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Prime Minister

DEPARTMENT OF INDUSTRY
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MUS 24/12

From the
Minister of State
Norman Lamont MP

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

24 December 1982

Dear Prime Minister

When I wrote to you about British Shipbuilders' shiprepair losses on 9 December I said I would be meeting Mr Atkinson soon to discuss the situation and the interest being shown by a number of inquirers about purchasing some BS shiprepair yards which have closed on the Tyne.

There are four potential buyers of the closed yards. One of these is a workers cooperative but it has no money or managerial expertise behind it. In addition there is also a consortium who have expressed interest in buying the whole of BS' shiprepair division. The consortium is thought to comprise of Jefferies and Smiths Shiprepairers for whom the consultants A & P Appledore are acting. These developments are helpful for our policy objective of getting BS to dispose of their specialist shiprepair establishments during the course of 1983/84.

The consortium's interest is however thought to be one of shutting down BS' unprofitable capacity on the Tyne while running the profitable capacity at Vospers and Falmouth. In Mr Atkinson's view sale of the closed yards could put the consortium off because it would be contrary to the consortium's objective of shutting down competing capacity in the industry.

BS think that the next two months should show the weight to be attached to the consortium's interest. Mr Atkinson has agreed that he should also negotiate simultaneously with those interested in buying the closed yards so that if in the end the consortium's interest comes to nothing some progress will have been made.

*Yours
Norman*

NORMAN LAMONT

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Prime Minister

MUS 10/12

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From the
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The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing St
Whitehall
London SW1

9 December 1982

Dear Prime Minister

I have now seen British Shipbuilders figures on shiprepairing losses for the period from 24 September to 22 October. The position is:

Loss for Period 7	Year to Date	Forecast loss to end of year
£789,000	<u>£5.6 million</u>	£7.050 million
(Period 6 £549,000)		(Previous forecast £6.2 million)

The deterioration in performance on the trading loss is due to the severity of the present recession in shiprepair. I referred to some of the worldwide consequences of this in my last report; even the Far East is now affected. British Shipbuilders' problems are however to a large extent concentrated at Tyne Shiprepair Company which is still seriously short of work though its restructuring programme is now virtually complete. Only 159 of the 1,400 redundancies have still to be secured.

I have arranged to meet the Chairman of BS tomorrow to discuss the situation and the interest being shown by a number of enquirers in purchasing some BS shiprepair yards which have closed on the Tyne. This interest could lead to some more employment in the area. BS may argue that added competition could mean that their losses might increase. But we shall be maintaining a tight EFL and this extra competition would, in my view, increase the pressure on them either to improve efficiency or to contract further.

NORMAN LAMONT

Yours
Norman