case of the fishing industry. I am therefore convinced that it would be a grave error to solve the problem in this particular way.

3. What I have said about loans at reduced rates of interest applies equally to any of the variations of this particular type of arrangement. For example, we would be equally ill-advised to agree to interest-free loans or moratoria on interest payments (except, in the latter case, where the interest is capitalised and added to the loan).

4. It was for this reason that, before the matter came to the Home Affairs Committee at all, other means of giving special assistance in the building of the fishing vessels were canvassed. In the case of the owner who goes to sea with his vessel as a member of the crew, it has been agreed that part of the assistance should take the form of a grant. It was, however, generally accepted that this arrangement was scarcely appropriate in the case of vessels owned by companies, many of which are by no means without funds. In the case of companies, it is in fact purely a problem of providing an incentive to rebuild, and "assistance" as we normally understand it these days is probably not needed at all. Nevertheless it seems pretty clear that without a substantial financial incentive these companies may not rebuild their fleets.

5. The Home Affairs Committee put in hand an investigation of the possibility of solving the problem in the case of companies by paying them retaining fees to secure the use of their vessels in war. But it transpired that

7

the vessels in question were not those in which the Admiralty was primarily interested; moreover, it would not have been possible to restrict the scheme to fishing vessels, nor would the arrangement have proved sufficiently attractive to owners.

6. The other idea which has been canvassed is that the Government should give part of its assistance by taking a share in the companies owning these vessels. This suggestion originated with the White Fish Authority, who already have powers to take such shares. It would be understood that the Government should never acquire a controlling interest in the companies; but there would be the possibility of some return for the initial outlay. From my point of view this is the only one of the various suggestions for providing special assistance which is acceptable,

7. At their meeting on 8th July (H.A.(52) 19th Meeting, Minute 3) the Home Affairs Committee discussed the problem and decided that the purchase of shares, involving the direct participation of Government in private industry, was open to grave objection. In the end they came to the conclusion that the assistance to be given should take the form of loans at special rates of interest. I should add that the Financial Secretary to the Treasury was not able to be present at the time. He conveyed my view, however, to the Committee by letter.

8. I can see why the idea of shares is unattractive. But I hope, from what I have said above, it will be accepted that the solution favoured by the Home Affairs Committee is very much more objectionable from the point of view of the national interest. To my mind the choice lies between the adoption of the shares idea or a decision that in the case of boats owned by companies we can offer nothing more than loans at the normal rate of interest.

R.A.B.

Treasury Chambers, S.W.1.

22nd JULY, 1952.