PLAN FOR SHIPBUILDING

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ONE SHILLING AND SIXPENCE
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I. THE BACKGROUND

SHIPPING, and consequently shipbuilding, have long been industries of vital and obvious national importance to Britain. It was not, however, until the Industrial Revolution, when steam displaced sails and iron replaced wood, that British shipbuilding became of world importance. In the latter half of the nineteenth century, British shipyards gained a predominant position; and towards the end of it, when iron in turn had been replaced by steel, Britain was building four-fifths of the world’s tonnage.

The change in materials also affected the location of shipbuilding. No longer dependent upon the oak forests, the industry concentrated near iron ore and coalfields, on the Tyne, Wear and Tees, the three rivers of the northeast; on the Clyde; on the Mersey; at Barrow and at Belfast, where steel and coal were brought by sea from Cumberland and Scotland. In spite of the vicissitudes of the industry these have remained the major shipbuilding areas. The North-east Coast and the Clyde yards have consistently been responsible for three-quarters of our total output of mercantile shipbuilding; although there are other centres, such as Southampton, Bristol, Hull, Aberdeen, and Leith, where in the main smaller craft are built.

The North-east Coast is also the largest ship-repairing area, and the Clyde, the Mersey, the Thames and the Bristol Channel have important ship-repairing facilities.

Legacy of Instability

Even before the first World War, it was clear that pre-eminence in technique, design, and construction could not guarantee stability to the industry. Between 1900 and 1914 world shipping tonnage was increasing at a greater rate than world trade. At the same time British shipbuilding was being seriously challenged by foreign competition. Whereas in 1892-1894 Britain completed no less than 82 per cent. of the world output, in 1910-1914 British output had fallen to 62 per cent. of the world total. These adverse trends were seriously aggravated by the 1914-1918 War. The pattern of world shipping was rudely disturbed. Moreover, although British shipbuilding capacity was considerably enlarged, the total world shipbuilding capacity
was doubled, and British output of merchant shipping fell to 50 per cent. of the world total.

Immediately after the war, although the volume of trade was considerably below the 1913 level and existing shipping tonnage greater, British shipowners embarked on a reckless construction of new tonnage. In 1920, British yards launched a record tonnage of over 2 million tons¹ of which 40 per cent. was on foreign account. The boom soon collapsed, and during the inter-war years the shipbuilding industry endured recurrent depression and faced unparalleled difficulties.

Each shipbuilding area has its own grim tale to tell. On the Wear, for example, in 1919, 288,662 tons of shipping were launched and in 1920 no less than 333,335 tons. But by 1921 output had been halved to 153,710 tons and by 1923 had fallen to 56,522 tons. Worse was to follow. After the partial recovery of 1927-1930, came the 'Grim Thirties.' In 1931 the total tonnage launched on the Wear was 8,814 tons and in 1932 two colliers, amounting to 2,628 tons in all, comprised the year's output of all Sunderland's great shipyards. In 1933, British shipyards, whose output in 1920 had been over 2 million tons, launched only 133,000 tons. There was a general world slump, but British output was now only a quarter of the world total.

An improvement in world trade and the approach of war brought a measure of recovery, and by 1938 output was over 1 million tons (although it fell to 630,000 tons in 1939). From 1933 to 1939 it represented 37 per cent. of the world's output.

**The Human Cost**

The recurrent slumps and the decline of the industry meant misery and insecurity to shipyard workers. As Ellen Wilkinson showed in her story of Jarrow, *The Town That Was Murdered*, whole communities were depressed. The first collapse brought wage reductions and labour unrest, the shipyard joiners' strike in 1921 and the boilermakers' lockout in 1923. Large numbers of men were forced to leave the industry. Whereas in 1920 the shipbuilding and ship repair industry employed over 330,000 men, by 1924 the number had fallen to 254,000 and of these nearly 30 per cent. were unemployed. By 1932 the number of workers was 182,000 of which no less than 64 per cent. were unemployed. The numbers declined even further to fall to 157,000 in 1935 with well over 40 per cent. still out of work. With the revival of shipbuilding, the number of workers rose to 175,000 in 1938 when 21 per cent. remained unemployed.²

During the second World War, British shipyards once more became fully active and output was increased, not so much through additional capacity, as through mechanisation and modernisation. Merchant shipping launched

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¹ Tons are used throughout for gross tons.

² The figures given are for shipbuilding and ship-repairing only. In marine engineering 77,000 were employed in 1920; 65,000 in 1924; 51,000 in 1932 (of whom over 50 per cent. were unemployed); 46,000 in 1935; and 57,000 in 1938.
in British yards, however, amounted to only 15 per cent. of the world total.
This was largely due to the efforts of the United States in building standard-
ised merchant ships. In five years, between 1938 and 1943 the United States
increased their output from 200,000 tons to the tremendous figure of 11½
million tons.

Since the end of the war, British shipbuilders have enjoyed a sustained
demand for new shipping. First came the demand for tonnage to replace
that destroyed during the war and for specialised tonnage, particularly oil
tankers. Then with the outbreak of the Korean War, in 1951 orders for
new merchant ships in British yards amounted to more than 4 million tons
and the order books in 1952 reached the remarkable total of 7 million tons.

Subsequently orders slumped and there were a number of cancellations.
The industry not unnaturally showed some apprehension, but an improve-
ment in freight rates brought new orders in 1955 and in 1956 the industry
claims that the yards generally are booked for several years ahead.

2. THE INDUSTRY’S STRUCTURE

Shipbuilding is primarily an ‘assembly industry’ relying upon a wide
range of other industries. In particular it is dependent upon the steel industry
for plate. During the war an increasing use was made of the prefabrication
of large sections which considerably speeded up building. Since 1945 there
have been repeated supply difficulties, and in 1953 the Minister of Supply
approved schemes for additional rolling capacity.

There is a good deal of specialisation in the various shipbuilding districts.
The North-east Coast specialises in tankers, whilst large passenger ships are
built on the Clyde and at Belfast. In the main shipbuilding areas, however,
there is capacity for building all types of merchantmen.

Concentration

The industry has long been proud of the individuality of its establish-
ments, and successive generations have been associated with particular yards.
This, however, has become less marked. In 1954, for instance, a company
was formed to acquire the share capitals of eight old-established businesses
on the Wear, including the world famous yards of J. L. Thompson and
Laings. Practically all the shipbuilding firms are confined to one of the
major shipbuilding areas, and only two firms have extensive yards in more
than one area.

There are a large number of firms engaged in shipbuilding, but most
of them build only small craft. About 50 establishments employ over 1,000
workers, and of these 36 are responsible for half the total output.

Ten firms each have an annual output capacity of over 100,000 tons. Many firms combine shipbuilding and marine engineering; in fact, marine
engineering is substantially controlled by shipbuilding companies, although several important marine engineering establishments are independent.

During recent years the industry has been extremely profitable. Cammell Laird paid 14 per cent. dividend on ordinary shares (on capital increased by a 50 per cent. scrip bonus), in 1954; Doxford, 17½ per cent.; Harland and Wolff 10 per cent.; John I. Thornycroft 15 per cent.; Richardsons, Westgarth 16 per cent.; and Swan Hunter 12 per cent. Many companies have issued bonus shares without causing any very noticeable break in the upward progress of dividends.

Since the war, apart from one brief period when they suffered losses, British shipbuilders have refused to quote fixed prices. Some foreign yards, however, are now doing so, and shipowners are strongly pressing for a return to fixed-price contracting. According to the Conservative Political Centre, ‘Marketing in the industry is mainly by tendering. Since most firms are independent of each other, competition for home orders has always been keen.’ This is not accepted by those who urge a radical reorganisation of the industry. They claim that excessive prices have been charged and that in practice the shipbuilding industry is under effective monopoly control. They allege also that shipbuilding for the Admiralty is virtually non-competitive and immensely profitable. Certainly a Report of the Comptroller and Auditor-General issued in 1942, following an investigation of the building of 32 ships ordered from 22 firms, revealed very high rates of profit. Only four ships showed a profit of less than 10 per cent. In the case of 14 ships the profit was over 30 per cent. and 3 over 70 per cent. Moreover, there was some suspicion that high costs were also attributable to inefficiency and undue expenditure within the builders’ control.

The shipbuilders are organised in local associations which formed the Shipbuilding Employers’ Federation in 1899. A further body, which has been accused of being a price-ring, the Shipbuilders’ Conference, was formed in 1928. The Federation deals with production and labour relations, and the Shipbuilders’ Conference with commercial matters. There is also the National Shipbuilders Security Ltd.

Trade Unions

The shipyard workers follow a variety of trades and the industry is vexed by demarcation difficulties. These have been aggravated by changes in methods of construction such as, for instance, the rapid development of welding. Over thirty unions cater for shipyard workers, and the major national negotiations with the Employers’ Federation are conducted by the Confederation of Shipbuilding and Engineering Unions. Some of the trades—the ironworking trades—are piece-working and others—shipwrights and finishing trades—are time working. Average weekly earnings of men aged 21 and over were £11 15s. 9d. in October, 1955, compared with £11 11s. 1d.

1Final of 10 per cent. on doubled capital plus interim of 4 per cent. on old capital.
for manufacturing industry generally. The majority of the yards work a five-day week of 44 hours, but the average worked by men in October, 1955, was 49.2 hours a week (48.7 in manufacturing industry generally). The number at present employed in shipbuilding and ship repairing is 212,000. This represents a considerable run-down from the figure of 288,000 in 1943. However, even before the end of the war it had fallen to 252,000. In 1951 the number employed fell below 200,000 but increased again with the activity following the Korean War.

To assist the Admiralty 'to formulate shipbuilding policy and to secure Government endorsement of that policy' the Shipbuilding Advisory Committee was set up in 1946. This consists of representatives of shipbuilders, shipowners and the appropriate trade unions together with representatives of the Government Departments concerned, sitting under an independent chairman.

Research

Shipbuilding has a creditable history of technical and scientific progress. The Institution of Engineers and Shipbuilders in Scotland was founded in 1857 and was followed by the Institution of Naval Architects, the North-east Coast Institution of Engineers and Shipbuilders and the Institute of Marine Engineers. The industry claims to be receptive to new ideas and, if unfavourable comparisons are made with the aircraft industry, shipowners are not slow to point out that their research has been carried out with little Government financial encouragement. In 1944 the British Shipbuilding Research Association (to which the industry now subscribes £150,000 to attract a Government grant of £50,000), and the Parsons and Marine Engineering Turbine Research and Development Association were created.

B.S.R.A. deals with ships and machinery, and P.A.M.E.T.R.A.D.A. with steam and gas turbines. These Associations co-operate with the Department of Scientific and Industrial Research, and in particular with the Ship Division of the National Physical Laboratory. The Director of Naval Construction, the Engineer-in-Chief of the Fleet and Chief of the Royal Naval Scientific Service are members of B.S.R.A. 's Research Board to ensure co-operation with the Admiralty, which has its own research programme. Lloyds Register of Shipping also carries out research.

That all is not well with shipbuilding research is shown by the fact that, so far as testing tank facilities are concerned, Britain compares unfavourably with the United States, Russia, Holland and Sweden, and the new testing tank at Feltham will not be completed until 1958.

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1 Certain areas work a 5½-day week in winter; in London a 5½-day week is worked all the year round.
2 81,000 are employed in marine engineering.
3. UNPLANNED REFORM

During the years between the wars, shipbuilding faced the difficulties which all the capital goods industries faced. It depended upon expensive capital equipment demanding a steady high output to produce an adequate return. In the case of shipbuilding, moreover, these difficulties were aggravated by two dominant factors. First, there was a fall in world demand. As the Balfour Committee reported in 1928, ‘Since the end of 1921 the shipyards of the United Kingdom could have produced the whole of the new tonnage constructed in each year in the world and still not have exhausted their capacity.’ Second, the total world shipbuilding capacity had been greatly enlarged. Before 1914, for defence reasons, Germany developed a shipbuilding industry and Sweden, Denmark, Norway, Holland, Italy and Japan followed the German example.

The position was made worse by unfair competition through Government subsidies, flag discrimination and other devices whereby foreign Governments sought to aid their own shipbuilding industries. Thus British shipbuilders realised that, apart from the cycle of boom and depression, they faced a smaller share of a smaller market. The steps they took to meet this situation aroused acute and bitter controversy.

Slumps and Rationalisation

As we have seen, British shipbuilders faced the 1921 slump by an attack on wage rates. There was some financial reconstruction; some yards were sold and some closed but the industry was then too individualistic to allow any radical reorganisation. Nevertheless there was the merger of Vickers and Armstrong Whitworth’s, the co-operation of Workman Clark of Belfast and the Fairfield Shipbuilding Company on the Clyde. In 1919 the Northumberland Shipbuilding Company had purchased Doxfohrs.

The return of slump conditions in the ‘Grim Thirties’ brought much more determined efforts to limit capacity and concentrate production. The Clydeside shipbuilder and industrialist, Sir James Lithgow, was largely responsible for the formation of National Shipbuilders Security Limited in 1930. N.S.S. was backed by the industry and most of the important firms were represented on the Board. Behind it was Montague Norman and the Banks who formed the Bankers Industrial Development Company to assist the rationalisation of industries.

N.S.S. bought shipyards often well above the scrap value, sold the shipbuilding equipment, and sterilised the site against further use for shipbuilding for 40 years. It also made payments to firms to contract not to build ships. It was financed by a levy on shipbuilders of 1 per cent. of the contract price of all vessels built. It began by the purchase of three yards in Scotland and proceeded to scrap and dismantle some of the best and most modern shipyards in Britain, including Palmers, Jarrow, one of the finest sites in the country. In this way N.S.S. scrapped an annual production capacity of 1,350,000 tons. In the 1930’s British shipbuilding capacity was reduced by about a third.
The operations of N.S.S. were attacked and fiercely criticised not because there was no case for the reorganisation of the shipbuilding industry, but because of the complete disregard of the social consequences of its actions. Moreover, its operations were governed by the financial weaknesses of particular firms and not by their inefficiency. Very often a firm with a well-equipped yard got into financial difficulties whilst less efficiently equipped yards survived. Vigorous protests were made, but deputations were told that the Government had no power to interfere with the activities of the N.S.S., which in 1938 evaded further scrutiny by becoming a private company. N.S.S., however, gave an assurance that if it could be shown that a sterilised site was needed for shipbuilding no obstacle would be put in the way of it being so used. During the Second World War several closed yards were re-opened. They were closed again after the war.

Rationalisation and price-fixing usually go hand in hand. In the 'thirties the Shipbuilding Conference came into greater prominence and, to quote Ellen Wilkinson, 'Evidence from people in the industry indicates that the Shipbuilding Conference is in reality a price ring.' Commercial rationalisation accompanied industrial rationalisation.

The Government Lends a Hand

But the industry was not satisfied that these measures in themselves were sufficient. There was considerable pressure from both the shipping industry and shipbuilding for Government assistance.

The Government, therefore, decided to make Treasury advances up to a maximum of £3,000,000 to enable the building of the Cunarder Queen Mary on the Clyde, and assistance was later given for the building of the Queen Elizabeth. In 1935 the Government brought in its 'Scrap and Build' Scheme. Tramp shipping was given a subsidy of £2,000,000, which was renewed in 1936 on condition that there would be reorganisation. The Board of Trade was empowered to make loans for shipbuilding up to £10,000,000 conditional on the scrapping of two tons for every ton built. After two years, and after about £3½ million had been advanced, the scheme was ended. Fifty ships were built, half of them in Wear yards. Ninety-seven ships were scrapped, 91 of which were purchased for the purpose—48 from foreign owners.

In 1938 the number of orders fell again and both the shipping and shipbuilding industries clamoured for more subsidies. In March, 1939, the Government announced that there would be a subsidy of £2,750,000 a year for five years to help tramp shipping, and a special loan fund of £10,000,000 to encourage new building. This time there was no condition regarding scrapping. On the contrary £2,000,000 was provided for the purchase of British ships as an emergency reserve and which otherwise might be sold to foreign orders or scrapped. In fact in the first three months of 1939, 210 ships, amounting to over half a million tons, had already been sold abroad, a large number of them to Germany.

Thus at the outbreak of war, British shipbuilding was subject to ruth-
less unplanned rationalisation, safeguarded by price ring mechanisms and apparently recurrently dependent on Government shipping subsidies.

Demands for Nationalisation

The rationalisation of the industry without regard to social consequences and the persistent depression in the shipbuilding areas, accentuated the demand for public ownership. The Labour Party consistently sought a broad mandate which envisaged the nationalisation of shipping, upon which shipbuilding depends. *Labour and the New Social Order* (1918) urged a united national service of communication and transport and, to secure this, shipping lines 'could at once be owned, if not immediately directly managed in detail, by the Government.'

In *For Socialism and Peace* (1934) both shipping and shipbuilding were included among the industries for which 'the time has come for drastic reorganisation and for the most part nothing short of immediate public ownership and control will be effective.' The immediate priority was the national planning of transport. Many socialists argued that this required the nationalisation of shipping. However, as more practical proposals developed, this was limited to coastwise shipping, and in *Let Us Face the Future* (1945) Labour's programme only affected inland transport.

There nevertheless remained a good deal of support for the nationalisation of shipbuilding.

One of the main arguments was that the industry was clearly becoming dependent on Government aid, and if there was aid at the public expense then there ought to be public responsibility. Subsidies gave no guarantee that the industry was efficient. The industry, therefore, should be nationalised not subsidised. Furthermore, if the case for drastic reorganisation was accepted, this was also an argument for nationalisation. Shipyards were not being closed in accordance with any plan but according to the fortuitous financial circumstances of particular firms. **Reorganisation should be carried out with some regard to its social consequences. The planned reorganisation of the industry, with a proper sense of responsibility, could only be effectively carried out under public ownership.** In addition, reorganisation involved substantial re-equipment if British shipbuilding was to ensure its world predominance, and this seemed to be beyond the capacity of an industry alternating between slump and only partial recovery.

The National Interest

The shipbuilding industry indeed seemed to have lost its confidence and to be seeking a solution based on the deliberate restriction of output and the maintenance of a satisfactory level of profits by avoiding competition. But attractive though this might have been to private enterprise, the solution appeared increasingly contrary to the national interest as the danger of war became more obvious. Shipping and shipbuilding were essential to Britain's defence: if it was not in the interest of private enterprise, or beyond its
capacity, to maintain a mercantile marine and shipbuilding industry adequate to Britain’s strategic needs, then the State through public ownership must itself accept responsibility.

There was also the very difficult question of maintaining reserve capacity. During 1914-1918, 8 million tons of our merchant shipping had been sunk. Another war might make even greater demands on the shipbuilding industry and clearly defence considerations demanded the maintenance of a shipbuilding capacity ready and adequate to meet such an emergency. National Shipbuilding Security Ltd. had paid no attention to Britain’s defence needs and had been scrapping and sterilising shipyards, not preserving them. If the national interest required a greater building capacity than could be supported on commercial grounds it could best be done by eliminating the profit motive and bringing the industry under public ownership.

Thus in the 1930’s the experiences of depression and the prospect of war, with the consequent realisation of the national importance of shipbuilding, brought additional reasons and emphasis to the case for the nationalisation of the industry.

4. SHIPBUILDING TODAY

The most remarkable post-war feature of British shipbuilding has been the stable high level of output which the industry has been able to maintain for the past ten years. Each year since 1945, British shipyards have launched more than 1 million tons of shipping and the fluctuation has been held between 1,121,000 tons in 1946 and 1,474,000 tons in 1955 (the highest output since 1929). At the same time each post-war year has seen over 1 million tons commenced and two million tons under construction.¹

Insecure Prospects

Unfortunately the prospect for British shipbuilding is by no means as secure as these figures would suggest. Since the end of the war the industry has obviously been dealing with an exceptional replacement demand. During 1939-1945, 11½ million tons of British shipping were lost through enemy action. After the war there was a heavy demand for specialised tonnage not built during the war years. Apart from this, there has been the rapid increase in oil tankers, which in 1939 amounted to 17 per cent. and now amount to over a quarter of the world tonnage.

Over the last six years tankers have in fact accounted for more than half of the output of British shipyards. But it is doubtful whether the present rate of demand can be sustained much longer. Already the flow of large new tankers is creating a surplus of tanker tonnage. Moreover, quite apart from the impetus of the war, in all probability there would have been con-

¹ In fact, 1,937,000 tons in 1946 and 1,994,000 tons in 1949.
siderable shipbuilding activity about 1945. The replacement cycle of shipping is between 20 and 25 years and the ships built in the post-war building boom after the 1914-1918 war would have been due for replacement.

Consequently, in spite of its sustained and unprecedented activity, the shipbuilding industry has not been over-optimistic about the permanence of the prosperity which it is now enjoying. It realises that the British mercantile fleet is now larger than it was in 1939. Furthermore, Lloyd’s Register for 1955 showed a total world tonnage of over 100 million tons, an increase of 3 million tons during the year, and, even allowing for the United States Reserve Fleet of 14 million tons, considerably greater than the pre-war world tonnage of 69 million tons. The shipbuilding industry, realises that it is again susceptible to the effects of the vagaries of world trade.

Already twice since the war the industry has shown marked pessimism about the future. This apprehension has arisen from the fact that the stability of output has not been matched by stability of orders. Whereas in 1948 the industry’s order book totalled 1,345,000 tons, in 1949 it was no more than 438,000 tons. There was gloomy talk of an inevitable period of depression in the course of the necessary readjustment of the industry—language very similar to that of the 1930’s.

**Fluctuations**

This was all changed by the Korean War. In 1951 orders were booked by British shipyards for 709 ships of 4,150,000 tons, and in 1952 the industry had a record order book of over 7 million tons.

After June, 1952, the order book steadily ran down. Within twelve months it was almost a million tons less, and by June, 1955, it had fallen to just over 4 million tons. This, of course, still remained a very substantial total estimated to be worth £525,000,000. Nevertheless in 1954, although work has been booked for at least two years ahead, we heard again of the prospect of unavoidable structural unemployment within a few years. In 1953 only 519,000 tons of new shipping had been ordered, and during 1954 32 ships of 300,000 tons ordered in earlier years were cancelled—mainly by foreign owners. In fact the net addition to the order book, after making allowance for cancellations, was only one-fifth of the year’s output. In the last quarter of 1954, however, and subsequently, an increased rate of ordering reflected the considerable rise in shipping freights, and the substantial ordering of tanker tonnage in the second half of 1955 brought the total order book to over 5 million tons.\(^1\) But it is significant that British shipbuilding is becoming more vulnerable to the direct effects of world trade and freight rates, and the possibility of the order book falling below the safety level cannot now be ignored.

\(^1\) We are heading, in the late ‘fifties, so far as can be foreseen now, for a slump such as we knew in the ‘twenties and ‘thirties,' wrote a prominent shipbuilder early in 1954 when asked his views on the prospects of his

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\(^1\) Estimated to be worth £665,000,000.
industry. When asked a similar question more recently, he stated that, whilst he did not foresee any immediate difficulties, so far as the long-term portion of the industry is concerned, he saw no reason to alter his opinion.

**Forecasting the Market**

The reason for this pessimism is the realisation that the full order book of recent years is due to exceptional circumstances and that the tanker boom cannot last indefinitely. If shipbuilding is considered in terms of the normal replacement of British merchant shipping, then probably an output of not much more than 600,000 tons a year can be expected. This is less than half the present output. Such an estimate, however, must be subject to many reservations. Shipping replacement, unfortunately for shipbuilding, cannot be forecast arithmetically. There are many ships running economically today much older than 25 years. It is impossible to dogmatise. Different shipowners follow different policies: tramps have a longer expectation of life than liners; there is not the same pressure to replace.

In 1956, 12 per cent. of the British Mercantile Fleet is over 25 years old compared with 8 per cent. pre-war. Since the war the British Fleet has done reasonably well. In 1951, 24 per cent. was over 20 years old compared with 26 per cent. of the world fleet. In 1955 the figures were 16 per cent. and 20 per cent. respectively. It remains remarkably difficult to forecast the replacement programme. It is directly affected by building costs and freight rates—the index of profitability of shipping. Freight rates still fluctuate violently. The index of tramp shipping freights which was 100 in 1952, fell to 72 at the end of 1953 and in 1956 is 140.¹

**The position of British shipbuilding, therefore, in so far as it depends on British orders, is that within a few years it will depend on normal replacement orders. This will not only mean a smaller order book but also that the shipyards will once again be directly affected by the changing fortunes of world trade.**

**Export Business**

The export of British-built ships is an important part of our export trade. The value of ships sold overseas has risen from £19,000,000 in 1947 to £50,000,000 in 1954. Nevertheless, it would be unrealistic to expect an increase in the volume of foreign orders sufficient to offset a contraction in orders from British shipowners. From 1946-1954 British shipyards exported about a third of their total output, reaching a peak of 45 per cent. in 1951. At present 37 per cent. of the total tonnage being built is export work. This is a considerable achievement and compares very favourably with pre-war years. During 1934-1937 12 per cent. of output was for export and in 1938, when we were exporting ships on a substantial scale to Germany, 20 per cent. was for export.

¹Voyage charter. Time charter figures have fluctuated even more violently, the corresponding figures being 100, 88, 132.
British shipbuilding is not likely to be able to maintain this present high level of exports. Many of the orders have been from Norway, and it is unlikely that this volume of work will be continued indefinitely. Indeed most of the current work is backlog work, and the recent Norwegian orders have gone to continental and, in particular, German shipyards. The fact that the world merchant fleet already is much bigger than it was pre-war and that it has expanded more rapidly than world trade, is bound to have its eventual repercussions on both freight rates and the demand for new shipping.

A Declining World Position

Of much greater significance than the export figures is the fall in the share of British shipbuilding of the total world output. We have seen that during the First World War, British output had fallen to half the world total and that in the 1930’s it fell still further to 37 per cent. In fact in 1937-1938 it was only 34½ per cent.

Following the Second World War, in the years 1946-1948, when the German and Japanese shipyards were idle, British shipyards were again building more than half the world’s new shipping, reaching the high figure of 57 per cent. in 1947.

After 1947 the British percentage of world output steadily fell until in 1953 British output amounted only to a quarter of the world total output. In 1954 and 1955 the high output of British shipyards—the highest since 1929—raised the percentage but only to 27-28 per cent.—still much less than pre-war.

Thus although the capacity and output of British shipbuilding has remained remarkably stable since the war, its position in world shipbuilding has been radically changed. In eight years its share of world output has been halved. Today we are building a quarter of the world’s new shipping compared with over a third before the war. Whilst it is true that in 1955, British shipyards launched a quarter of a million tons more shipping than in 1947, it is equally true that the world tonnage launched in 1954 was over 3 million tons more than it was in 1947.

Britain’s New Competitors

If we look at the main competing countries the change—and challenge—is even more significant. Sweden in 1954 launched 67 ships of 545,000 tons. This was an increase of 60,000 tons over 1953, which in turn was a third more than the previous year. Indeed, every succeeding year since 1947 has provided Sweden with a record output.¹ In 1938, the output of Swedish shipyards was 166,000 tons. Norway, which has been our most important source of foreign orders, launched 37,000 tons in 1947.

In 1954 Norwegian output was 138,000 tons, including the 'Bergeland,'

¹ The output fell slightly to 526,000 tons in 1955.
a tanker of over 20,000 tons and the largest ship ever built in Norway. Present output is more than twice pre-war output.

For the last four years France has been building about a quarter of a million tons a year, over five times as much as in 1938, and reached 326,000 tons in 1955. Italy has more than doubled her immediate pre-war output and at present has 340,000 tons under construction. Holland during the past few years has considerably increased her output, is specialising in tanker construction, and has now over half a million tons under construction. In 1954 Japanese shipbuilding suffered a setback. But Japan is now enjoying a shipbuilding boom, and in 1955 output was doubled to reach the remarkable and record figure of 829,000 tons.

Neither can we ignore the United States, whose shipbuilding output—a good proportion for export—at about half a million tons is more than twice pre-war output. We must also recognise the immense potential capacity of the United States and its enormous impact on world shipbuilding if national defence policy should compel an expansion of operative shipbuilding capacity in America.

The German Challenge

But the most spectacular rise in shipbuilding capacity and output has been in Western Germany. Only a few years ago I was criticised as being unrealistic in calling attention to the possibility of a German challenge to British shipbuilding. However, the rehabilitation of German shipbuilding has surprised everyone. The output of all German shipyards in 1938, when they were at maximum production, was 481,000 tons. In 1950 the tonnage launched in West German yards was 155,000 tons; in the following year this was doubled; and in 1954, 963,000 tons of shipping were launched. Over half this tonnage was for export and during 1954 Western Germany launched more ships for export than any other country in the world. So in the short space of a few years Western Germany has emerged as the second greatest shipbuilding country, with the largest share of the export market, and a challenger which the British shipyards can no longer afford to ignore.

In all probability, therefore, within the next few years British shipbuilding will not only face a more limited demand for new British shipping but also increasing difficulties in world markets. Indeed, the world capacity to build already seems in excess of any prospective demand of tonnage.

There will probably be a general decline in new orders, and this at any time may be drastically accentuated by a fall in the profitability of shipping. The consequent intensive competition may be further aggravated by the fact that several countries feel a sense of national responsibility for their own shipbuilding industries whose expansion they have deliberately encouraged.

This, incidentally, would also affect British shipping orders. We should

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1 East Germany has created a relatively small but efficient state-owned shipbuilding industry with three major shipyards.
2 In 1955, 929,000 tons were launched.
not overlook the fact that in 1938, for the first time, there were more ships being built abroad for British shipowners than there were ships being built in Britain for foreign owners. The British shipbuilding account showed a net adverse balance of £3,000,000. Last year when the shipbuilding industry was apprehensive about cancellations and the fall in orders, the Minister of Transport complacently stated that only 4 per cent. of the ships added to the United Kingdom register were built in European yards which need not cause much concern. However, while there has been a welcome increase in the rate of orders booked by British shipyards, nevertheless several substantial orders—for instance the orders for 22 tankers placed by Shell Petroleum in Dutch and German shipyards—have recently been placed with continental shipyards.1

5. FACING COMPETITION

Clearly British efficiency and costs should be considered in relation to those of foreign shipyards. This is difficult. Whether we like it or not, almost every competing foreign shipbuilding industry is, or has been, supported by some form of Government aid.

Government backed or municipally supported credit arrangements assist shipbuilders in Holland and in Scandinavian countries, although Swedish shipbuilders complain that these are inadequate. In the United States the Maritime Administration has sold ships to shipping interests at 55-60 per cent. of the construction cost. In France there have been substantial Government subsidies, grants to shipyards, credit facilities, Government guarantees and interest grants. Italian shipbuilding in 1949 received considerable Government support. Italian shipbuilding in fact is non-competitive and it is estimated that one-third of the cost is subsidised. Legislation now provides for a permanent subsidy designed to ensure employment for 40,000 shipyard workers. A series of measures have supported Japanese shipbuilding. These have included direct subsidies, interest subsidies on shipbuilding loans, tax cuts and subsidies on shipbuilding steel, which were claimed to have reduced shipbuilding costs by 11 per cent., and the ‘link’ system, now ended, providing for exports of shipping at a loss with a compensatory trading monopoly in sugar! The arrangements in Western Germany, which have provoked a good deal of controversy, included subsidies, credits, rebates on steel, low interest rates, and tax concessions on loans for shipping companies. These have ended, but state support has not ceased entirely. There are still some subsidies, Government aid for loans, and state guarantees, for example.

State Aid for Shipbuilding?

British shipbuilding prides itself on its independence of Government aid. It has never been the aim of British shipbuilding to seek direct Government

143 tankers were ordered, the other 21 orders being placed with British shipyards.
assistance' writes Mr. J. W. Elliott, President of the Shipbuilding Conference. 'The spirit of free enterprise has always held sway in British shipyards and we have been the shipbuilders of the world, still maintaining a substantial lead whatever the commercial practices of other countries may have been.'

Nevertheless the shipbuilding industry has complained of inadequate credit facilities and has been a consistent critic of Government taxation policy. In December, 1953, the Chancellor of the Exchequer announced improved credit arrangements and added, 'So far as shipbuilding in particular is concerned, I believe it would be consistent with those general principles for the Banks to use their discretion in granting credit facilities on terms which have regard to the special needs of that industry.' The industry welcomed the investment allowances in 1954 as coming 'just in time' and only as 'a step in the right direction.' Capital expenditure on the construction of ships is not affected by the suspension of the investment allowances.

**Comparative Efficiency**

In view of the varying forms of Government assistance given to foreign shipbuilders, it is difficult to estimate the comparative efficiency of British shipyards. Obviously costs are going to be of critical importance as competition sharpens, and undoubtedly there has been a steep increase in British shipbuilding costs since the war. They are now four times the pre-war costs and twice as high as in 1945-46. But there are some good reasons for this. The changes in specification causing the amount of work in a ship to be substantially increased, mean that the figures showing movements of costs can be somewhat misleading. Furthermore, the shipbuilder pleads in his own defence that as his industry is primarily an assembling industry, his costs are very largely dependent upon his suppliers and sub-contractors. Again shortage of materials, especially steel, has reduced the output rate and prevented firms from making full use of their capacity.

Any general conclusions are debateable, but at any rate it appears that productivity, in terms of output per worker, is appreciably higher than before the war although in view of its prospective difficulties, the industry is unduly profitable. The industry is conservative and has never been particularly conscious of the need to save manpower or provide good working conditions, but there has been a fair amount of capital investment and re-equipment during and since the war. Larger berths have been constructed by reducing their number, pre-fabricating sheds and storage space have been built, extended craneage facilities provided, and electrical welding has been rapidly developed. The result is that, if we disregard the question of Government aid, British shipbuilding still retains a competitive position in world shipbuilding.

**Japan and Western Germany**

Two factors of special and disturbing significance remain. *First*, that

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after the setback of 1953-1954, Japan, realising that more competitive prices were essential, has reduced its shipbuilding costs and Japanese shipbuilding is now enjoying a boom. This may make shipowners much more price conscious and create intensified competition. Second, Western Germany has been able to turn the destruction and demolition of its shipyards to its advantage by rebuilding the industry and equipping it with all the new methods and techniques. Today some of the German shipyards are the finest in the world, spaciouslly laid out for pre-fabrication and flow production and with the latest labour-saving appliances. They have already attained a speed of production rivallied only by Sweden.

Initially the main German asset was early delivery dates but, now that German order books are lengthening, German shipbuilders are losing this advantage. They are also losing the advantage of cheaper labour costs. Full employment has brought demands for wage increases and reductions in working hours. On the other hand, German shipyards as in Sweden, are generally working two, in some cases three, shifts, which reduces overheads and speeds production. One union, the German Metal Workers Union, caters for the whole industry. There are three wage rates—skilled, semi-skilled, and unskilled—and no demarcation difficulties between the different crafts. The British shipbuilding industry has neither the labour nor the steel supplies to work two shifts, and one of the obstacles behind the demarcation difficulties is the inherent sense of insecurity which still permeates the industry. It is not easy to recruit adequate skilled labour in some of the shipbuilding trades, and there is a serious shortage of apprentices and young workers, especially in the heavy trades.

The Balance Sheet

The main advantage enjoyed by British shipbuilding is cheaper supplies. In particular, German shipyards have had to pay a much higher price for steel. But the differential is being narrowed; it is likely to be still further narrowed as denationalisation adds to the cost of British steel and the Schuman Plan reduces steel costs to our competitors.

British workmanship remains the hallmark of quality, but the rate of ship construction is much faster in Germany. German shipbuilders are now less ready than before to quote fixed prices, but they can still give earlier delivery dates and competitive prices.

British shipbuilding therefore is probably entering a much more competitive phase. There may be considerable pressure to hold or even reduce prices. If British shipyards lose the advantage of cheaper supplies, especially cheaper steel, then the competition will be on equal terms with highly mechanised yards organised on modern production methods. Admittedly a good deal of capital has been invested in re-equipping British shipyards but, to meet such competition, reorganisation and modernisation on a much larger scale may be needed. The congested layout of many British shipyards is determined by physical conditions, and many of the yards themselves have not the necessary space available to provide layouts similar to those of
their continental competitors. The necessity to reduce British shipbuilding costs may demand reorganisation on a scale which the industry in its present form may be unable to provide.

6. WHAT IS TO BE DONE?

During less than ten years the position of British shipbuilding has drastically changed. World shipbuilding capacity has been greatly enlarged and the British share of it has been halved. Today British shipyards contribute only a quarter of the world’s output—much less than before the war. Sooner or later, probably within the next few years, the industry will face acute competition aggravated by fluctuations in demand. British shipbuilding will compete with other countries where shipbuilding industries will be supported, in one form or other, directly or indirectly by effective Government aid.

Britain’s Merchant Fleet

Another factor is the considerable increase in world tonnage which has taken place without a corresponding increase in the British mercantile fleet. At the end of the First World War the British mercantile fleet was still a half of the world fleet; at the end of the last World War it was a quarter; now it is less than a fifth. British ships compete with fleets which are often either subsidised or protected by flag discrimination and other devices. The United States, for example, which now has the largest merchant fleet, artificially reserves a large proportion of its own seaborne trade.

In the circumstances, Britain, as a great maritime power, must decide how much further it is prepared to allow this relative contraction and weakening of its shipping and shipbuilding industries to go, to the prejudice not only of its largest source of invisible imports but also of national defence. As Mr. Denholm has said to the Chamber of Shipping, ‘Our defence expenditure is running at the rate of £4½ million a day. What is the use of this if we do not have the tonnage with which to maintain our vital communications’—or, we may add, the shipbuilding capacity to maintain that tonnage in a national emergency?

If one considers defence, a further difficulty arises—the maintenance of a reserve merchant fleet and a shipbuilding capacity, which has been estimated maybe as high as 35-40 per cent. of normal peace-time employed capacity. This means both a reserve of shipyard capacity and a reserve of skilled workers with alternative work in the shipyards preserved on a maintenance basis or in the neighbourhood of those shipyards. It is for this and other reasons I have persistently argued in the House of Commons for the setting up of an independent Commission of Inquiry to review the shipbuilding industry; and for the Government to consider its reports and to issue a White Paper. Like Mr. Tom Williamson I believe that the only test
should be 'What is in the best interests of the nation’s economy and therefore of the people?' Whatever our proposals may be we have much to learn from such an inquiry.

Complacency—and High Profits

The shipbuilders, enjoying their current prosperity, have been content themselves to emphasise the virtues of private enterprise and have paid scant attention to the longer-term prospects of the industry. The shipowners on occasion have broadcast 'gale warnings.' But again, to quote Mr. Denholm: 'In the last few years we have tried to drive home to the public at large, and the Government in particular, our fears for the future, but it seems to me that we have not succeeded and there is still a large measure of complacency, engendered, perhaps by the balance sheets we have produced in the last few years, showing, we must admit, large gross profits.' Both industries have been too immediately profitable to pay much serious attention to their basic difficulties.

They have opposed the Labour Party’s proposal to abolish industrial de-rating and, while accepting the investment allowances as crumbs of comfort, they regard them as insufficient and have repeatedly urged a substantial revision of taxation to promote and aid fleet replacement. Undoubtedly, if shipping meets real difficulties, claims for relief from taxation will be pressed and, if necessary, the shipowners will organise a strong lobby for some form of Government aid or subsidy.

Workers Advocate Nationalisation

The trade unions catering for shipyard workers, on the other hand, continue to advocate the nationalisation of the shipbuilding industry. Thus the United Society of Boilermakers and Iron and Steel Shipbuilders maintain that nationalisation would allow

‘the formulation of an agreed long-term building programme with shipowners and allocation of work to the most suitable yards in line with available raw materials; reorganisation on an area or river basis; re-equipment on modern technical lines to increase productivity; inclusion of shipbuilding in the national plan for production of heavy capital equipment and preparation for alternative work (e.g. on housing components) as the post-war building programme eases off; provision for a strategic reserve of shipyards and ships for defence purposes; improved welfare and training facilities; and progressive reduction of British shipbuilding prices from the monopoly levels at which they stand to-day.'

The form of nationalisation would follow that which was adopted for the Iron and Steel industry. The whole of the industry building ships over 250 tons would be nationalised and the firms specified. The smaller firms

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2 *Our Case for the Nationalisation of the Shipbuilding Industry (1949).*
would operate under licence. Where marine engineering is an integral part of, and where ship-repair work is at present carried on in the shipyards acquired, these establishments would also be nationalised. Apart from this, marine engineering and ship-repairing would not be nationalised. The ship-repair industry, however, would be ‘required to introduce a scheme for the decasualisation of labour.’

In 1951 the Confederation of Shipbuilding and Engineering Unions adopted a comprehensive Plan for Engineering. This incorporated a policy statement on the maritime industries which had been accepted by the Confederation in 1949. In this plan the Confederation reaffirmed its belief that the maritime industries—shipping, shipbuilding, ship-repairing, and marine engineering—should be brought under public ownership. Rearmament ‘does no more than defer the very serious difficulties which sooner or later will arise if the maritime industries remain under private ownership. Advantage should be taken of this period of prosperity to lay the basis for future stability. The maritime industries should be brought under public ownership.’ Moreover, ‘regard should be paid ... to the possibility of bringing under public ownership the bigger private foundries engaged on marine work.’

Other Views

The plan was opposed by the shipping unions, but the Confederation still maintain that the problems of the maritime industries would best be met by public ownership. This is not the view of the Trade Union Congress. The Interim Report on Public Ownership, approved in 1953, while recognising that, because of the inter-dependence of the industries, the nationalisation of shipbuilding, ship-repairing, and marine engineering would involve the nationalisation of shipping, nevertheless maintained that ‘public ownership of shipping would run up against severe difficulties in the international ramifications of the trade.’ The Trade Union Congress, ‘therefore, consider that a Development Council is more appropriate for the shipbuilding and marine engineering industries than public ownership. The powers of a Development Council and the likely attitude of the employers towards it will, however, need further examination.’ Congress stated that ‘Government subsidies to maintain idle yards as a strategic reserve, and to stimulate demand during periods of recession, may also be required.’

The Labour Party makes a similar approach. The official policy, set out in Challenge to Britain is that

‘Labour will set up a Development Council to promote efficiency, on which the Government and all sides of industry will be represented ... a Labour Government will try to stabilise demand for ships and therefore stabilise production and employment. All possible steps will be taken to maintain a steady flow of orders in bad times as well as in good.’
7. PLAN FOR SHIPBUILDING

In reviewing these proposals or in formulating any alternative plan for the shipbuilding industry, it is necessary to make two basic assumptions. First, the shipbuilding industry is of national importance both in terms of defence and the international trade upon which Britain's prosperity largely depends. This assumption that is made so vociferously and ostentatiously in the case of the aircraft industry should also be made of the shipbuilding industry. Second, there will inevitably be some contraction of demand for new shipping. The British shipbuilding industry will certainly face competitive conditions different from, and much more difficult than, the industry faces at present. These assumptions are inter-dependent. Because shipping and consequently shipbuilding are of national importance, Britain must maintain, regardless of immediate circumstances, a mercantile fleet and a shipbuilding capacity adequate for our national needs.

Jobs for Fewer Men

I am aware that inter-departmental inquiries, working parties, and others have seen their estimates of a run-down of the numbers employed in the shipbuilding and ship-repairing industry proved by events unduly pessimistic. I do not not think, however, that the unexpected prolongation of the present rate of output proves that there will not eventually be a substantial contraction of the industry. Equally the various estimates of the number for whom the industry can be expected to provide continuous and secure employment may prove to be misleading. I accept for present purposes as the best estimate, the forecast that the industry should provide continuous employment for 130,000-160,000 workers—that is a redundancy of 40,000-80,000 shipyard workers. In making this estimate it is better to over rather than under estimate the resultant redundancy. The shipyards are in the Development Areas and even under full employment there remains about twice as much unemployment in the Development Areas as in the rest of the country.

The Labour Party has consistently emphasised our national responsibility for the Development Areas. At the last election Forward with Labour declared 'Labour will use the Development Area powers to the full, and where necessary, extend them in order to provide new jobs.' There is obviously a special responsibility for the shipbuilding areas. Moreover, if we decide to maintain reserve capacity, it is not sufficient merely to maintain shipyards. We must maintain, in suitable alternative employment in the neighbourhood, the men to work in the yards if the national interest demands.

It would be a mistake, however, to consider the Labour Government's Development Area policy an unqualified success. The Distribution of Industry Acts were by no means a complete solution to the problems of the location of industry. The work of the Trading Estates Companies and the Board of Trade is very properly appreciated in the Development Areas and has brought about a welcome diversification of industry. But a good
deal of the industrial development has been fortuitous and haphazard, and much of it is not especially suited to meet the particular needs of the areas.

Industrial Location

At the time when the shipbuilding industry may be faced with an unavoidable reduction in utilised capacity, it is reasonable to assume that there will be good national and economic grounds to expand the productive capacity of certain other industries. Such expansion, provided it calls for skills similar to those employed in the shipyards, and particularly if it involves production dispensable in national emergency, should only be allowed in the Development Areas and as far as possible in the shipbuilding districts. To expand capacity in the national interest, industrial premises should be built in integrated units to serve this specific purpose. If private enterprise should prove unwilling to operate the additional capacity thus provided, production should be undertaken by State-sponsored Corporations. In any case the task could be better tackled by such Corporations. They would provide healthy competition to private enterprise in fields of expanding industrial production. They could work better in cooperation with the shipbuilding industry and could arrange to transfer to other production more effectively if war, or some other over-riding national interest, so demanded.

Not only on account of the redundancy problems of shipbuilding but generally on the broad grounds of industrial efficiency in a world of rapidly changing processes and raw material, the next Labour Government will have to deal more resolutely and effectively with the problem of the location of industry.

Policy for Shipping

It is clearly impossible to divorce shipbuilding from shipping: the industries are so inter-dependent. Indeed any effort to maintain steady employment and security in the shipbuilding industry must very largely be consequential upon a policy securing these conditions in shipping. Certainly the nationalisation of shipbuilding in itself would do nothing to stabilise the demand for ships. Indeed to proceed with the nationalisation of shipbuilding without taking any action regarding shipping might harmfully affect that demand and would be unwise. The first priority, is the formulation of a policy for shipping, a much more complex and difficult problem than shipbuilding but none the less one demanding urgent and realistic examination.

The next Labour Government will have to give serious attention to the problem of shipping. Since the Trades Union Congress proposed a Coastwide Shipping Board, both the Trades Union Congress and the Labour Party have failed to make any constructive proposals about the shipping industry. The shipping unions have been as myopic as the shipowners. Indeed more so. After all 'a group of younger Shipping Administrators' in 1946 proposed
the creation of a Minister or Parliamentary Secretary of Shipping; a Council of British Shipping; an Advisory Committee representative of shipowners, trade unions and shippers; a Consultative Committee; and an International Council of Shipping. They further proposed an international tonnage quota scheme, within which national schemes should be established; that while permanent and declared subsidies should be permitted and registered in so far as they are necessary to maintain the quotas, all subsidies beyond these should be abolished; and that a scheme providing for minimum and maximum freight rates should be established, including a plan for laying up ships not required during seasonal or cyclical fluctuations.¹

Unfortunately the Inter-Governmental Maritime Consultative Organisation, proposed by the United Nations Maritime Conference in 1947, has not yet come into existence because it has failed to gain the necessary support of 21 States. A few more signatories are still required.

This, however, is not a sufficient excuse for our failure to formulate a constructive shipping policy. The importance of shipping to national defence, the relative position of British shipping to that of other maritime countries, its effect on our present economic difficulties, its relationship to nationalised transport, especially the impact of air transport, are all factors emphasising the need for immediate attention to the problems of shipping.

In all probability the present Conservative Government will remain in office for the next few years. Even if the shipping and shipbuilding industries face difficulties within that time the Government is unlikely to take any effective action. But it cannot fail to recognise the importance of providing a measure of stability to these great national industries. The Government, therefore, should be encouraged to convene a fact-finding committee representative of both sides of the industries and of others of industrial and public experience to examine and report upon the facts, provide an estimate for the future, and make recommendations about appropriate action. This at least would be an indication of an awareness of a national responsibility for these vital industries.

A Development Council

There remains the proposal of the Labour Party to 'set up a Development Council to promote efficiency' in the shipbuilding industry. The history of Development Councils has not been altogether satisfactory. The promotion of efficiency is a desirable enough objective, but the resort to a Development Council is more often than not an escape from deciding policy. Nevertheless in the case of shipbuilding, whilst we are precluded from being more definite and dogmatic by the absence of a policy for shipping, there is a good deal to be said for the proposal that a Development Council should be established, provided that the proposal is adapted to the particular circumstances of the shipbuilding industry.

In spite of its quiescence, we would have to deal with National Ship-

¹ The Shipping Industry, Proposals for Reconstruction, January, 1946.
builders Security Ltd. and, in view of its somewhat invidious reputation, it
would be better to bring its activities to an end and to replace it by a Devel-

apment Council with a more constructive relationship to the industry.

It would be quite unnecessary, and in fact undesirable, to introduce com-

plex machinery similar to that proposed in the abortive Cotton Industry

(Reorganisation) Act; nevertheless the Council would be more in the nature

of a Reorganisation Commission than a Development Council. It would

have an independent and possibly full-time chairman, preferably with special

knowledge of the shipbuilding industry but without any financial interest.

Other members of the Council would be representative of the industry, both

employers and employed, with additional members of wider industrial

interests, including shipping. To work successfully, obviously every effort

would be made to secure the goodwill and co-operation of the shipbuilders,

and I assume that the Council would certainly include some members of

the Board of National Shipbuilders Security. The Council would be financed

primarily by a levy on the industry. Perhaps the levy of one per cent. on

the contract price of all vessels over 300 feet imposed by N.S.S. (which I

understand is at present in abeyance) could be re-imposed to support the

activities of the Development Council. There is everything to be said for

accumulating funds whilst the industry is prosperous. Provision, however,

would have to be made for this fund to be supplemented if necessary by

Exchequer contributions. Indeed it would be in return for this assistance

that the industry could be expected to accept the appointment of the chair-

man and at least some of the other members of the Council by the Govern-

ment and to accept a measure of public control.

Reorganisation Schemes

The Council, substantially financed by the shipbuilding industry itself

but with a sufficient measure of public control to justify, if the occasion

demanded, entrusting it with public funds, would prepare reorganisation

schemes on an area or river basis encouraging, if need be, amalgamations.

If the industry faced a slump, the Council might act as the agent of the

Government in placing orders. It is not easy to build for stock, but in

these circumstances ships might be built for a strategic shipping reserve.

In all probability, however, the more effective course would be to stimulate

shipbuilding by Government purchase of existing tonnage to form a reserve

fleet.

The Council would further advise the Government on the provision of

financial assistance to shipowners and would possibly administer any

approved scheme of assistance. The Council would also deal with the

problem of redundant capacity and suitable alternative work. It would be

prepared to afford assistance to shipbuilders undertaking alternative work

in shipyards preserved on a maintenance basis.

The Council would not be allowed to proceed with the closing of any

shipyard except by regulation approved by Parliament, and would, if

necessary, enforce any reorganisation scheme in the same way. Apart from
these exceptional powers, the Council would enjoy the ordinary powers of a Development Council.

These, of course, are no more than draft proposals. Their eventual form would result from consultation and discussion with those in the industry, and it is better to depend upon the calibre of the Government appointments than on precise formal machinery.

A National Responsibility

No one can forecast the future of shipbuilding with any certainty—the development of the gas turbine or atomic propulsion, which one of the leaders of the industry recently claimed was 'just round the corner,' might completely change present prospects. Nevertheless, the industry will probably face difficulties beyond its control. In any event, I believe we must recognise our national responsibility for this vital industry. My concern is to combine that responsibility with the competitive and personal enterprise of which the industry has every reason to be proud. This demands new forms of public aid and controls and goodwill to accept a partnership not designed to stifle enterprise but based on a deliberate and concerted effort to avoid the tragedies of the past.
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