

*Mr. Duguid*

CONFIDENTIAL



PRIME MINISTER

BRITISH SHIPBUILDERS

*We are always buying something from the private sector or the public sector. It can be resolved in due course. But we are slow to sell off anything. Any rise in price.*

At your meeting on 22 December 1980 on the Nationalised Industries you expressed disappointment that British Shipbuilders (BS) had not made progress in selling off their shiprepair companies.

... 2 I enclose details of the shiprepair companies owned by BS and the main private sector shiprepair companies. You will see that only two BL shiprepair companies appear to be saleable at the present time: Falmouth and Grangemouth. None of the private sector companies, which are in general going through a thin time, could take on the loss-making BS companies.

Shiprepair continues to be a declining industry and employment has been falling both in the public and private sectors.

*It will fall further in the private sector if the*

*subsidised public sector takes the business.*

3 Norman Tebbit has discussed shiprepair and general disposals policy with BS's Chairman. Mr Atkinson wishes to dispose of all his shiprepair specialist centres where this is practical and can be undertaken within the constraints of BS's statutory duty to promote and secure the promotion of the efficient and economical repair and maintenance of ships.

4 Mr Atkinson intends to sell Falmouth and to this end he will prepare and issue a prospectus for sale. He hopes the sale will be completed by the summer but it may well provoke



a strong union reaction. At the appropriate moment I intend to press him on the disposal of Grangemouth. As regards Vosper Shiprepairers, which is threatened by closure if BS do not buy (at a cost of £500,000) the dry docks it leases from the British Transport Docks Board at Southampton, Mr Atkinson has decided that there is a reasonable prospect of viability if the workforce is substantially reduced and of sale thereafter as a profitable entity. On balance he thinks that acquisition of the drydocks coupled with reduction of the workforce is preferable to immediate closure and offers a better chance of securing CSEU agreement to a reduction of some 2,500 jobs in BS's merchant shipbuilding yards and other shiprepair establishments. BS hope that the cost of acquisition of the drydocks would be more than offset by sale of property surplus to a restructured Vosper Shiprepairers. If Vosper Shiprepairers can be sold in due course as a going concern, apart from the proceeds of disposal, closure costs would also be avoided.

5 Mr Atkinson is also pressing ahead with the disposal of companies and surplus assets which are not essential to BS's mainline shipbuilding activities. Annex 'B' lists the disposals BS have in hand or under discussion. BS's External Financial Limit of £150 million for 1981/82 assumes that the Corporation will be able to raise £8.5 million from disposals in the next financial year and Mr Atkinson understands that he needs to make substantial progress now to achieve this target.

6 BS's statutory duty on shiprepair is not a constraint to the sale of Falmouth but a concerted policy of disposal of

/shiprepair ...



shiprepair activities would be inconsistent with its duty. I have carefully considered whether we should legislate this session to amend BS's statutory duties at the same time as we modify the British Steel Corporation's statutory duty. Regrettably, this does not seem to be practicable. The Iron & Steel Bill needs to be taken to Second Reading urgently and timetable considerations rule out the introduction of controversial clauses on BS which would widen the entire scope of the Bill. Norman Tebbit and I will, however, be giving further thought to the need to amend BS's statutory duties as part of the review of the scope for privatisation of BS which will be set in hand in the early summer following receipt of BS's Corporate Plan. We hope that we will be able to introduce legislation next autumn.

7 I am copying this minute to Francis Pym and Members of E(DL).

KJ

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4 February 1981.

Department of Industry  
Ashdown House  
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London SW1

SITUATION REPORT ON DISPOSALS IN BS

1. Those where negotiations are completed or well advanced

Watergate Building - (Newcastle)	£45,000 (contracts exchanged)
Burntisland Facilities	£750,000 (offer made and accepted subject to satisfaction of Forth Ports Authority)
R. Harris (Builders)	£1.4 million (tenders due in by end February 1981)
243 Knightsbridge	£100,000 (contracts exchanged)
Robb Caledon/Kincaid Investments	£100,000 (mainly sold)
Tyne Shiprepair (Land and Buildings)	£96,500 (agreed by Local Authority)
Henry Robb (LPG)	£140,000 (offer made, Secretary of State's approval sought)
Falmouth Sports Ground	£250,000 (close to exchange of contracts)
Swan Hunter Car Park	£10,500 (agreed with Local Authority)
Scott Lithgow - Land in Pottery Street	£90,000 (agreement with Local Authority)

2. Those where negotiations started or on market

Falmouth Shiprepair	£2.5 million (verbal offer made at this level, but price should be higher) Prospectus being prepared
HS 125 Jet	£700,000 (on market)
Scotts of Bowling	£80,000 (negotiations taking place with interested parties)
21 Trevor Place, SW7	£85,000 (on market)
Linthouse Site (Govan)	£400,000/£500,000 (on market)
Cowal Engineering	£300,000 (negotiations in hand)

3. Those where formal negotiations not commenced but under active discussion

Engineering Companies:

Sunderland Forge )	Disposal/Valuation under examination by Rothschilds. Discussions commenced with NEI
Wolsingham Steel )	
K & L Marine )	
Barclay Curle Sports Ground	£350,000 (on market but subject to civil engineering review)
J. Kirkcaldy	£100,000 ) To be placed on market ) following restructuring
Northam Yard, Southampton	£750,000 ) of Vosper Shiprepairers

In addition, there are a number of items of land, property, plant and machinery throughout the Corporation whose sale is still to be examined in detail (e.g. Scotstoun North Sands, etc.)

*RG 2.6.1.*

PUBLIC SECTOR

	Employment	Profit/Loss 1979/80	Forecast This Year	Comment
Tyne Shiprepair Group	2,528	£m (4.8)	£m (4.4)	BS are reducing employment by 440
Vosper Shiprepairers (Southampton)	1,080	(4.4)	(2.4)	Jobs to be reduced by 500
Falmouth	300	(0.2)	0.6	To be sold
Bringham & Cowan, Hull	160	Loss making figures not available	figures not available	To be shut
Grangemouth	300	(0.2)	0.04	-

Notes: BS also employ about 1,900 in merchant shipbuilding yards on shiprepair

PRIVATE SECTOR MAIN COMPANIES

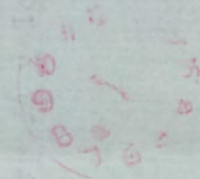
	Employment	Profitability
Smith Shiprepairers, North Shields	700-1,000	Just profitable
Jeffreys, Avonmouth	300	Breakeven
Humber Graving Dock	400	Loss making
Clyde Dock Engineering	300	0.13 - 1979/80
Bristol Channel	300	0.3 - 1979/80



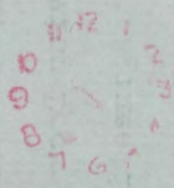
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Extract from TL to HMT (Meeting record PM/CI of Ex) of 22/12/80.  
- 3 - Subject in Nat Ind: Pt 3 Policy

Other points.

The following further points were raised:

(i) Sir Keith Joseph said that BSC's Corporate Plan was optimistic about the Corporation's market prospects. It did not include the "lower case" option, which would involve closing Llanwern and Port Talbot. Although more expensive in the short term, it was possible that the "lower case" would be more likely to make BSC competitive again; and his Department would be looking at this closely.

(ii) The Prime Minister questioned the need for the NCB to use Hobart House as their headquarters: wasn't there a strong case on employment and other grounds for having their headquarters outside London? Mr. Howell said that their present lease was on favourable terms, but he would look into the matter and let the Prime Minister have a report.

(iii) The Prime Minister said that she was concerned that more progress had not been made by British Shipbuilders in selling off the ship repair companies. She had been impressed by the arguments put forward by Mr. Christopher Bailey on this matter; she would like a report from Sir Keith Joseph as soon as possible.

I am sending copies of this letter to Ian Ellison (Department of Industry), Julian West (Department of Energy), Sir Robert Armstrong and Robin Ibbs.

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*Tim Lamm*

A.J. Wiggins, Esq.,  
HM Treasury.

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10 DOWNING STREET

From the Private Secretary

9 February 1981

The Prime Minister was grateful for your Secretary of State's minute of 4 February reporting on the state of play in respect of British shipbuilders' disposal of their ship repair business. You should, however, be aware of her general comment: "We are always buying something from the private sector on the grounds that it can be resold in due course. But we are slow to sell off anything of any size."

I am sending copies of this letter to Robin Birch (Chancellor of the Duchy of Lancaster's Office), to the Private Secretaries to members of E(DL) and to David Wright (Cabinet Office).

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Ian Ellison, Esq.  
Department of Industry

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