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North-western Europe
Labour in the British shipbuilding and ship repairing industries in the twentieth century

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This extensive chapter presents an overview of labour in the British shipbuilding and repair industries in the twentieth century in the overall context of relative and then absolute decline of these industries in light of international competition.

Up to 1914, with first-mover advantages, the British shipbuilding and ship repairing industries had long been mature industries, with shipbuilding being more concentrated, and labour being interchangeable in these areas on an inter-firm basis according to supply and demand. However, the

1 Shipbuilding is basically an assembly industry. From the days of iron and then steel construction it required a great deal of organisation of individual trades and processes within shipyards. Shipbuilders were primarily responsible for around 30 to 35 per cent of the finished product, i.e., the ship’s hull; the rest – main engines, steering gear, propellers, auxiliaries, derricks, electrical fittings, etc. – at the outfit stage was usually sub-contracted to various firms and trades. The in-house percentage rose to around 50 per cent if firms owned their own main engine shops, foundries, and joinery shops. The process of building a merchant ship usually began with reviewing enquiries to build from shipowner/s and/or shipbrokers before either proffering a stock design or designing a vessel to fit anticipated requirements before tendering for contracts. A historical basis of cost accounting was normally used to come up with a reliable estimate of labour and material costs plus an element for profit. The decision on whether or not to tender for a particular type of ship or ships was dependent on the product mix building in any one yard or yards and the amount of work in hand. If a tender was accepted then negotiations over contract/s began, and design and building plan/s were formulated. If agreed, materials were then purchased and production drawings drafted. Production normally began with the laying of the keel and then the erection of the frames and shell plating by the hull trades. Each of these building milestones triggered stage payments to shipbuilders, ensuring liquidity. For a description of the functions of ship repair, see the Glossary. Many British shipbuilding firms had their own ship repair berths.

2 The two main areas of concentration of firms were the Rivers Clyde in the west of Scotland and the Tyne, Tees, and Wear on the north-east coast of England. Together, these areas accounted for over one-half of the labour force engaged in shipbuilding. On the upper Clyde for example, owing to a high concentration of firms within a relatively small geographic area close to the centre of Glasgow, mobility of labour between firms was commonplace. On the other hand, on the lower reaches of the Clyde at Greenock and Port Glasgow, it was less so. The lower Clyde employers enforced terms and conditions that were less generous than their Glasgow-based counterparts. Other important centres of shipbuilding activity employed workers who were less
major shipbuilding firms also had ship repairing and conversion work as well as marine engineering facilities for general engineering work and for building slow-speed marine diesel engines. The latter were mostly built under licence from foreign patents, and some large marine engine builders did operate independently from shipbuilders. Ship repairing was also undertaken independently from shipbuilding on the Rivers Tyne, Mersey, Humber, and Thames, the Bristol Channel, Falmouth on the south-western approaches, and generally on the east coasts of England and Scotland. In addition, all shipbuilding, ship repair, and marine slow-speed engine building firms belonged to national employers’ associations.

geographically mobile; these were Barrow-in-Furness (Vickers) and Birkenhead (Cammell Laird) on the north-west coast of England, Southampton (Vosper and Thornycroft) on the south coast, and Leith, Grangemouth, Dundee, and Aberdeen on the east coast of Scotland. Another major firm was geographically isolated: Harland and Wolff at Belfast in Northern Ireland. However, this firm also had interests in shipbuilding, ship repair, and marine engineering on the Clyde, and ship repairing in Liverpool, London (mostly marine engineering), and Southampton. For the British shipbuilding industry at the national level in the twentieth century, see Pollard and Robertson, The British Shipbuilding Industry, Johnman and Murphy, British Shipbuilding and the State Since 1918, and Jones, Shipbuilding in Britain. There are numerous uncritical individual company-sponsored histories. These usually celebrate centenaries or other significant anniversaries of firms. Two examples of these are Scotts of Greenock, 250 Years of Shipbuilding; and Stephen of Linthouse, A Record of Two Hundred Years of Shipbuilding. Exceptions to the normal rule are a company-sponsored work by the business historians Michael Moss and John Hume – see Moss and Hume, Shipbuilders to the World: 125 Years of Harland and Wolff – and by the maritime historian, Ian Johnston – see Johnston, Ships for a Nation, 1847-1971: John Brown & Company. An example of an independent academic business history study of a shipbuilding firm is Johnman and Murphy, Scott Lithgow, which analyses the history of the lower Clyde shipbuilders, Scotts of Greenock, from 1711 and Lithgows of Port Glasgow from 1874 to their merger in 1970 and eventual demise by 1993. For a shipbuilding district, see Clarke, Building Ships on the Northeast Coast. Clarke covers, in much detail, the Tyne, Tees, Wear, and other north-east coast shipbuilding centres.

For ship repairing and slow-speed marine diesel engine building at the national level, see Buxton, "The British Ship Repair Industry", Johnman and Murphy, “The Development of the British Ship Repair Industry”, and Johnman and Murphy, “The Rationalisation of Slow Speed Marine Diesel Engine Building in the UK”.

Only one British shipbuilder, Wm Doxford, based on the River Wear, licensed the building of their patented opposed-piston-type slow-speed marine diesel engines to British and American shipbuilders. Other British shipbuilding firms, in addition to building Doxford engines under licence, mainly built continental slow-speed marine diesels under licence from Burmeister & Wain (Copenhagen) and Sulzer (Winterthur). The largest non-shipbuilding marine-engine building firms were George Clark and North Eastern Marine on the Rivers Tyne and Wear, Parsons Marine Turbine, Wallsend, Richardsons Westgarth at Hartlepool, Middlesbrough, and Sunderland, and John G. Kincaid at Greenock.

Employers’ organisations at local and district level preceded national combinations of employers. Local shipbuilders’ associations existed on the major shipbuilding rivers of the
Labour and trade unions in British shipbuilding and ship repair prior to 1945

What is immediately apparent to the serious student of the British shipbuilding and repair industries is that these activities did not conform to easy assumptions about the growth of managerialism in industry generally during the late nineteenth and early twentieth centuries, and consequent organisation of production and supervisory control resulting in increasing use of technology and consequent deskilling of the workforce. Ship production, *per se*, did not lend itself to standardisation of product. Built to order for individual owners and ship-owning firms, ships were largely bespoke in nature. Indeed, the sheer size and versatility of the British shipbuilding industry – which held 80 per cent of the world market for ships during the late nineteenth century and, on the eve of the First World War, 60 per cent of all tonnage launched – facilitated almost every whim of British shipowners, whose ships comprised the world’s largest mercantile fleet, the British Mercantile Marine. British shipbuilders also dominated the export market for merchant ships and warships, and their highly skilled workers were the most productive in the world using craft-based labour-intensive methods of production. Indeed, the industry’s productivity easily outstripped that of its competitors. Mechanistic processes such as the

Clyde, Tyne, Tees, and Wear and at many other centres of shipbuilding such as Aberdeen, Barrow, Belfast, and Hull, and on the Thames and Mersey. In succession to the disbanded National Federation of Shipbuilders, the Shipbuilding Employers Federation (SEF, est. 1899) dealt with all labour matters at the national level. The Shipbuilding Conference (est. 1928) was the industry’s trade association. The Dry Dock Owners and Repairers Central Council (DDORCC, est. 1910) dealt with labour and policy matters for federated ship repairing firms, and the National Association of Marine Engineers (NAME, est. 1938) represented engine builders. The Papers of the SEF, Shipbuilding Conference, DDORCC and NAME are held in the Shipbuilders and Repairers National Association Papers, National Maritime Museum, Greenwich, collections. The SRNA was wound up on the nationalisation of the shipbuilding and repairing industries in July 1977.

6 Unless otherwise stated, all tonnage statistics are from *Lloyd’s Register of Shipping Annual Returns*.

7 Using craft-based labour-intensive methods of production, British shipyard productivity easily outstripped its competitors. By 1900, productivity at 12.5 tons output per capita in British shipbuilding was twice that of American yards, three times that of Germany and over six times that of French yards. See Pollard, “British and World Shipbuilding”, 433. As Reid has noted, ships’ plates made up to 30 per cent of the national output of the British steel industry up to 1914. See Reid, *The Tide of Democracy*, 23. This encouraged British firms to specialise and invest further in the production of shipbuilding steel plates and sections. The steel industries of Germany and the USA at most devoted only 5 per cent of output to ships’ plates, and these plates were more expensive. Moreover, in comparison to Britain the shipbuilding industries of Germany and the USA were high-cost activities. In the industry, the bulk of its then-major method of metal
introduction of hydraulic and pneumatic riveting machines and tools common to other metal-working industries did not on the whole have a great impact on shipbuilding.\textsuperscript{8} The structure of the industry was atomistic; firms ranged from huge vertically integrated conglomerates such as Vickers, Beardmore, Cammell Laird, John Brown, and from 1918 onwards Lithgows Ltd, to medium-sized and small-scale family-controlled enterprises.\textsuperscript{9} The nature of firms and intense competition locally and regionally between them for labour often militated against united employer action against craft unions. Although the Shipbuilding Employers’ Federation (SEF) was the national body for labour matters from 1899, it set a national plain-time rate for skilled and unskilled workers only in 1930.\textsuperscript{10} Local and regional employers’ associations pre-dated the SEF, and by 1900 seven local courts of arbitration had been set up in shipbuilding districts with independent chairmen who could make morally binding decisions on demarcation issues in cases of deadlock. Even a comprehensive national agreement between the SEF and a federation of shipyard trade unions in 1908 (the Edinburgh Agreement), which came into effect in 1909, delegated resolution of demarcation disputes to local courts of arbitration.\textsuperscript{11}

joining, riveting, was still done by hand – although first hydraulic and, later, pneumatic methods of riveting had been partially introduced. Riveting relied more on strength than on skill and was therefore vulnerable to mechanistic replacement methods; however, these methods were generally opposed by organised labour, and were in many cases technically difficult to achieve because of restricted yard layouts.

\textsuperscript{8} Reid notes that hydraulic methods of riveting were of little use in widely dispersed working environments such as shipyards; were impossibly heavy to move around; and had a tendency to distort plates and allow water ingress. Hydraulic methods’ use was restricted to heavy internal structures in shops, and by 1900 was being used on under 5 per cent of shipyard riveting. Pneumatic riveting equipment was easier to move around but, because of doubts over its not producing a tight enough bond on ships’ plates, it was restricted to lighter structural items and superstructures. By the 1920s it accounted for only 25 per cent of shipyard riveting. See Reid, “Employers: Strategies and Craft Production”, 41.

\textsuperscript{9} There had been concentration and vertical integration in the British shipbuilding industry as a result of the passing of the Naval Defence Act of 1889, which allowed the private shipbuilders to officially enter a market (predominantly as mixed naval and mercantile builders) which, hitherto, had been largely, but by no means exclusively, reserved for government-controlled Royal Dockyards. For Vickers, see Trebilcock, \textit{The Vickers Brothers}, and Scott, \textit{Vickers}; for Cammell Laird, see Warren, \textit{Steel, Ships and Men}; for Beardmore, see Hume and Moss, \textit{Beardmore}; for John Brown, see Johnston, \textit{Ships for a Nation, 1847-1971: John Brown & Company}; for Lithgows, see Johnman and Murphy, \textit{Scott Lithgow}.

\textsuperscript{10} Jones, \textit{Shipbuilding in Britain}, 177.

\textsuperscript{11} Pollard and Robertson, \textit{The British Shipbuilding Industry}, 168. Seven local boards were in operation on the Tyne, Tees, and Wear, in Birkenhead, and on Clydeside: Jones, \textit{Shipbuilding in Britain}, 163. The Edinburgh Agreement had three parts: part 1 dealt with arrangements for
Unsurprisingly, the British ship repair industry was also the world’s largest; and its fortunes, as was the case with the marine-engine building sector, were inextricably linked to that of the nation’s shipping and shipbuilding industries. During the First World War, in common with shipbuilding, Britain’s ship repairing sector expanded rapidly and the volume of repairs rose exponentially. Aside from the larger shipbuilding firms which had extensive ship repairing facilities, specialist ship repairers whose operations differed widely in scale, either owned dry docks (normally known as graving docks) and repair berths, or operated from publicly owned docks and berths. Like shipbuilding, the private repair workforce was casualised and was expected to work at short notice. In the repair sector, this form of work organisation suited both employers and, to a large extent, a section of their workforce who did not want to be tied down to one establishment for varying periods of time. On the whole, ship repairing was less volatile than shipbuilding as demand for its services was largely conditioned by the size of the extant stock of shipping. Those large shipbuilding firms which had repair functions used them to even out fluctuations in shipbuilding demand by utilising overheads and labour that otherwise would have been unused.

Craft unions, many of their members organised in squads, their functions strictly demarcated, dominated the production process in shipbuilding and also in the ship repair sector. In the hull trades, dominated by the Boilermakers’ Society (the United Society of Boilermakers and Iron and Steel Shipbuilders), a form of supervisory control was exerted by squad leaders who in turn were hired and overseen by foremen who had been promoted from the ranks of the skilled workforce. Higher management control was basically left to a small cadre of middle managers appointed by owners. Payment of labour was determined by a plethora of time rates, piecework, price-agreed contracts, bonuses, and allowances to particular trades; and the form of employment, owing to the cyclical nature of the demand for ships, was essentially casualised. Termination of employment was usually

discussing questions in relation to general fluctuations in wage rates; part 2 dealt with local matters; and part 3 provided a mechanism to determine general questions (excluding wages) on an inter-district basis. The agreement was to last three years and could be terminated at six months’ notice. It was reviewed again in 1913 and renewed, but owing to the outbreak of the First World War it was placed in abeyance until 1919.

12 For the First World War, see, for example, Robinson, “How Ship Repairing Helped to Win the War”. In the interwar period, Smith’s Dock Co., Ltd, claimed to be the largest dry dock owners and repairers in the world. For an overview of shipbuilding, see Murphy, “The British Shipbuilding Industry During the Great War”.

13 Ships’ platers, who were at the apex of the hull trades, belonged to the Boilermakers’ Society, as did angle iron smiths and riveters. Platers, the highest paid of the hull trades, were organised
at one day’s notice and in some cases at one hour’s notice, and the average working week up to January 1919, when there was plenty of work available, was 54 hours; thereafter it was reduced to 47 hours.\footnote{14}

What control trade unions had externally in shipbuilding and repair was in determining who had the right to enter these industries. Both industries ran on the principle of the pre- or post-entry “closed shop”; that is, a potential entrant already had to belong to a recognised trade union or had to join one post-entry. Historically, owing to the low levels of education of the workforce, the division of labour in shipyards was strictly demarcated, which gave rise to myriad disputes over which trade had the right to undertake a particular job or process and – more importantly for the long-term future of autonomous trade unions, of which there were around twenty-seven in the British shipbuilding industry in 1912 – to retain the right to exclusively dominate it. In short, shipyard work was inherently sectionalised, and trade unions within it, particularly the Boilermakers’ Society, which largely controlled the hull trades, mirrored that sectionalism and strictly enforced entry to particular trades.\footnote{15} Long-held animosity since the days of transition from wooden to iron and then steel shipbuilding between the shipwrights and boilermaking trades always bubbled under the surface, as did that between shipwrights and joiners.\footnote{16} Unions were also allowed to control

\footnote{14} The Amalgamated Engineering Union members in shipbuilding were locked out by employers for a period of thirty weeks from July 1897 over a demand for an eight-hour day. It was the most costly trade dispute in shipbuilding in the whole of the nineteenth century, and continued employers’ attempts to impose their will on shipbuilding and engineering workers in a period when laissez-faire attitudes were particularly strong in shipbuilding. See Pollard and Robertson, *The British Shipbuilding Industry*, 162. From the beginning of the lock-out, membership of the Engineers Employers’ Federation, which stood at 180 firms, expanded to 702 at its close. See Zeitlin, “The Internal Politics of Employer Organization”, 56. It should be noted, however, that the engineering function in British shipyards, mostly marine-engine building, was nonetheless an important part in shipbuilding, but was small in relation to engineering factories and workshops in the wider British economy.

\footnote{15} In 1912 a national Demarcation Agreement between employers and twenty-three trade unions was reached, which applied to both engineering and shipbuilding trades. Crucially, the Boilermakers’ Society was not party to the agreement, nor were some other smaller unions. The history of the Boilermakers’ Society (founded 1834) has been written by Jim Mortimer, a former head of the Advisory, Arbitration and Conciliation Service (ACAS), made a statutory body in 1976 under the Employment Protection Act, 1975. See Mortimer, *History of the Boilermakers’ Society*.

\footnote{16} Traditionally, joiners were confined to working on wood less than 1.5” in thickness and used hammers and planes. Shipwrights undertook heavier woodwork with adzes and mallets.
entry of apprenticeships and the ratio of them to skilled tradesmen. Indeed, trade unions traditionally saw apprentice labour as a means for employers to undermine wages of time-served tradesmen (usually five years as indentured apprentices). Typically, the demand for workers varied widely according to the stage in the production process reached. For example, the boilermaking trades, angle iron smiths, riveters, platers, and, much later, welders were almost exclusively concerned with the construction of iron and, later, steel hulls. The fitting-out trades such as joiners, electricians, and plumbers were also highly unionised, but were more generally employable outside shipbuilding, particularly in construction of houses and in the building trades generally.

Although demarcation disputes between trades were commonplace, their effects were less significant in terms of working hours lost than was the case with general disputes, with the employers’ organisations resorting to the general tactic of the lock-out and therefore closing their establishments until workers returned to work on conditions less favourable than those which began the dispute. Extended lock-outs also had deleterious effects on trade union finances.\(^\text{17}\) The adversarial and ultimately corrosive nature of industrial relations in shipbuilding and repair gave rise to an enduring level of suspicion in employer-employee relationships bordering on hatred, which only got worse in the largely depressed interwar period. Such dispute resolution that was in place was often circumvented by unofficial (non-trade union sanctioned) disputes. However, the extreme subdivision of labour in British shipyards was not mirrored in continental shipyards, where there was more interchangeability of workforces. Trade unions in Dutch shipbuilding, for example, were not delineated on a craft basis: they embraced all classes of workers, skilled, semi-skilled, or unskilled, and the six unions in Dutch shipbuilding were organised on a religious-political basis.\(^\text{18}\) Both Dutch and German shipbuilding workforces worked longer hours in a week (54 hours) and for less pay than their British counterparts (47 hours).

\(^{17}\) There were national lock-outs in 1897–98, 1907, and 1908 (twice), and in September 1910 the employers enforced a national lock-out of the Boilermakers’ Society at one day’s notice. The lock-out lasted for two months before the employers agreed to meet union delegates, and continued for another fifteen weeks. The financial effect on the Boilermakers’ Society meant that they had to suspend the payment of unemployment benefit to its members for three years. See Pollard and Robertson, The British Shipbuilding Industry, 162.

\(^{18}\) Glasgow Herald, 30 December 1925. The six were: the Social Democrats, the Syndicalists, the Bolshevists, the Christians (Protestants), the Roman Catholics, and the Neutrals.
Nonetheless, attempting to adequately quantify whether lower wages and working longer hours elsewhere severely disadvantaged British shipyards is difficult. Piecework (performance related to pay) was far more common on the continent than in Britain, and continental shipyards were more capital-intensive. One could of course determine absolute levels of wages from national statistics to make a general case. British shipbuilders, however, consistently laid the blame largely on their “difficult” and overpaid workforce.

The First World War

By state legislation from 1915, compulsory settlement of disputes lasted to the end of the First World War, and in 1919 the industry returned to the observance of pre-war agreements. Beforehand, the successful prosecution of war meant that the government demanded a less confrontational approach to industrial relations in what was a period of full employment. To ensure military victory, the production of munitions of war to the fullest output possible in the broadest sense, including shipbuilding and the protection of skilled labour, was paramount. In this regard, employers’ organisations were secondary: the Treasury Agreements of 17-19 March 1915 were a bilateral compact between the state through the chancellor of the Exchequer, David Lloyd George, the president of the Board of Trade, Walter Runciman (a shipowner), and trade union leaders, which inter alia, guaranteed restoration of pre-war practices. However, for the duration of the war only, it also allowed dilution of the workforce to include semi-skilled and female workers at skilled rates of pay. This agreement directly led to the Munitions of War Act, 1915, which prohibited employer lock-outs, strikes (the latter still occurred but on an unofficial basis, particularly on Clydeside), and the restriction of output. It also instituted controlled establishments, which prevented traditional mobility of labour in shipbuilding districts.

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19 On piecework undertaken in continental shipyards, see Jones, Shipbuilding in Britain, 78-79. Piecework is a form of employment in which a worker is paid a fixed rate for each unit produced or action performed regardless of time.
20 When addressing the House of Commons Commercial Committee in 1925, the leading British shipbuilder, Sir James Lithgow, stated: “our lower hours and higher wages” had burdened British shipbuilding, “with a much greater cost than our world competitors”. See Johnman and Murphy, British Shipbuilding and the State Since 1918, 24.
21 Clause 6 of the Treasury Agreement provided for the relaxation of trade practices, “solely to work for war purposes during the war period. Operations on which skilled men are at present employed, but which by reason of their character, can be performed by semi-skilled or female labour, may be done by such labour during the work period”.
22 Munitions of War Act, 1915, 5&6 Geo.5, ch.54.
The Interwar Period

British shipowners lost nearly 9 mn gross registered tons (grt) of shipping during the First World War due to enemy action. A short-lived post-1919 replacement boom, resulting in a record launching output of the British shipbuilding industry of 2 mn grt in 1920, soon gave way to a collapse in freight rates.23 Thereafter, the industry’s prospects were largely poor as worldwide shipbuilding capacity, much of it built up abroad during the First World War for nationalistic reasons as British shipping lost many of its traditional markets, exceeded demand. Those larger firms in the industry, primarily the mixed naval and mercantile builders which could normally have expected some counter-cyclical respite by gaining naval work, were severely affected by international naval limitation treaties, first in 1921 and later in 1930 limiting the construction of warships to an agreed ratio.24 Consequently, for the British shipbuilding and -repairing industries, the interwar period was largely one of contraction.

When freight rates collapsed in 1921 skilled and apprentice employees in the 29 member firms of the Clyde Shipbuilders Association totalled 42,209. With the collapse in demand for ships this figure had fallen in 1923 to 19,115, about 51 per cent of the 1913 figure. When labourers are included, overall male unemployment in Clyde shipbuilding in 1923 stood at 32,000. In April of that year the spectre of an employers’ lock-out once again raised its head, this time over the Boilermakers’ Society’s refusal to sign a nationally agreed overtime clause. The resultant lock-out lasted seven months.25 Consequent upon the 1921 depression in trade, wages were substantially cut and bonus payments, a feature of the last years of the war, were ended. With

23 Shipbuilding is particularly vulnerable to fluctuations in the volume of world trade. Capacity cannot be rapidly adjusted to changes in demand, which are immediately reflected in the level of freight rates.
24 The Washington Naval Treaty of 1921 secured parity of fleets between Britain and the United States and a margin of superiority over Japan both in terms of capital ships (battleships, aircraft carriers, and heavy cruisers) without the need for large expenditure on new construction. The treaty also provided for the cancellation of four British battlecruisers already on order but also allowed the building of two battleships of up to 35,000 standard displacement tons within a decade. The London Naval Treaty was an agreement between Britain, Japan, France, Italy, and the United States signed on 22 April 1930, which regulated submarine warfare and limited warship building. It remained in operation until 1936. A second London Naval Treaty was signed by Britain, France, and the United States on 25 March 1936. Beforehand, both Japan and Italy had withdrawn from negotiations. For this period, on shipbuilding, see Peebles, Warshipbuilding on the Clyde.
a substantial number of berths empty due to low demand, trade unions were obviously in a weak position, and wages and conditions continued to be cut. By January 1923, as Leslie Jones has noted, labour’s wartime gains had been substantially lost and money wages had reverted almost to their 1914 level.  

The labyrinthine complexity of wage rates, bonuses, allowances, and piecework rates in shipbuilding trades and the differing interpretations and practices in diverse shipbuilding districts put on them are difficult for non-specialist historians to comprehend. The sheer amount of time expended on pricing jobs and ensuring compliance to previously agreed rates of output, hours worked, and bonus payments applicable obviously indicated the need for some root-and-branch reform. However, the extant system suited employers, who knew that in times of weak demand they could cut wages and conditions; conversely, when demand was high, labour could and did demand increases in wages, which were met, but mostly only in part. This boom-slump mentality pervaded the industry – organised labour was inured to periods of unemployment – and owners were particularly risk-averse to installing expensive capital equipment as no shipbuilder wished to be left with this equipment unused when the next slump inevitably came. Moreover, any introduction of labour-saving devices or processes would inevitably lead to trade union confrontation over staffing levels, allowances, conditions, etc.  

Rather than press for increased capital equipment use in shipyards, the owners had begun to look at reinterpreting work practices to further cut wage costs and improve productivity. The first occasion that an order from a major British ship-owning firm had gone abroad obviously gave them reason to do so. By 1925, a Joint Enquiry into Foreign Competition and Conditions in the Shipbuilding Industry between the SEF and the trade unions had been established. The enquiry was occasioned by Furness Withy ordering for the round-the-world service of its subsidiary, the Prince Line, five motor ships

26 Jones, Shipbuilding in Britain, 190.
27 A good example of this is the reversal of the 1923 situation when output picked up through 1925-27. By 1927, weekly time rates were 37 per cent above the pre-war level for a cadre of skilled workers; rates for semi-skilled were 50 per cent above and for unskilled 65 per cent above pre-war. Average earnings for all pieceworkers in July 1927 were 90 per cent, higher for an average 41-hour week. See Jones, Shipbuilding in Britain, 193-194. It should be noted that the standard working week remained at 47 hours.
28 The National Archives, Kew, London (hereafter NA), T160/59. Destitution in the insured shipbuilding workforce was largely mitigated by National Insurance out-of-work payments (unemployment relief) from the state. As a senior official, R.W. Peck of the Scottish Health Board, put it, the casualised labouring classes had gained relatively most from unemployment relief, which had ensured at least a regular supply of food.
from a German shipyard, Deutsche Werft AG of Hamburg. The German tender at £850,000 was £60,000 less for each ship than the lowest tender from a British shipyard, £1,150,000. The Furness Withy order provoked an entirely predictable storm of apoplexy from British shipbuilders and shipyard trade unions. The enquiry, reported on an interim basis in 1925, and later in June 1926. The employers put forward three proposals for securing greater interchangeability of the workforce without infringing on the broad principles of craftsmanship. None were accepted by trade unions and no action was taken. There were also the usual allegations of unfair foreign competition fuelled by subsidy, which conveniently ignored government assistance to British shipbuilding and shipping under the Trade Facilities Acts, begun in 1922 and which were to be renewed until 1927.

From almost all of the interwar period to the outbreak of the Second World War, unemployment in shipbuilding and ship repair remained stubbornly high and well above the average for all industries for most of this period. In the aftermath of the General Strike in 1926 precipitated by an employers’ lock-out of more than 1 million coal miners, further conciliatory measures were ushered in but wage demands persisted. A new claim for higher wages in 1929 resulted in a significant breakthrough on wages in the interwar period, the introduction of a national uniform plain-time wage.

29 Johnman and Murphy, *The British Shipbuilding Industry*, 23. Deutsche Werft promised delivery of the first ship in ten months – the lowest British tender promised delivery in fourteen months. For Furness Withy, see Burrell, *The History of Furness, Withy and Company Limited*, 95. All five motor ships of 6,734 grt were completed in 1926. Subsequently, it was reported that Deutsche Werft had built the ships at a loss.


31 The Trade Facilities Act, 1921 (TFA), empowered the Treasury, on the recommendation of an Advisory Committee, to guarantee, in respect of interest or principal or both, loans calculated to promote employment in the United Kingdom. The aggregate capital amount of loans in respect of which guarantees might be given was not to exceed £25,000,000. The Treasury, in accordance with the act, agreed to guarantee such loans to a prescribed limit. The loans in question were raised by borrowers from various private sources, and there was no question of the Treasury making any payments unless and until it had to implement any of its guarantees. The Trade Facilities Act was renewed and its upper limit extended on occasion until it finally expired in March 1927. By May 1927, the final limit of £75 mn for TFA guarantees had almost been reached, with £74,251,780 already pledged. Of this total the amount of guarantees to the shipbuilding industry was £21,640,585 comprising 29.1 per cent of the total and making shipbuilding the largest beneficiary of the acts: British Parliamentary Papers (hereafter BPP), House of Commons Official Report, vol. 206, col. 918, 16 May 1927. For a full analysis of the Trade Facilities Acts and their effects on British shipbuilding and shipping, see Johnman and Murphy, “Subsidy and Treasury”.
rate in 1930. Although national wage agreements had been in force since 1908 on a voluntary collective bargaining basis, there were numerous hangovers from the old system of district and local rates of pay leading to considerable variations in time rates. Custom dictated the negotiation of separate craft rates, which not only maintained wage differentials between skilled, semi-skilled, and unskilled workers (labourers) but also resulted in different rates between and within districts. The lack of uniformity of wage rates industry-wide was therefore a prime factor in wage parity claims. The 1930 agreement abandoned separate craft rates and brought in a uniform plain-time rate for skilled and unskilled workers, but not for semi-skilled workers. The latter category was to be given the same advance as the unskilled to preserve differentials. Those districts where rates were higher than the uniform rate were given time to iron out difficulties where the introduction of the new time rate would have resulted in hardship. The new uniform plain-time rate was accepted without serious industrial action and, given the worldwide depression consequent upon the Wall Street crash in October 1929, incidentally a “boom” year for British shipbuilding, this was hardly surprising. The uniform plain-time rate was strengthened in 1931 by reductions in pieceworkers’ earnings through simplification and consolidation of piecework rates, which gave a closer correlation between output and earnings. Wages remained steady until 1936, when the pressure of rearmament began to tell and, as Jones noted, time and piecework rates rose accordingly up to 1938. Nevertheless, although the introduction of a national uniform plain-time rate was important, it in no way guaranteed the completion of the then 47-hour working week.

Contemporaneously, with the establishment of the uniform plain-time rate by the SEF in 1930, representatives of the industry’s trade association, the Shipbuilding Conference, had been formulating a scheme of rationalisation, as they put it, in the face of increasing world capacity and subsequent competition. With aid from the Bank of England, a rationalisation vehicle, National Shipbuilders Securities Ltd (NSS), was formed in 1930. By 1938, NSS had eliminated, through a series of restrictive covenants against any return to shipbuilding, one-third of the industry’s shipbuilding capacity. No consideration was given that this capacity, much of it made redundant by a general increase in the size of ships, would have been closed in any event. Moreover, its activities in closing yards led to heavy localised unemployment, with the closure of Palmers on the Tyne sparking the Jarrow hunger 32

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32 Jones, Shipbuilding in Britain, 192–198, discusses wage rates in this period in detail.  
33 For NSS, see ibid., 133–140. See also Slaven, “Self-Liquidation”.
march to London and leaving an unemployment rate of 70 per cent in that town alone. NSS was essentially a price-protective measure in the sense that remaining firms, faced with less competition, could raise prices: in this regard its activities were faux rationalisation. By this stage, however, the mixed naval and mercantile shipbuilders had returned to profitability owing to rearmament in anticipation of a coming war.

Up to this point the situation for labour in mixed naval and mercantile shipyards had improved. The naval race to build capital ships meant many years of work, actual and potential. However, for the mercantile-only yards, demand still lagged. Attempts by the British government to stimulate demand for mercantile tonnage through a short-lived scrap and build scheme from 1936 had provided some respite, but in effect had not solved the industry’s fundamental problems in relation to international competition. Indeed, the industry’s trade association, the Shipbuilding Conference, had informed the government in secret in 1938 that British shipbuilding could no longer compete with continental builders on the fundamental issues of price and delivery.

For shipbuilding and ship repairing labour, the 1920s and the bulk of the 1930s had been very difficult in terms of job security or, more correctly, the lack of it. At the nadir of the interwar depression in 1933, some 60 per cent of all workers in British shipbuilding and repair were unemployed and in Scotland the figure was 77 per cent. In contrast to other industrialised countries, however, social welfare provisions for the unemployed in Britain were more advanced. It is plain that the uncertain nature of demand meant that employers saw labour as a variable rather than a fixed cost of production – thus the burden of unemployment was placed firmly

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34 For this, see Wilkinson, *The Town That Was Murdered*.
35 NMM SRNA 5 / H3, Summary of a Memorandum by Sir Amos Ayre on conditions existing in the shipbuilding industry at December 1938.
36 Percentages of unemployed are compiled from Ministry of Labour publications, various years.
37 In the interwar period, Britain had a relatively advanced welfare system compared to many of the other industrialised countries. In 1911, a compulsory national unemployment and health insurance scheme had been put in place by the Liberal government, funded through contributions from government, employers, and workers. Initially, the scheme applied only to certain trades, but in 1920 it was expanded to include most manual workers. The scheme ran on the level of contributions made rather than according to need, and was payable only for 15 weeks; thereafter, recipients had to rely on poor law relief or charitable help. In August 1931, the 1911 scheme was replaced by a fully government-funded unemployment benefit system that paid out according to need rather than the level of contributions, but was determined by means testing of claimants to ensure that they had no hidden earnings, savings, or other sources of income.
Table 2.1  Incidence of unemployment in selected industries, December 1921 to June 1939 (percentage of insured workpeople unemployed)

<table>
<thead>
<tr>
<th>Date</th>
<th>All insured occupations</th>
<th>Shipbuilding and repair</th>
<th>Iron and steel</th>
<th>Coal mining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 1921</td>
<td>16.2</td>
<td>36.1</td>
<td>36.7</td>
<td>11.1</td>
</tr>
<tr>
<td>Dec. 1922</td>
<td>12.2</td>
<td>35.6</td>
<td>22.1</td>
<td>4.6</td>
</tr>
<tr>
<td>Dec. 1923</td>
<td>10.7</td>
<td>34.2</td>
<td>17.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Dec. 1924</td>
<td>10.9</td>
<td>31.9</td>
<td>27.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Dec. 1925</td>
<td>10.5</td>
<td>36.9</td>
<td>24.4</td>
<td>11.3</td>
</tr>
<tr>
<td>Dec. 1926</td>
<td>11.9*</td>
<td>42.2</td>
<td>34.5</td>
<td>10.2*</td>
</tr>
<tr>
<td>Dec. 1927</td>
<td>9.8</td>
<td>21.5</td>
<td>22.7</td>
<td>17.3</td>
</tr>
<tr>
<td>Dec. 1928</td>
<td>11.2</td>
<td>30.3</td>
<td>19.8</td>
<td>19.1</td>
</tr>
<tr>
<td>Dec. 1929</td>
<td>11.1</td>
<td>23.3</td>
<td>22.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Dec. 1930</td>
<td>20.2</td>
<td>45.1</td>
<td>50.6</td>
<td>19.7</td>
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<tr>
<td>Dec. 1931</td>
<td>20.9</td>
<td>60.1</td>
<td>45.4</td>
<td>24.6</td>
</tr>
<tr>
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<td>21.7</td>
<td>63.5</td>
<td>45.1</td>
<td>29.2</td>
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<tr>
<td>Dec. 1933</td>
<td>17.6</td>
<td>54.5</td>
<td>28.6</td>
<td>25.7</td>
</tr>
<tr>
<td>Dec. 1934</td>
<td>16.1</td>
<td>46.0</td>
<td>23.7</td>
<td>23.2</td>
</tr>
<tr>
<td>Dec. 1935</td>
<td>14.2</td>
<td>37.2</td>
<td>17.5</td>
<td>19.4</td>
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<tr>
<td>Dec. 1936</td>
<td>12.2</td>
<td>26.9</td>
<td>12.1</td>
<td>16.4</td>
</tr>
<tr>
<td>Dec. 1937</td>
<td>12.2</td>
<td>22.9</td>
<td>11.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Dec. 1938</td>
<td>12.9</td>
<td>22.5</td>
<td>24.5</td>
<td>14.4</td>
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<tr>
<td>June 1939</td>
<td>9.7</td>
<td>19.6</td>
<td>9.6</td>
<td>13.1</td>
</tr>
</tbody>
</table>

Notes: * Exclusive of persons who were disqualified from unemployment benefit on account of the coal mining dispute commenced on 1 May 1926. In September 1937 a revised procedure for counting the unemployed was introduced. Source: Ministry of Labour publications.

Employers’ strategies in the 1930s, NSS rationalisation exempted, included closing down shipyards completely until demand was re-established, sometimes for periods of five years or more.38 Many unmarried workmen in particular left the industry for good or emigrated.39 For those left attached to the industry, the major technical change during the interwar period – the adoption and more widespread diffusion of electric arc welding in place of the industry’s principal method of metal

38 See Johnman and Murphy, “An Overview of the Economic and Social Effects of the Interwar Depression”, 246.
39 Ibid., 225 and 234. Skilled emigration to the United States alone from 1921 to 1930 accounted for over 18,500 male Scots metalworkers and engineers – the largest outpouring of an occupational group to any overseas destination. In the wake of the passing of the Empire Settlement Act of 1922 there is substantial evidence of Clyde shipyard workers emigrating to Canada in particular.
joining (riveting) – threatened the extant methods of division of labour. Unsurprisingly, the employers’ attempts to make welding a semi-skilled occupation were fiercely resisted by the Boilermakers’ Society which eventually captured, through a series of unofficial strikes, aggressive recruitment, and a coherent national strategy, the process for its own members against competing trade unions.40 They were substantially aided

40 From 1932 onwards discussions between the Shipbuilding Employers’ Federation and trade unions on a more widespread adoption of electric arc welding in shipbuilding were concentrated on the employers’ attempts to introduce a new class of “ship welder”. New entrants would be subject to enforced wage rates to keep any growth in wages containable as the process of welding gained more widespread application. The employers’ attempts induced a series of strikes by the Boilermakers’ Society on the Clyde and Tyne. The Boilermakers’ Society, in the end, gained control of the process and thwarted the employers’ attempts to isolate it. The initial schemes to introduce ship welders are analysed through the medium of SEF Circular Letters by McGoldrick, “Crisis and the Division of Labour”. See also Johnman and Murphy, “Welding and the British Shipbuilding Industry”, and Murphy, “The Health of Electric Arc Welders”.

<table>
<thead>
<tr>
<th>Year</th>
<th>Britain</th>
<th>% of world</th>
<th>World output</th>
<th>% British output for export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>2,056</td>
<td>35.1</td>
<td>5,862</td>
<td>18.2</td>
</tr>
<tr>
<td>1921</td>
<td>1,538</td>
<td>35.3</td>
<td>4,357</td>
<td>17.4</td>
</tr>
<tr>
<td>1922</td>
<td>1,031</td>
<td>41.8</td>
<td>2,467</td>
<td>15.7</td>
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<tr>
<td>1923</td>
<td>646</td>
<td>39.3</td>
<td>1,643</td>
<td>1.9</td>
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<tr>
<td>1924</td>
<td>1,440</td>
<td>64.1</td>
<td>2,248</td>
<td>21.5</td>
</tr>
<tr>
<td>1925</td>
<td>1,085</td>
<td>49.5</td>
<td>2,193</td>
<td>13.8</td>
</tr>
<tr>
<td>1926</td>
<td>640</td>
<td>38.2</td>
<td>1,675</td>
<td>8.0</td>
</tr>
<tr>
<td>1927</td>
<td>1,226</td>
<td>53.6</td>
<td>2,286</td>
<td>20.2</td>
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<tr>
<td>1928</td>
<td>1,446</td>
<td>53.6</td>
<td>2,699</td>
<td>18.9</td>
</tr>
<tr>
<td>1929</td>
<td>1,523</td>
<td>54.5</td>
<td>2,793</td>
<td>17.0</td>
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<tr>
<td>1930</td>
<td>1,479</td>
<td>51.2</td>
<td>2,889</td>
<td>31.6</td>
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<td>1931</td>
<td>502</td>
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<td>1,617</td>
<td>10.0</td>
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<td>1932</td>
<td>188</td>
<td>25.9</td>
<td>727</td>
<td>9.0</td>
</tr>
<tr>
<td>1933</td>
<td>133</td>
<td>27.2</td>
<td>489</td>
<td>3.3</td>
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<tr>
<td>1934</td>
<td>460</td>
<td>47.6</td>
<td>967</td>
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<td>499</td>
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<td>1,302</td>
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<td>1936</td>
<td>856</td>
<td>40.4</td>
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<td>6.9</td>
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<td>1937</td>
<td>921</td>
<td>34.2</td>
<td>2,691</td>
<td>6.6</td>
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<tr>
<td>1938</td>
<td>1,030</td>
<td>33.9</td>
<td>3,034</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Source: Lloyd’s Register Annual Returns, various years
in this by two factors: employer disunity and rearmament, the latter ensuring a return to consistent profitability. Taken together, these factors eventually led to the crumbling of the employers’ plans and the adoption of a payment-by-results scheme and recognition by employers that the Boilermakers’ Society had the right to control the process.41 Such had been the advance of foreign competition during the interwar period that, by December 1938, Britain’s percentage share of world shipbuilding output had slumped to 29 per cent, half the amount of 1914. Unemployment in British shipbuilding and repair in comparison to other basic industries is shown in Table 2.1.

Throughout the interwar period there had been a persistence of oversupply in shipbuilding and repair in relation to demand. It would be frankly ludicrous to assume that British shipbuilding would have kept or added to its 1914 percentage share of world output of 60 per cent indefinitely. Other countries, notably, Germany, the Netherlands, Sweden, France, Italy, and Japan, had built up their shipbuilding industries and to greater or lesser extents reserved the building of their fleets to their domestic industries. British shipbuilding exports, by definition, had to suffer accordingly.

British shipbuilding’s failure to reform its work organisation and reinforce its previous lead in design and construction of ships would have telling effects. By the outbreak of the Second World War in September 1939, both the British shipbuilding and ship repairing industries were qualitatively and quantitatively weaker than they had been in 1918. Management and workforces were on the whole old, and equipment was largely outdated in comparison to more capital-intensive continental yards. Moreover, the war, its longevity, and its immediate aftermath would mask British shipbuilding and repair’s fundamental weaknesses: lack of international competitiveness, lack of investment, and inherently corrosive industrial relations.42

41 McGoldrick, “Crisis and the Division of Labour”, 179.
42 Clydeside, the most important centre for warship building and passenger liner construction, had long been a battleground between unions and employers. Relationships in the other major centre of British centre of shipbuilding activity, the north-east coast of England, were on the whole better. A good indication of how Clydeside shipbuilding employers saw their workforces came to light in a Mass Observation study of 1942, when interviewers of one particular unnamed employer were “subjected to two-hour tirade against these animals”, and several other prominent employers displayed “an almost pathological hatred of their workmen”: NA CAB 102/379 Industrial Relations and Welfare in Admiralty Establishments and Contractors Works: unpaginated draft.
The Second World War

Shipbuilding and repair quickly came under the command of the British Admiralty, with three owners of private shipbuilding and repair firms in overall supervisory control of merchant shipbuilding by 1 February 1940. As in the First World War, output was heavily skewed towards naval craft and warships, and ship repair was again vitally important. As such, new construction of mercantile tonnage had lower priority, and orders for merchant ships were placed in the USA and in Canada. The shipbuilding employers again had to co-operate with trade unions in the national interest and not in their own. Strikes, although outlawed, still occurred, and dilution of the workforce again took place with unskilled men and women entering employment, but only after unemployed tradesmen had done so and only after the transfer of former employees from other industries had taken place. During the war and indeed the interwar period, the highest incidence of strikes in the munitions industries as a proportion of the workforce employed took place in shipbuilding. The numbers of strikes during the war, by year, are given in Table 2.3.

As in 1915, the trade unions were party to legislation in 1942 which, after the war, would restore their pre-war practices. Dilution of labour – male and female – did not have any measurable effect on shipbuilding and repair,

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43 Sir James Lithgow, of the Port Glasgow mercantile shipbuilders, Lithgows Ltd, was appointed Controller of Merchant Shipbuilders and Repairs based at the Admiralty. Sir Amos Ayre of Burntisland Shipbuilders, Fife, was appointed as his deputy. Sir Lawrie Edwards of Middle Docks on the Tyne was given responsibility for ship repair. For British shipbuilding and repair during the Second World War, see Johnman and Murphy, *British Shipbuilding and the State Since 1918*, ch. 3. See also Ayre, “Merchant Shipbuilding During the War”. For warship building, see Buxton, *Warship Building and Repair During the Second World War*. For the war at sea, see Roskill, *The War at Sea*.

44 For ship repair, see Edwards, “The War Effort and Organisation of British Shiprepairing”. From January 1941 to June 1945 an annual average of 800,000 grt of shipping was permanently withdrawn from service solely due to repairs. In all a huge total of 180 mn grt of cargo-carrying shipping was restored to service, although many of these repairs were of a routine nature. More workers were employed on mercantile repairs than new construction for the duration of the war; see NA CAB 102/440 Merchant Shipping and Repairs, vol. II.

45 See Johnman and Murphy, “The British Merchant Shipping Mission to the United States”. For the American shipbuilding effort, see Lane, *Ships for Victory*. For Liberty ships, see Elphick, *Liberty*. See also Lindberg and Todd, *Anglo-American Shipbuilding in World War II*; for Canada, see Pritchard, *A Bridge of Ships*.

46 For the role of women, see Murphy, ‘From the Crinoline to the Boilersuit”.


nor did any general or specific move towards interchangeability of trades.\textsuperscript{49} Indeed, shipbuilding and repair were not deemed to be essential industries for the control of labour until March 1941, when the Essential Work (Shipbuilding and Repairing) Order came into force. There was, however, virtually no change in the course of the war in the proportion of labour recognised as skilled in shipbuilding.\textsuperscript{50} It was hardly surprising, therefore, given the shipbuilding industry’s record of low investment in the interwar years, that two official investigative reports in 1942 laid bare its fundamental shortcomings.\textsuperscript{51} Arising from these reports, there began what the military historian Correlli Barnett has described as a remarkable feat of re-equipment during the war.\textsuperscript{52} By far the most important and far-reaching change during the war was the extension of electric arc welding in shipyards and associated plant, extensively funded by the Admiralty. By September 1943, at which stage the Battle of the Atlantic against the German U-boat threat had turned in the Allies’ favour, 90 per cent of shipyard welding schemes had been completed or were nearing completion.\textsuperscript{53}

\textsuperscript{49} Johnman and Murphy, \textit{British Shipbuilding and the State}, 69. In 1942, fifteen Clydeside shipbuilding firms had no dilution whatsoever in their hull trades.

\textsuperscript{50} After a slight drop from 50 per cent in 1940 to 47 per cent in 1942-43, it rose again to 48 per cent by the end of the war. See NA CAB 102/47 Labour Requirements and Supply, Shipbuilding and Engineering, 1939-1945, 191. This master copy in draft was used by Peggy Inman for her official history: Inman, \textit{Labour in the Munitions Industries}.

\textsuperscript{51} NA ADM 1/11892 Labour in Mercantile and Naval Shipyards (Barlow Report to the Ministry of Production), July 1942. Barlow expressed a damning conclusion that “a degree of complacency among all concerned permeates the whole field of production”: NA BT 28/319 Report to the Machine Tools Controller on the Equipment of Shipyards and Marine Engineering Shops (Bentham Report), September 1942. Bentham recommended “exceptional financial consideration ... to deal with improvements in plant”, and improvements in welding, craneage and prefabrication.

\textsuperscript{52} Barnett, \textit{The Audit of War}, 119.

\textsuperscript{53} Johnman and Murphy, \textit{British Shipbuilding and the State Since 1918}, 82-83.
Later in the war, as the invasion of Europe loomed, the shipbuilders began to discuss the competitive position of the industry after the war. Unsurprisingly, they looked back before they looked forward; with Amos Ayre of Burntisland Shipbuilding stating that “the unions must be told what the situation was in 1938”. However, early in 1945, the Clyde shipbuilder Sir Maurice Denny presciently stated that modernisation was an absolute necessity and, if not undertaken quickly, its absence would result in our “bequeathing to our successors the same legacy of strife, frustration and comparative stagnation that has been on the whole a characteristic of our industry in the past”. As a result of these discussions the employers formed a Committee on Improved Shipbuilding Practice and a sub-committee on Methods of Shipbuilding Construction, the latter spawning four sub-committees.

As the war neared its end, however, the employers once again began to insist of their pre-war right to hire and fire at will. On Clydeside, employers paid off older tradesmen in the Boilermakers' Society and were making a concerted drive to rid themselves on the obligations imposed upon them by wartime regulations, in order “to return to the old starvation method of applying discipline”. From the point of view of the Boilermakers' Society, however, just as they had wrested control of welding during rearmament, they did likewise on staffing levels on new technology such as automatic welding machines during the war and shipyard trades generally remained non-interchangeable. New technology altered the quantity of labour required, not its type.

War losses of British ships of 200 grt and larger numbered 1,719 and totalled 8,738 mn grt – around half the mercantile fleet afloat in 1939; however, some of this lost tonnage had been made good by new construction during the war and by ship purchases from abroad. Nonetheless, British tonnage was 3.5 mn grt less than in September 1939.

The post-1945 situation

Given that the competitive position in 1938 was worrying, if not yet fatal for British shipbuilding and repair, then the immediate post-war years presaged continuing profitability as large numbers of ships were reconverted to mercantile use and new construction began. The prospect of continuing
profits and returning to private rather than the national interest led to the employers’ sub-committees begun in 1944 withering on the vine, and shipbuilders once again competing against each other rather than meaningfully co-operating on making the industry more internationally competitive. The Shipbuilding Employers’ Federation duly returned to its pre-war position of determining labour matters and reinforcing its apparent obsession with procedure, and the trade unions returned (but were in a much better position than was the case in the majority of the interwar period) to the standard adversarial industrial relations that had bedevilled the industry beforehand. The big difference for labour was that this time, in a reversal of what had occurred post-1920, they did maintain their wartime gains in wages and conditions and indeed increased earnings in the favourable post-war climate. Britain’s major pre-war competitors, the Allied-occupied Axis powers of Nazi Germany and imperial Japan, their economies in various states of temporary ruination, were not allowed to return to ocean-going shipbuilding in the immediate post-war period, and their economic stock was also subject to reparations and demolition.57

It did not require remarkable prescience, however, to forecast that when they did, and when sufficient profits were made, more capital-intensive methods of production replacing outdated plant and equipment were likely to dominate. Moreover, concentration on fewer and, in all likelihood, larger ship types such as tankers and bulk carriers would result. Indeed, the lessons learned from multiple production techniques, welding of sections and plates, standardisation of products and equipment, prefabrication techniques, non-demarcated labour, and better shipyard layouts to facilitate production by reducing bottlenecks, as practised in the USA’s emergency wartime shipbuilding programme, were likely to be copied elsewhere.

British shipyards, many of them dating from the days of wooden shipbuilding, were on the whole spatially constrained and had grown in a haphazard manner – no British shipbuilder with a full orderbook even contemplated a greenfield shipyard site in the post-war period. Intrinsically, British shipbuilders still feared world overcapacity and the violent fluctuations in demand that had characterised much of the interwar period.58 Moreover, the industry’s

57 NMM SRNA Report of Executive Board of Shipbuilding Conference, 15 November 1946. At this stage little had been done towards the destruction of shipbuilding facilities in Germany. Some plant had been removed from Kiel, and the large gantries at the Blohm and Voss shipyard had been blown up.

58 For example, see Stephen, “Full Employment in British Shipyards”: “No industry has had such a record of booms and slumps in the past as has British shipbuilding ... history has shown quite clearly that wars have had ... a very adverse effect on British shipbuilding”. Stephen pointed out
leaders, wholly against a return to merchant shipbuilding by the Axis powers, also feared that the USA's plans for European reconstruction would inevitably result in a reversal of reparations policy and agitation for a return to German ocean-going ship construction for export. In this, they were to be later proved correct.\(^{59}\) As for a return to Japanese ocean-going shipbuilding, Britain was in a much weaker position owing to American occupation of Japan.

This however, was some years off. In the interim, the situation in the market for ships was somewhat skewed as large numbers of American wartime emergency-built Liberty ships and tankers as well as Canadian-built emergency ships came on to the market. From 1 July 1945 to 30 June 1953, 11 mn tons of American shipping, chiefly Liberty ships, were transferred to foreign registers, with an estimated 1.56 mn tons going to British shipowners.\(^{60}\) The many ships remaining from what can only be described as a remarkable shipbuilding effort by the USA post-Pearl Harbor, predicated on speed of construction and maximum output of standard ships at high labour costs, were consigned to the US Reserve Fleet, which was, in terms of tonnage laid up, the largest in the world.\(^{61}\) British shipbuilders and -repairers that as a result of the post-1918 boom the industry had expanded to 133 per cent of its pre-1914 capacity, having available less than its pre-1914 demand.

\(^{59}\) NMM SRNA Report of the Executive Board of the Shipbuilding Conference, 26 May 1949. Resulting from the Potsdam Conference of 17 July to 2 August 1945, Allied restrictions on any return by German shipbuilding to ocean-going ship construction were imposed. German companies were, in the interests of improving the European and German economy, allowed to develop a coastal fleet restricted to 1,500 grt per vessel, later raised to 2,700 grt. The extent of coastal fleet building was estimated to be at a limit of 517,000 grt, including 360,000 grt of dry cargo vessels. German shipowners were also allowed to purchase tankers of not more than 7,700 grt from abroad up to a total of 100,000 grt, and dry cargo vessels of not more than 7,200 grt up to a total of 300,000 grt. Demolition of plant and equipment in German shipyards also took place. In May 1949 it was reported that a United States decision had been made that Japan should retain 38 shipyards with an annual capacity of 800,000 grt, a third of which had been previously scheduled for reparations. As the Shipbuilding Conference Executive Board noted in July 1949, Japanese ship repairing and shipbuilding appeared to be developing without restriction as part of General Douglas MacArthur's policy of reviving Japan as an industrial nation. Accordingly, the Shipbuilding Conference anticipated severe competition in the very near future. By December 1949, as the Executive Board noted, all restrictions on Japanese shipbuilding had been lifted. By this stage German shipbuilding had also been allowed to construct ocean-going ships (excluding passenger liners) and tankers up to 7,200 grt.

\(^{60}\) Sturmy, *British Shipping and World Competition*, 130-131.
\(^{61}\) The US National Defense Reserve Fleet (NDRF) was established under Section 11 of the Merchant Ship Sales Act of 1946, to serve as a reserve of ships with value for national defence purposes. These ships could be activated to meet shipping requirements during national emergencies. At its peak in 1950, the NDRF had 2,777 ships laid up in Atlantic and Pacific seaboard and Gulf of Mexico anchorages.
following reconversion of existing tonnage, then concentrated on restoring the British Mercantile Marine to its pre-war tonnage totals and repairing ships on a more normal basis.

During the war, and up to April 1946, the employers awarded five increases in wages, and another three were awarded as a result of National Arbitration Tribunal awards to workers in shipbuilding and repair. In 1947, no wage increases were awarded, but following a Court of Enquiry, the normal day-shift working hours were reduced from 47 hours to 44 hours per week; this took effect from March. As Jones has noted, the shorter working week was introduced without any changes in basic rates and this, in effect, meant an increase in the rate per hour for timeworkers and also allowed all classes of workers to increase earnings for the same number of hours worked.62 In 1948, the Boilermakers’ Society submitted a motion to the Labour Party Conference calling for the nationalisation of the shipbuilding and ship repairing industries. A year later, the society’s president, Ted Hill, noted the drastic effects of the interwar depression, the loss of a third of berths to NSS, and subsidisation of the industry at home and of shipbuilding abroad. To Hill it made little sense to leave the industry in the hands of owners who would cut it until it no longer remained viable and then take public money to build it up again.63

Given the temporary post-1945 advantages that British shipbuilding had over its major competitors, Germany and Japan, some academics have pointed to the 1950s, considering the subsequent history of decline, as the crucial decade for the industry’s international competitiveness.64 Setting aside that every decade – and indeed year – is important in international competition, the 1950s was certainly a decade when the industry failed to match foreign competition in price, delivery, credit terms, and, crucially, meaningful investment in modernisation and expansion of its facilities to encompass new methods of production. The later debate on the relative and then absolute decline of British shipbuilding fell into two camps: those who blamed it on institutional rigidity and those who supported a more traditional management failure thesis.65

62 Jones, Shipbuilding in Britain, 199.
64 Lorenz, Economic Decline in Britain, 132-136. Lorenz identifies the 1950s as the key decade but leaves it to others to research its consequences. Barnett, The Audit of War, 123, states that the years 1951-54 were “commercially crucial”. See also Hilditch, “The Decline of British Shipbuilding Since the Second World War”, 129.
65 The main thrust of the institutional approach to decline is given in an influential collection of essays, Lorenz and Wilkinson, “The Shipbuilding Industry, 1880-1965”, and by Lorenz,
With full employment in British shipyards for some years to come, no British shipbuilder, given the industry’s record of booms and slumps in the interwar period, could have foreseen what would become from 1948 onwards a near 25-year period of continuous economic expansion and a concomitant huge increase in the volume of seaborne trade. Up to 1965 the world merchant fleet doubled, but the British Mercantile Marine grew by only 16 per cent. Concomitantly, shipyard wages and earnings rose for timeworkers and pieceworkers in the industry; and by December 1949 the British Mercantile Marine had been restored to its pre-war tonnage level. Earlier, from 1 October, government licensing of British ship repairing had also been ended, freeing up ship repair yards to take orders from any source, but licensing of shipbuilding remained.

Prior to this, the ending of a steel price subsidy had elicited complaints from Norwegian and Swedish shipowners over the differential in price being passed on to them on existing contracts made before the ending of the subsidy. This and huge difference in ship prices resulting from wartime and post-war inflation resulted in increased dissatisfaction from shipowners. Norway had been British shipbuilding’s premier export market in the interwar period, absorbing one-third of British shipbuilding

Economic Decline in Britain. Lorenz and Wilkinson emphasise the relatively small scale of British shipyards, the extent of family ownership, the craft structure of the work process, and trade unions as key elements in the industry’s decline. Lorenz (Economic Decline in Britain) also points to a lack of trust between management and workforce as a key element in institutional rigidity, and introduced a behaviourist theory of bounded rationality as an explanatory model. The main thrust of the managerial failure thesis is evident in the work of Anthony Slaven. See for example Slaven, “Management Policy and the Eclipse of British Shipbuilding” and “Marketing Opportunities and Marketing Practices”. Managerial failure is also examined in the works of Johnman and Murphy cited throughout this chapter. However, there is no generally mono-causal paradigm of decline. Institutional rigidity and management failure explanations are not mutually exclusive. It is more of a question of what particular weight is attributed to one or the other.

The world merchant fleet expanded from 29,340 vessels totalling just over 80 mn grt in 1948 to 41,865 vessels totalling more than 160 mn grt in 1965. The British Mercantile Marine in 1948 comprised 6,025 vessels totalling just over 18 mn grt. By 1965 the number of vessels had fallen to 4,437, although tonnage had expanded to 21.5 mn grt, but Britain’s percentage of the world fleet had dropped from 24 to 13 per cent.

This cancelled the Restriction of Repairs of Ships Order of 1940.


NMM SRNA 8/S47 “The Shipping Outlook”, a speech by Erling D. Naess to the Norwegian Club, New York, 14 May 1947. Naess compared 1939 and 1947 prices of a 9,000-grt cargo liner capable of 16 knots and a 12,700-dwt tanker capable of 14 knots, Naess calculated that prices had risen by 250 per cent and 240 per cent respectively.
exports. However, as credit terms and mortgaging ships became more and more important in the post-war period, the Norwegian market for British shipbuilding, which had had accounted for 40 per cent of all British launchings for foreign account between 1948 and 1956, contracted significantly after 1956.70

**The 1950s: competition intensifies**

By 1950 the most urgent demands of post-war reconversion and new construction had in part been met, and by the end of the year it had been forecast that some 188 berths in British shipyards would become vacant and that 75,000 workers would be unemployed as a result. However, the prospects of the industry brightened with the onset of the Korean War, and consequently a commodity boom, a large increase in freight rates, general re-armament, and a significant increase in demand for tanker construction, which now represented more than 42 per cent of all tonnage under construction in British yards.71 New orders for all shipping in 1951 totalled 4,152 mn grt, an all-time record, and total orders at December 1952 stood at 6,661 mn grt. This level of orders in hand presaged four to five years of work for British shipyards and increased work for the ship repair sector.

Despite the wartime expansion of welded construction techniques, the bulk of British shipbuilding yards remained committed to riveting as the principal method of metal joining of ships’ plates. In 1950-51 only 3.8 per cent of British shipbuilding launching output was of all-welded construction, but it follows that the proportion of partly welded tonnage would have been considerably higher. The corresponding figures in 1950 for the USA (albeit a closed market) at 80.3 per cent and Sweden (open market) at 37.8 per cent are instructive.72 After the war, British shipbuilders saw a definite future for riveting and were on the whole reluctant to make a full transition from riveting to welding, as this would imply a full-scale and therefore costly reorientation of their productive facilities away from the berths to fabrication sheds to take advantage of prefabrication of flat ships’ plates and sections that welding offered. Moreover, production planning to maximise

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70 For the Norwegian market for British shipbuilding in detail, see Johnman and Murphy, “The Norwegian Market for British Shipbuilding”. For credit and ship mortgages, see Johnman and Murphy, “A Very British Institution”.

71 Jones, *Shipbuilding in Britain*, 204-208, describes the effects of tanker construction in detail.

welding output and co-ordination of individual trades, materials, stock, and sub-contractors in a sequential manner all implied a greater deal of higher management control than had hitherto been the case. The modernisation in production processes that had occurred in British shipbuilding had mostly been undertaken piecemeal during the Second World War. But overall, as the First Lord of the Admiralty had warned in March 1944, the dangers of the “fossilisation of inefficiency” in British shipyards were very real. This sentiment was echoed by the Wartime Cabinet Reconstruction Committee, which presciently noted that British shipbuilding would have eight to ten years’ grace to increase efficiency before international competition became formidable.73

With an orderbook glutted with mercantile orders from the Korean War onwards, profits rose accordingly and investment in fixed assets correspondingly dropped. Andrew Schonfield noted in 1958 that expenditure on plant and equipment can hardly have been sufficient to cover normal wear and tear and obsolescence in British shipyards. For an industry that was producing an average of £120 mn per annum, expenditure of £4 mn per annum on fixed assets – “such a low figure” – indicated “that someone was trying to get out of a business and in the meantime was determined to spend as little as possible on it”.74 In terms of share dividends, a representative sample of thirteen firms between 1945 and 1956 paid average share dividends of more than 10 per cent, distributing over £2.6 mn per annum – over half what the industry was spending on fixed assets. Moreover, taking capital investment as a proportion of net output in British shipbuilding and repair and other industries from 1949 to 1957, shipbuilding and repair averaged under half of the all-industry average, and in terms of share price index for manufacturing at the end of 1949 to October 1956, with 1949 at 100, shipbuilding easily came out on top at 288 at October 1956.75

These levels of profits and the distribution thereof did not escape the attention of trade unions, who understandably demanded increases in pay on an annual basis through the aegis of the Confederation of Shipbuilding and Engineering Unions (CSEU). Wage rises were duly negotiated and as usual met in part. However, a claim for an increase of 10 per cent in wage rates, which rumbled on through a series of job conferences from October 1956 to March 1957, was rejected by the employers, and resulted in the first

73 Barnett, The Audit of War, 123, quotes the First Lord.
74 Schonfield, British Economic Policy Since the War, 42.
75 Johnman and Murphy, British Shipbuilding and the State Since 1918, 117-118.
national strike for thirty years. The strike began on 16 March 1957 and lasted until 4 April, when the Ministry of Labour convened a Court of Inquiry into the dispute. Subsequently the CSEU agreed a rise of 11 shillings per week (6 per cent) with the employers, but with conditions attached including a one-year standstill on wage claims.76

The year 1956 proved to be one of foreboding for Britain, not only for its ill-advised invasion of Egypt on 5 and 6 November in collaboration with France and Israel over the nationalisation and closure, by President Gamal Abdel Nasser, of the Suez Canal Company and Canal in July 1956. The inglorious withdrawal at American insistence in December finally ended any pretensions that Britain still retained great-power status in the world and also reflected the weakness of the British economy.77 The Suez crisis drove up tanker charter rates and led to a boom in tanker orders. That year Japan took over Britain’s mantle for the first time as the world’s foremost producer of ships (mainly on tanker construction) and remained in that position for the rest of the twentieth century.78 The Japanese shipbuilding industry had learned from the American wartime shipbuilding production methods practised at Daniel Ludwig’s National Bulk Carriers leased facility at the former naval shipyard at Kure.79 From the 1960s to the 1970s Japan secured more than half the international market for ships. Japanese shipbuilders had the capital through their links to keiretsu (huge family-controlled banking and industrial combines) and the technology – most of which it purchased from abroad, and a workforce that did not command wages rendering them uncompetitive.80 Crucially, Japanese shipyards built tonnage for Greek and

76 Jones, Shipbuilding in Britain, 200-201.
77 In the aftermath of the Suez debacle, the Conservative Party prime minister, Anthony Eden, resigned on 9 January 1857 and was replaced by his foreign secretary, Harold Macmillan. For Suez, see Eden, Full Circle, Eisenhower, The White House Years, vols I-II, and Macmillan, Tides of Fortune and Riding the Storm. A more recent book on Suez containing a large selection of government documents released under the thirty-year rule is Gorst and Johnman, The Suez Crisis.
78 From April to September 1955, tankers accounted for 83 per cent of tonnage ordered in Japan, mostly for American and other owners for Panamanian and Liberian registration.
79 For Ludwig’s enterprise, see Davies, “The Role of National Bulk Carriers in the Advance of Shipbuilding Technology in Post-War Japan”. See also Chida and Davies, The Japanese Shipping and Shipbuilding Industries, 111-114.
80 The leading keiretsu (called zaibatsu before the Second World War) are Mitsui, Mitsubishi, Dai Ichi Kangyo, Sumitomo, Sanwa, and Fuyo. They gained a position in the Japanese economy with no exact parallel elsewhere. In 1937 the four leading zaibatsu controlled directly one-third of all bank deposits, one-third of all foreign trade, one-half of Japan’s shipbuilding and maritime shipping, and most of the heavy industries. After 1945, the break-up of the zaibatsu was announced as a major aim of the Allied occupation, but in the 1950s and 1960s groups
American owners who utilised the fast-growing flag of convenience fleets of Liberia and Panama during the 1950s and 1960s. They offered quality vessels at economic prices and on time, and shipowners naturally ordered from them. By the end of the 1950s, shipbuilding in Japan contributed 10.6 per cent of its total exports.81

In response to Japan’s ascendancy, the president of the Shipbuilding Conference, Sir James McNeill, noted in a letter to the First Lord of the Admiralty, Viscount Hailsham, that “all time record launchings were established by [West] Germany, the Netherlands, Italy and Norway [which] indicated a definite comparative trend”. In McNeill’s view, British shipbuilding was facing a crisis.82 Table 2.4 shows the precipitous decline of the British shipbuilding in the export market for ships in the 1950s and the rise of Japan and West German competition.

For almost the entire period from 1945 to 1958, there had been a seller’s market in shipbuilding. Yet, British shipbuilding output had remained largely static: its share of overseas orders had declined, and British shipowners increasingly ordered from overseas. Moreover, the major growth market segments after 1945 – increasingly large crude oil tankers and bulk carriers – had largely passed British shipbuilders by. On the whole the industry had remained wedded to producing to order for the British mercantile marine, had taken easy profits, and largely failed to re-invest them in modern plant and equipment. From 1958, by which stage the post-Suez spike in freight rates had waned, to 1961, a buyer’s market reigned; the spectre of heightened foreign competition was all too real, and the likelihood of increased and heavily localised unemployment loomed.

based on the old zaibatsu re-emerged as keiretsu. The decision on the part of these groups in the post-1945 era to pool their resources greatly influenced Japan’s subsequent rise as a global economic power.

82 Johnman and Murphy, *British Shipbuilding and the State Since 1918*, 112.

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**Table 2.4  Shipbuilding percentage shares of the world export market**

<table>
<thead>
<tr>
<th>Years</th>
<th>UK</th>
<th>Japan</th>
<th>West Germany</th>
<th>Sweden</th>
<th>France</th>
<th>Netherlands</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-50</td>
<td>35</td>
<td>2</td>
<td>0</td>
<td>18</td>
<td>0</td>
<td>6</td>
<td>38</td>
</tr>
<tr>
<td>1951-55</td>
<td>22</td>
<td>11</td>
<td>15</td>
<td>13</td>
<td>2</td>
<td>9</td>
<td>29</td>
</tr>
<tr>
<td>1956-60</td>
<td>7</td>
<td>32</td>
<td>21</td>
<td>12</td>
<td>6</td>
<td>6</td>
<td>17</td>
</tr>
</tbody>
</table>

*Source: Lloyd’s Register of Shipping, various years*
The 1960s: consolidation of trade unions, and the state intervenes and directs

In the three years from 1958, British shipbuilding held its share of world shipbuilding launchings at around 15 per cent but its output remained static. Government, through its Shipbuilding Advisory Committee (SAC), which comprised shipbuilders (Shipbuilding Conference), shipowners, and trade unions, was well aware of the industry’s concerns, but remained uncommitted to its entreaties. Indeed, the independent SAC chairman, Sir Graham Cunningham, had resigned in March 1960 in complete frustration over the shipbuilders’ attitudes to forming a sub-committee to further examine its problems. An original report (at the later suggestion of the shipbuilders, heavily amended) on the industry’s research and development efforts from the Department of Scientific and Industrial Research (DSIR) castigated its record but had not yet been published. A leaked précis of its contents was published by *The Times* in October.

An SAC sub-committee Report on Prospects of 19 April 1961, couched in the usual generalities, could agree on only one recommendation, the provision of credit terms by government. In November 1961, a government-commissioned report on British shipowners ordering from overseas yards from the accountants, Peat Marwick Mitchell and Company, was published. It pointed out that the main reasons for ordering from abroad were price, price and delivery date, price and credit facilities, guaranteed delivery date, and UK shipbuilders’ unwillingness to install foreign-built main engines. The report concluded that the availability of credit, spreading payment for ships over several years, did not appear in most cases to be of primary importance.

That the SAC and Peat Marwick were at odds, at least on the issue of credit, was obvious. Total employment had fallen from 80,954 in 1957 to 63,477 in 1961 with unemployment in shipbuilding and repair averaging

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83 NA BT 291/49 Resignation of Sir Graham Cunningham from SAC, 16 March 1960; *The Times*, 24 March 1960; to limit political damage, the government quickly appointed Sir James Dunnett, Permanent Secretary at the Department of Transport, as chair of the SAC and established a sub-committee to look at the industry’s prospects. As *The Times* stated, this justified Cunningham’s views.

84 Hogwood, *Government and Shipbuilding*, 45-49. The original report’s contents noted that the industry’s record on productivity and modernisation was woeful, production control was primitive, and the total research effort and development effort were insufficient. It is hardly surprising, therefore, that the shipbuilders demanded amendments to the report and got them.

85 *Shipbuilding Orders Placed Abroad by British Shipowners.*
5.2 per cent at November 1961 against a national average for all industries of 1.7 per cent. According to the Shipbuilding Conference, the state of the orderbook in the first three quarters of 1962 amounted to a post-war low of 317,000 grt, with third-quarter orders reaching only 34,000 grt. British shipbuilding had taken less than 8 per cent of orders in 1962 against West Germany’s 12.7 per cent, and Japan’s 30 per cent.

Given that Britain’s launchings and completions were considerably down while those of its competitors were rising, the industry through the Shipbuilding Conference fell back on its 1930s solution – capacity reduction – and proposed a scheme to purchase yards whose owners wished voluntarily to get out of the industry with funds of £1.5 mn earmarked for this purpose. The conference envisaged that through these means and a levy on the surviving companies it would relieve the industry of 20 to 25 per cent of its capacity before going to the government for further assistance. Subsequently, the conference scheme did not get off the ground because of legal difficulties, but discussions with government continued on a modified redundancy scheme, which was eventually rejected by the conference in April 1963.

The 1960s was to prove a challenging decade for the trade unions in shipbuilding and repair; with orders on the whole scarce, much more attention would be put on productivity relative to pay awarded. The DSIR report of 1960 noted that no improvement had taken place in gross tonnage produced per worker employed between 1946 and 1959. Indeed, average construction times (months) during the period 1957-59 were the UK nineteen, West Germany ten, Sweden nine, and Japan eight. These differences between the UK and its major competitors were too wide to be explained entirely by differences in the type of ships built. The industry-sponsored

87 NMM SRNA Report of AGM of Shipbuilding Conference, 18 October 1962. It was considered that Shipbuilding Corporation Ltd, as a company wholly owned by the Shipbuilding Conference, provided a suitable means of operating the scheme if a statement of its objects was amended. If the conference took over Shipbuilding Corporation’s holding in the Ship Mortgage Finance Company, the corporation would have some £1.5 mn available at the first stage. It would be essential to obtain from the Board of Trade a redundancy company certificate under the Income Tax Act, 1952, so that, apart from other considerations, levies paid by contributors would be allowed for taxation purposes in their accounts. See NA BT 291/1 Note of a Meeting with the Shipbuilding Conference, 31 July 1962.
88 NA BT 291/2 Note of a meeting between Vice-Admiral J. Hughes Hallet, Joint Parliamentary Secretary to the Minister of Transport, and the Shipbuilding Conference, 26 April 1963.
89 Department of Industrial and Scientific Research, Research and Development Requirements of Shipbuilding and Marine Engineering, 7.
Patten Report on Productivity, which reported in February 1962 and whose members visited three shipyards in the Netherlands, four in West Germany, six in Scandinavia, and a representative seven in the UK, noted that there could be no doubt that flexibility and interchangeability of labour and the freedom of management to decide manning levels of individual machines and jobs to suit circumstances had significant effects in reducing labour costs of ships built in foreign shipyards.90

Beforehand, the long march towards a negotiated 40-hour week progressed on 28 March 1960, when the working week was reduced from 44 hours (in situ since 1947) to 42 hours. Mostly ad hoc modernisation of many shipyard facilities had begun or was being contemplated, with much talk of unidirectional flows of materials from stockyard to berth to enable more efficient construction and quicker delivery times.91 No British shipbuilder yet contemplated anything on the scale of Götaverken’s new Arendal shipyard in Gothenburg, opened in 1963 at a cost of £40 mn, with no problems of demarcation, flexibility, or interchangeability of labour, and set up for block assembly of ships’ (mostly tankers up to 120,000 dwt and bulk carriers) sections in quick time undertaken under cover.92

In the interim, blacksmiths’ and shipwrights’ representatives, with their numbers falling, contemplated merging their unions with the Boilermakers’ Society. For the latter, representing the hull trades as a more or less single entity was an attractive proposition; it would allow more control over members and increase its negotiating power with employers. For the employers it was two fewer unions to negotiate with and theoretically would result in fewer problems with demarcation disputes, which continued to disrupt production in most yards. The Boilermakers’ and Blacksmiths’ had merged on 29 September 1962, and in a ballot of shipwrights, blacksmiths, and boilermakers in January 1963 amalgamation of shipwrights under the Boilermakers’ Society was agreed. This came into effect from October

90 Productivity and Research in Shipbuilding, Report of the Main Committee under the Chairmanship of Mr James Patton OBE to the Joint Industry Committee, 26 February 1962, 2. By flexibility, Patton meant the freedom of a worker to undertake any kind of auxiliary work to progress his own job, and by interchangeability of labour the freedom to assign men to work outside their normal trade group.
91 The trade journal, Fairplay, noted on 5 October 1961 in a special supplement on 250 years of shipbuilding by Scotts of Greenock that the firm had completed its first all-welded ship, Caltex Edinburgh, only in 1956. Another trade journal, Shipbuilder and Marine Engine Builder, March 1963, hailed the advent of flow-line production at John Brown, Clydebank, when in fact Japanese, Scandinavian, and European shipyards had used similar techniques of materials flow for many years beforehand.
92 Olsson, “Big Business in Sweden”.
1963, the new union titled as The Amalgamated Society of Boilermakers, Shipwrights, Blacksmiths, and Structural Workers. By 1964 the new Boilermakers’ Society, with the motto “Unity Is Strength”, had 119,577 members, with the Boilermakers’ section accounting for 90,853, the Blacksmiths’ 8,829 and the Shipwrights’ 19,895.

With discussions between the industry and government continuing throughout 1962 and 1963 on the industry’s prospects, the first shipbuilding casualty of real note was the shipbuilder, repairer, and marine engine builder, Wm Gray of West Hartlepool, which voluntarily liquidated in 1962. Gray’s was followed into liquidation in 1963 by perhaps the most versatile of all British shipbuilding and marine engine building firms, Wm. Denny Bros of Dumbarton. In the same year the lower Clyde shipbuilder, Wm Hamilton’s Glen yard at Port Glasgow, was closed and its premises incorporated into the neighbouring Lithgows Ltd. During 1962 the loss-making Harland and Wolff, Belfast, had decided to close its three upper Clyde shipbuilding and repair yards, A & J Inglis at Pointhouse and D & W Henderson at Meadowside in 1962 and Harland and Wolff, Govan, in 1963. Thereafter, its shipbuilding operations were confined to its high-cost Belfast base. The year 1964 saw the voluntary liquidation of the tanker specialist, Blythswood Shipbuilding, on the upper Clyde, the dredger specialists, Simons and Lobnitz, at Renfrew, and the closure of the former specialist destroyer builder, J. Samuel White’s East Cowes yard on the Isle of Wight.

One could, and should, view these closures as entirely rational business decisions given intense foreign competition.


95 Wm Gray, founded in 1874, collaborated with Marcus Samuel, the founder of Shell Oil, to build from 1892 eight oil small tankers capable of transiting the Suez Canal. The first, Murex, was built on extended credit terms. This allowed Samuel to build up a fleet in a relatively short period of time at low cost, and gave Gray’s shipyard and engine works employment for an extended period. Gray’s launched its last ship in 1961 and continued repair work into 1962.

96 Denny’s personified the versatility of British shipbuilders. It had built clipper ships, cross-Channel ferries, flotilla craft, Clyde steamers, cargo liners, sloops, destroyers, and the D2 hovercraft. By 1964, however, its shipyard could no longer accommodate the seemingly inexorable rise in the size of ships, and the firm was voluntarily liquidated. For Denny ships, see Lyon, The Denny List.

97 Blythswood’s shipyard was established in 1919 at Scotstoun with the profits of the sale of Dunlop Bremner of Port Glasgow to Lithgows Ltd. Blythswood closed in 1964 and its premises were acquired early in 1965 by a neighbouring shipyard, Yarrows Ltd. For Yarrows, see Borthwick, Yarrows. White’s continued its marine-engine building facilities at East Cowes into 1965. For J. Samuel White, see Williams, White’s of Cowes.
Nonetheless, the level of closures, actual and potential, and resultant levels of unemployment in the industry had begun to worry government. The general rise in ship size affecting largely spatially constrained shipyards obviously had an effect, as did the amount of capital expenditure required to increase the size of berths and docks. However, the steadily declining share of world output evident since 1947 (see Table 2.5) was particularly evident, and no real industry plan had been devised to combat foreign competition, particularly from Japan, Sweden, and West Germany. A short-term response to the industry’s problems came in May 1963, when the Conservative government announced a Shipbuilding Credit Scheme of one year’s duration and provided £30 mn at the Government Lending Rate for 80 per cent of the cost of a ship and loans which could be extended up to ten years. In the course of the year the financial limit was twice extended up to a total of £75 mn, and by October 1964 the scheme was fully subscribed, with 67 vessels from British shipyards on order totalling 892,000 grt.\(^9\) At

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Table 2.5  \textbf{World and United Kingdom launchings of merchant ships, 1947-1964}

<table>
<thead>
<tr>
<th>Year</th>
<th>World No.</th>
<th>World 000 grt</th>
<th>UK No.</th>
<th>UK 000 grt</th>
<th>UK share as % of world</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>741</td>
<td>2,093</td>
<td>341</td>
<td>1,193</td>
<td>57.0</td>
</tr>
<tr>
<td>1948</td>
<td>840</td>
<td>2,303</td>
<td>340</td>
<td>1,176</td>
<td>51.1</td>
</tr>
<tr>
<td>1949</td>
<td>899</td>
<td>3,126</td>
<td>320</td>
<td>1,267</td>
<td>40.5</td>
</tr>
<tr>
<td>1950</td>
<td>990</td>
<td>3,489</td>
<td>275</td>
<td>1,325</td>
<td>38.0</td>
</tr>
<tr>
<td>1951</td>
<td>1,002</td>
<td>3,639</td>
<td>261</td>
<td>1,341</td>
<td>36.9</td>
</tr>
<tr>
<td>1952</td>
<td>1,065</td>
<td>4,394</td>
<td>254</td>
<td>1,303</td>
<td>29.7</td>
</tr>
<tr>
<td>1953</td>
<td>1,134</td>
<td>5,095</td>
<td>220</td>
<td>1,317</td>
<td>25.8</td>
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<tr>
<td>1954</td>
<td>1,223</td>
<td>5,251</td>
<td>253</td>
<td>1,409</td>
<td>26.8</td>
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<tr>
<td>1955</td>
<td>1,437</td>
<td>5,315</td>
<td>276</td>
<td>1,474</td>
<td>27.7</td>
</tr>
<tr>
<td>1956</td>
<td>1,815</td>
<td>6,670</td>
<td>275</td>
<td>1,383</td>
<td>20.7</td>
</tr>
<tr>
<td>1957</td>
<td>1,950</td>
<td>8,501</td>
<td>260</td>
<td>1,414</td>
<td>16.6</td>
</tr>
<tr>
<td>1958</td>
<td>1,936</td>
<td>9,270</td>
<td>282</td>
<td>1,402</td>
<td>15.1</td>
</tr>
<tr>
<td>1959</td>
<td>1,808</td>
<td>8,746</td>
<td>274</td>
<td>1,373</td>
<td>15.7</td>
</tr>
<tr>
<td>1960</td>
<td>2,020</td>
<td>8,356</td>
<td>253</td>
<td>1,331</td>
<td>15.9</td>
</tr>
<tr>
<td>1961</td>
<td>1,990</td>
<td>7,940</td>
<td>247</td>
<td>1,192</td>
<td>15.0</td>
</tr>
<tr>
<td>1962</td>
<td>1,901</td>
<td>8,375</td>
<td>187</td>
<td>1,073</td>
<td>12.8</td>
</tr>
<tr>
<td>1963</td>
<td>2,001</td>
<td>8,539</td>
<td>160</td>
<td>928</td>
<td>10.9</td>
</tr>
<tr>
<td>1964</td>
<td>2,147</td>
<td>10,264</td>
<td>179</td>
<td>1,043</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Note: 100 grt and above. World figures exclude USSR, East Germany, and China. 
Source: Lloyd’s Register of Shipping, various years

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\(^{98}\) Johnman and Murphy, \textit{British Shipbuilding and the State Since 1918}, 141.
best, the scheme accelerated orders when they were much needed as the industry struggled to hold its share of the market.

Shipbuilding Inquiry Committee Report, 1965-1966

With the election in 1964 of a new Labour government after thirteen years of Conservative Party rule, yet another inquiry on shipbuilding and marine engine building, but not ship repair, was commissioned by the president of the Board of Trade, Douglas Jay, with a remit to increase the industry’s international competitiveness.99 Crucially, the SIC, which reported in March 1966, did not contain any shipbuilders and was chaired by the chairman of the Dunlop Rubber Company, Reay Geddes. Members of the SIC visited shipyards and marine engine building works in Denmark, Sweden, Norway, West Germany, the USA, and Japan, in tandem with visits to the largest twenty-seven firms in the United Kingdom. On the labour side, the report’s authors acknowledged that management and unions had failed in their attempts to negotiate constructively and that at a time when skilled labour was scarce it was wastefully employed. Furthermore, it was also noted that shipyard workers and trade unions should believe in the reality of a fresh start “if they are ever to compete with Swedish and Japanese workers’ willing response, steady effective work, and pride in their job”.100

The effectiveness of “ruthlessly efficient” Japanese tanker building specialists was such that, as one leading British shipbuilder, Ross Belch of Lithgows Ltd, observed, if Lithgows built a 52,000-dwt tanker for £2,500,000 then Japanese yards would undercut them on price by £500,000, and even if Lithgows paid out nothing in wages it still could not undercut Japanese competition.101 In 1966, the tonnage output, largely tankers, of five shipyards of Mitsubishi Heavy Industries in Japan exceeded that of the British

99 Shipbuilding Inquiry Committee 1965-1966 Report, Cmnd. 2937, March 1966 (London, HMSO, 1966). Its remit was to establish what changes were necessary in organisation, the methods of production, and any other factors affecting costs to make the shipbuilding industry competitive in world markets; to establish what changes in organisation and methods of production would reduce costs of manufacture of large main engines of ships to the lowest level; and to recommend what action should be taken by employers, trade unions, and government to bring about these changes. The SIC was concerned with shipyards regularly building ships of 5,000 grt and above (or warships of equivalent value). Its ambit therefore amounted to twenty-seven of the sixty-two extant shipyards in the UK.
100 Ibid., 10.
101 Johnman and Murphy, Scott Lithgow, 151.
shipbuilding industry combined, and one yard, at Nagasaki, had exceeded the entire launching output of Clyde shipyards.\footnote{Greenock Telegraph, Review of 1966: Shipbuilding, 26 December 1966.}

The SIC report did however mark a watershed in the industry's fortunes. It criticised the industry's short-term attitude to markets, men, and money and its insufficient influence over its customers and suppliers. It saw the industry's weakness in its fragmented structure; thus its major recommendations included grouping of firms on river centres to increase economies of scale, scope, and specialisation and a major rationalisation of marine engine building firms. Funds would be provided by a new three-man Shipbuilding Industry Board (SIB) subsequently established by the Shipbuilding Industry Act, 1967, empowered to provide grants and loans to facilitate grouping of shipbuilding firms, and whose operation would be at arm's length from government, which nonetheless would be providing the funds. Like the SIC, the SIB did not contain shipbuilders and was tasked to “promote the ability of the shipbuilding industry in the United Kingdom to compete in world markets”. Its remit did not include ship repair.\footnote{Its members were: William Swallow, Chairman of Vauxhall Motors; Anthony Hepper of Thomas Tilling group; and Joe Gormley, a senior official of the National Union of Mineworkers.}

During the SIC reporting stage, one of the six major shipbuilders in Britain and Glasgow’s largest shipyard, the Fairfield Shipbuilding and Engineering Co. Ltd of Govan, entered receivership in October 1965.\footnote{The others were Harland and Wolff, Belfast, Cammell Laird at Birkenhead, Swan Hunter and Wigham Richardson on the Tyne, and Vickers at Barrow and the Tyne, and John Brown at Clydebank on the upper Clyde.} Although the firm had an orderbook of some £20 mn, its major creditor, the Bank of Scotland, had called in a floating charge on the company of £1 mn and in so doing had secured first-creditor status. There then began a trade union campaign to save Fairfield and its marine engine building arm, David Rowan and Sons. Fairfield, which had modernised its facilities, had taken on a number of sophisticated contracts with tight delivery times.\footnote{Fairfield, under control of the Port Glasgow-based Lithgow Group, had begun a system of prefabricating ship sections under cover in a new fabrication hall and had reduced their berths from six to five to allow ships of broader beam to be built and to allow space for travelling cranes to be installed. By 1960, £3 mn had been spent on modernisation. See the company’s centenary booklet, Fairfield Shipbuilding and Engineering Co., Fairfield, 1860-1960.} The final loss occasioned on one vessel, \textit{Nili}, a 7,500-grt ferry for a Swiss-Israeli consortium finally delivered in June 1965, was £1.5 mn for late delivery and cost overruns.\footnote{Glasgow City Archives, Mitchell Library, Glasgow, UCS 2/1/8 Fairfield Board Minutes, 1965.} The Labour government stepped in and rescued the shipyard, but not David
Rowan and Co., and a new company, Fairfields (Glasgow, 1966) Ltd, was formed in January 1966.

Under the chairmanship of Ian Stewart and with government approval and support, Fairfield became a proving ground for a new type of industrial relations, the “Fairfield Experiment”, which promised high and stable earnings, management-union co-operation through a yard council, flexibility within the workforce, increased productivity, and no strikes.107 As K.J.W. Alexander and C.L. Jenkins noted, the aims of the “experiment” were never clearly or comprehensively set out “so that the criteria against which success or failure are to be judged are themselves in doubt and may be disputed”.108 However, the voluntary abandonment of the strike weapon was not achieved but restrictive practices were substantially reduced. Manpower planning was restricted by the size of the yard and the inherited building programme; thus the “experiment” could not lay claim to have greatly reduced fluctuations in the demand for labour.109

In the interim a number of schemes had been proposed to enlarge shipyards to enable them to enter the large tanker construction market. One proposal by Lord Aberconway, Chairman of John Brown at Clydebank – to divert the River Clyde at Newshot Isle and build an entirely new facility there capable of building super-tankers at a cost of some £29 mn with the new yard expected to take some three and a half years to build – did not get the support of the SIC or the Board of Trade.110 Geddes wrote, off the record, to Aberconway in January 1966 that there was no indication of a return on capital and that insufficient research had been undertaken on the likely demand for large ships.111 Indeed, when published, the SIC Report was less than enthusiastic about the market for giant ships and exposed the fallacy of yard-based solutions to the problems of the industry as a whole. Moreover, there were no grounds for assuming that any new shipyard built on a greenfield site would be an economic investment. Neither did it find that the benefits of constructing ships in building docks, as practised in Japan

107 For the experiment, see Alexander and Jenkins, Fairfields. For the Fairfield collapse generally and the experiment, see Paulden and Hawkins, Whatever Happened at Fairfields. See also Johnman and Murphy, Scott Lithgow, 152-156. Sir James Lithgow had saved Fairfield from bankruptcy by purchasing the company in 1935, and the firm remained part of the Lithgow group of companies up to receivership on 15 October 1965.
108 Alexander and Jenkins, Fairfields, 209.
109 Ibid.
111 Glasgow University Business Archives Centre, Thurso Street, Glasgow, UCS 1/22/38 Letter from Aberconway in reply to correspondence from Geddes, 24 January 1966.
and Sweden, would outweigh the heavy initial capital investment outlay.\textsuperscript{112} Thus, in perhaps the most important inquiry into the British maritime industries in the twentieth century, there was no vision whatsoever save a wish to group firms in accordance with Japanese practice; to increase efficiency of existing resources; and to rationalise marine engine building in the face of intense foreign competition.

In November 1965 there were around 140,000 employees in British shipbuilding and repair, of which some 53,000 were employed in the 27 shipyards subject to the SIC Report.\textsuperscript{113} Given that major changes were envisaged in how shipbuilding and repair would be conducted in future at the level of the firm and with a renewed emphasis on increasing productivity, it followed that a concomitant change in how the shipbuilding and -repair industries conducted industrial relations would ensue. Any change, however, should be seen against a background of government-inspired prices and incomes restraints – anathema to trade unions which existed to improve the terms and conditions of their memberships, and in particular to increase their wages. A move by the CSEU to work towards a 40-hour rather than a 42-hour working week (in situ since March 1960) in shipbuilding and repair, with no reduction in pay, had begun in May 1963, but was rejected by the SEF in October. Consequently, the CSEU imposed an overtime ban from 25 November. Negotiations were reopened on 3 December and by 17 December an agreement on a general rise in wages and reduction to a 41-hour week from 1 December 1964 with a further reduction to a basic 40-hour week from 5 July 1965 was reached.\textsuperscript{114} Throughout the negotiations the SEF had promoted the idea of greater flexibility among the workforce. This was outside the remit of the CSEU and within the ambit of individual unions. All the CSEU could do was to recommend to its constituent members that they engage in talks with employers on flexibility.

An informal discussion between the SEF and Shipbuilding Conference had taken place with the CSEU on 25 November 1965. The employers voiced their concerns on the parlous financial state of the industry, the heavy losses being incurred on fixed-price contracts owing to large increases in costs, particularly of direct labour, and “the loss of control by union leaders at yard level and the resultant state of virtual anarchy in labour relations in the yards”. Dan McGarvey, the president of the Boilermakers’ Society, and his other union colleagues had offered “no denial of the situation explained and had admitted

\textsuperscript{112} SIC Report, paras 97-99, 135-137, 245-246, and p. 74.
\textsuperscript{113} SIC Report, para. 342.
that effective Trade Union control of labour had been lost”. In effect, national collective bargaining had been superseded by local and yard-based bargaining, enabling shop stewards to win pay improvements over and above nationally negotiated minimum standards. The dichotomy between national and local collective bargaining for wages and conditions was in fact a long-standing problem in shipbuilding and ship repair for the entire century to date, and one not susceptible to quick solution by employers and unions.

By 1966, a Joint Industry Consultative Committee was set up comprising employers and trade unions to discuss various matters including general policy but not wages and conditions of employment. This coincided with the SIC Report’s wish “that employers and employees should urgently review their past attitudes, establish mutual confidence at all levels, and make a fresh start”. While laudable, this, given the past record of industrial relations, was highly unlikely, and was not aided by a separate, tentative SIC suggestion that five unions might cover all shipbuilding operations. Nevertheless, in August 1966, the Boilermakers’ Society signed a new agreement with the SEF designed to eliminate demarcation disputes.

From 1966 onwards progress on grouping of firms on river centres had been sporadic. On the Tyne, the major shipyard, Swan Hunter, led the grouping effort there, with the River Wear yards conducting separate talks. On the Clyde, where the SIC Report had recommended not more than two groups, negotiations on mergers and SIB funding through grants and loans had begun between Scotts and Lithgows on the lower Clyde, and between five shipyards on the upper Clyde, John Brown, Stephen, Connell, Fairfield, and Yarrow, bringing to a premature end the Fairfield experiment in industrial relations. The three other major geographically isolated firms, Cammell Laird at Birkenhead, Vickers at Barrow, and Harland and Wolff, Belfast, resisted grouping. Nonetheless, what came to be known as the Swan Hunter group had been established by 1968 as had Upper Clyde Shipbuilders. Clearly, the problems of merging disparate firms with separate ownership, product mixes, management and accounting systems, plant and equipment, labour agreements, etc., against a background of increasing and in fact unrelenting foreign competition would be difficult.

115 SRNA NMM Report of a Meeting of the Executive Board of the Shipbuilding Conference, 2 February 1966, item 5.
116 SIC Report, 163, recommendation 87.
117 Ibid., recommendation 95.
119 For this period, see Johnman and Murphy, British Shipbuilding and the State Since 1918, 158-190.
In 1967, a significant change in industrial relations from the employers’ side took place with the creation of a new Shipbuilders and Repairers National Association (SRNA) amalgamating the SEF, the Shipbuilding Conference, and the Dry Dock Owners’ and Repairers’ Central Council in a central labour and commercial policy organisation. With grouping of firms now taking place, representation on the SRNA reflected this new reality. The SRNA represented all the major firms and covered around 95 per cent of all employees in shipbuilding and around 80 per cent in ship repair. It conducted national negotiations with the CSEU and individual trade unions mainly to establish minimum rates of pay and conditions of service. With groups of firms now extant, these were obviously big enough to conduct the bulk of their own industrial relations without undue recourse to the SRNA. Nevertheless, the largest groups in the industry were also predominant on the SRNA management and industrial relations committees, holding twenty-seven of twenty-nine places. Contemporaneously, with the establishment of the SRNA, a new National Procedure for Avoidance of Disputes had been agreed with the CSEU that formalised the position of elected shop stewards to represent their fellow workers only if they had been in continuous employment in shipbuilding for not less than one year and in ship repair three months.\(^\text{120}\)

April 1967 saw the liquidation of the Firth of Clyde Dry Dock Company, which had opened its Inchgreen Dry Dock at Greenock only in November 1964. When proposed, the dry dock was to be the largest in the UK and the sixth-largest in the world, with dimensions of 1000 ft by 150 ft and water to a depth of 30 ft. It was however, undercapitalised from the start and beset by labour difficulties and management inadequacies. The company soon got into difficulties, and was liquidated at a loss of £2.4 mn to the taxpayer. It was purchased by the two major shipbuilding yards in the area, Scott and Lithgow, in May 1967, at a price of £1.1 mn (it had cost £4.6 mn to build) for its fixed assets, which also included a 1300-ft repair quay, jetty, and a tank-cleaning installation.\(^\text{121}\)

This at least kept a major ship repairing facility on the lower Clyde. During 1967 and 1968 there was also a long dispute in the South Wales ship repairing industry where the employers had given notice of their intention to end some existing agreements. Subsequently, the District Committee of the CSEU had agreed a number of new agreements with employers that were

\(^{120}\) NMM SRNA, Procedure for Avoidance of Disputes: Memorandum of Agreement between the SRNA and CSEU, 14 August 1967.

\(^{121}\) For this, see Johnman and Murphy, "No Light at the End of the Dock".
not acceptable to the Boilermakers' Society. However, other unions were willing to work under the new agreements, so the employers locked out the boilermakers and members of the shipwrights' union who supported them. Eventually a compromise was reached which restored employment but under changed conditions.\textsuperscript{122} This protracted dispute showed that certain ship repairing employers were more hard-nosed than their shipbuilding counterparts and that the sectionalised nature of trade unionism in the repair sector was more acute than that pertaining in shipbuilding.

On 19 May 1969, a National Demarcation Procedure Agreement was signed by employers and the CSEU.\textsuperscript{123} This agreement finally revoked and

\begin{table}
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|}
\hline
 & \multicolumn{3}{c|}{World} & \multicolumn{3}{c|}{Japan} & \multicolumn{2}{c|}{United Kingdom} \\
\hline
 & Dry cargo & Tankers & Total & Dry cargo & Tankers & Total & % of world total & Dry cargo & Tankers & Total & % of world total \\
\hline
1963 & 3365 & 2891 & 6256 & 1216 & 1053 & 2269 & 36.27 & 625 & 471 & 1096 & 17.52 \\
1964 & 2757 & 4524 & 7281 & 1157 & 2607 & 3764 & 51.70 & 525 & 283 & 808 & 11.10 \\
1966 & 6083 & 4657 & 10740 & 3762 & 2733 & 6495 & 60.47 & 721 & 353 & 1074 & 10.00 \\
1967 & 8001 & 3756 & 11757 & 4752 & 2465 & 7217 & 61.38 & 1041 & 147 & 1188 & 10.10 \\
1968 & 7790 & 5154 & 12944 & 4835 & 3514 & 8349 & 64.50 & 824 & 222 & 1046 & 8.08 \\
1969 & 7082 & 7272 & 14354 & 4421 & 4747 & 9168 & 63.87 & 781 & 48 & 829 & 5.78 \\
1970 & 7725 & 7914 & 15639 & 4998 & 5012 & 10010 & 64.01 & 821 & 503 & 1324 & 8.47 \\
\hline
\end{tabular}
\caption{British and Japanese mercantile completions in global comparison 1963-1970 (000 grt)}
\end{table}

\textit{Source: Lloyd’s Register of Shipping, various years}


\textsuperscript{123} The signatories were: the SRNA, the Amalgamated Society of Boilermakers, Shipwrights, Blacksmiths and Structural Workers, National Union of Furniture Trades Operatives, National Union of Metal Mechanics, Electrical, Electronic and Telecommunications Union-Plumbing Trades Union, Amalgamated Union of Engineering and Foundry Workers, National Union of Sheet Metal Workers, Coppersmiths, Heating and Domestic Engineers, Amalgamated Society of Wood-Cutting Machinists, Amalgamated Society of Painters and Decorators, Association of Pattermakers and Allied Craftsmen, and the Amalgamated Society of Woodworkers. Disputes at yard level were to be reported by shop stewards to foremen, who would then report to management, who would convene a meeting between the representatives of each class of worker involved. If no agreement was reached within a period of 48 hours then the dispute would be referred to the district level; if no resolution at this stage was acceptable to management within another 48 hours, then the dispute was referred to an independent arbiter, whose decision was binding on all parties including management.
replaced the General Demarcation Agreement of 1912 and on this occasion was signed by the Boilermakers’ Society. Clause 16 of the agreement stipulated that demarcation disputes “shall not give rise to any stoppage of work of either a partial or a general nature or to any other form of industrial action”. Up to April 1971, of thirty-four cases in which the Boilermakers’ Society was involved, twenty-four had gone to independent arbitration.\(^{124}\) Earlier, in December 1969, the CSEU had agreed with the SRNA to reduce the period of apprenticeship in shipbuilding and repair from five to four years starting at the age of 16 – the apprenticeship to begin before 17 years of age.\(^{125}\)

By the end of the 1960s, as Table 2.6 shows, British shipbuilding had further slipped behind the industry leader, Japan, which had almost doubled its market share over the decade, in two important sectors of modern shipbuilding, dry cargo and tanker construction.

**The 1970s: the almost fatal decade**

Before the general election of June 1970, the shipbuilding and repairing arm of the Laird Group of companies, Cammell Laird at Birkenhead, was in deep trouble. Losses on shipbuilding work taken on at unremunerative prices were mounting, and the company faced a critical liquidity problem. An order from Peninsular & Oriental, their biggest customer, for four 24,000-dwt chemical tankers for its Panocean subsidiary, was expected to result in a minimum loss to Cammell Laird of £2 mn. By May, P&O were unwilling to negotiate contracts or take shares in Cammell Laird.\(^{126}\) By mid-May, however, the Labour government through its Industrial Reorganisation Corporation had granted Cammell Laird through its parent company, the Laird Group, £6 mn to save its shipbuilding arm. A director of the SIB, Barry Barker, noted that apart from skilled labour and certain berths there were no other assets worth preserving, this despite an £18 mn modernisation programme begun in 1956, not all of which was committed to shipbuilding.\(^{127}\) Barker estimated that reorganisation and modernisation of the shipyard would

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127 A major part of modernisation at Cammell Laird was the excavation of half a million tons of rock and earth to create a new graving dock. A 100-ton gantry crane was also purchased. See *Cammell Laird Magazine*, March 1960.
cost between £11 mn and £13 mn.\textsuperscript{128} P&O were persuaded to cancel the order for four chemical tankers, and a rescue plan was announced by Cammell Laird and the IRC.\textsuperscript{129} All but three of the seventeen directors were replaced, including the chairman, and 50 per cent shares in the shipyard were to be held by the public trustee on behalf of the workers; the other 50 per cent share was held by the reconstructed Laird Group as a trade investment, with no further say in management of the shipyard.\textsuperscript{130}

In the same period that Cammell Laird was saved, Upper Clyde Shipbuilders was also in deep financial trouble. The election of a new Conservative government in June 1970 did not augur well, as it was apparently committed to a “no lame ducks” industrial policy. When the Shipbuilding Industry Board that had been created in 1967 to dispense grants and loans decided before the 1970 general election not to lend UCS any more money, the Labour government directly lent UCS £7 mn; in so doing it and the SIB held 48 per cent of UCS shares. By June 1971, UCS informed the Conservative government that it required another £5 mn–£6 mn in the form of grant or equity subscription to save the five shipyards under its control. The government refused this plea, and the company had little choice but to appoint a provisional liquidator. However, the government then agreed to contribute towards the expense of keeping all employees on the payroll until 6 August 1971 to allow a report of experts to examine future prospects for mercantile shipbuilding reconstruction on the upper Clyde.\textsuperscript{131} The three-page report was published on 29 July 1971 and concluded that it should be possible to form a contracted but viable company from the ashes of UCS. The government accepted the report’s conclusions and advanced the provisional liquidator, Robert Courtney Smith, £4 mn.\textsuperscript{132}

Earlier, in February 1971, the Conservative government, in line with policy it had made in opposition, had allowed UCS’s only naval builder, Yarrow – the UK’s premier builder of frigates – to leave the consortium and advanced it a loan from the Ministry of Defence of up to £4.5 mn for

\begin{itemize}
\item \textsuperscript{128} NA FV 37/134 Note on Cammell Laird, 24 April 1970; Johnman and Murphy, \textit{British Shipbuilding and the State Since 1918}, 116, 212–213.
\item \textsuperscript{129} Panoccean eventually ordered four less-sophisticated vessels from the Norwegian state-owned shipyard, Horten Werft, in July 1973. See Murphy and Tenold, “Strategies, Market Concentration and Hegemony”, 299.
\item \textsuperscript{130} Warren, \textit{Steel, Ships and Men}, 290–291.
\item \textsuperscript{131} Report of the Advisory Group on Shipbuilding on the Upper Clyde, 1–3.
\item \textsuperscript{132} Johnman and Murphy, \textit{British Shipbuilding and the State Since 1918}, 187; the report concluded that any continuation of UCS in its present form would be wholly unjustified and, indeed, could cause serious and widespread damage.
\end{itemize}
working capital. Yarrow also inherited a construction hall costing £1.5 mn, one of the few items of capital expenditure by UCS. The Working Party’s conclusion to concentrate production at two of the remaining four yards in UCS, with the probability that up to 6,500 jobs would be lost, sparked the famous UCS work-in, when workers led by two communist shop stewards, Jimmy Airlie and Jimmy Reid, occupied the four yards and continued to work under the overall supervision of the liquidator. In the end, by 1972, the famous John Brown yard at Clydebank was in part saved when the president of the Boilermakers’ Society, Dan McGarvey, and John Service of the CSEU led a trade union delegation to Texas and persuaded Marathon Oil of Houston to build jack-up oil rigs at Clydebank, but with a much reduced workforce, changed industrial relations, and substantial government aid. The shipyard of Alexander Stephen at Linthouse, which had excellent steelwork facilities, was closed with its facilities earmarked for integration in a new company. The two remaining companies, the old Fairfield yard at Govan and the Connell Yard at Scotstoun, were saved and would be renamed Govan Shipbuilders and Scotstoun Marine respectively, with the government providing a £35 mn injection of cash over five years to ensure the future of the company. The decision between the government and Marathon dragged on longer than anticipated. This was mainly due to two facts: Marathon was intent on getting maximum assistance; and there was also still the matter of agreements to be sorted out between it and the trade unions. Negotiations with Marathon were concluded by 6 September, and one week later Govan Shipbuilders became a reality.

By this stage, the ship repair sector was also in trouble. Vickers had closed their repair yard at Hebburn on the Tyne because of continuing losses with the disappearance of 1,000 jobs. In South Wales, the Prince of Wales Dry Dock Company substantially reduced its activities through redundancies at Swansea and Port Talbot. In June 1971 Harland and Wolff ceased operations at North Woolwich and Tilbury on the Thames with the loss of some 700 jobs mostly in engineering, although another Thames repair firm, Green and Silley Weir, absorbed some 200 men into their ship repair facilities. Harland and Wolff retained its ship repair facilities at Liverpool and Southampton for voyage repairs, and the largest shipbuilder and ship repairer in the UK, Swan Hunter, concentrated on major repairs at its yards on the Tyne and Tees. By May 1973, PA Management Consultants had reported that the UK

133 For the work-in and the general situation at UCS, see, for example, Thompson and Hart, The UCS Work-In; Buchan, The Right to Work; Herron, Labour Market in Crisis; and Foster and Wolfson, The Politics of the UCS Work-In.
ship repair sector had consistently declined over the course of a decade with output (at 1972 prices) falling from £120 mn in 1961 to around £60 mn in 1972, and employment declining from 35,000 to 17,000 men with the sector's turnover accounting for just 0.02 per cent of gross domestic product. PA concluded that there was a strong case for the operation of only one major ship repairer per estuary.\(^{134}\)

Ship repair was far more fragmented than shipbuilding: out of a total of 75 companies and groups, just 12 employed 90 per cent of the workforce; the leading seven ship repair companies, which included four shipbuilders and repairers, accounted for around half the numbers employed, with some 60 companies out of a total number of 180 (at August 1972) accounting for 90 per cent of those employed. Apart from the seven leading companies, only one other, British United Trawlers (formed in 1969), employed more than 1,000 workers.\(^{135}\) Ship repair was also far more geographically fragmented, and on river centres there had been mergers, particularly on the Tyne where NECS (North East Coast Shiprepairers), an amalgamation of Middle Docks and Brigham and Cowan, had taken over the Mercantile Dry Dock Company at Jarrow in 1966. In 1970, NECS was purchased by the aviation, shipping, shipbuilding, and leisure conglomerate, Court Line.

**Commission on Industrial Relations Report, 1971**

August 1971 saw the publication of a Commission on Industrial Relations Report on shipbuilding and ship repairing, which had been commissioned by government to comment on developments and to make recommendations after the SIC Report of 1965-66. Both the employers through the SRNA and the trade unions though the CSEU opposed the setting up of the commission, arguing that the industries had been examined enough in the recent past. However, once the commission had been formally announced on 8 January 1970, the SRNA co-operated fully; by the end of March the CSEU did likewise.\(^{136}\)

The commission noted that the number of employees in mid-1970 was around 110,000 with approximately 75,000 employed in shipbuilding and 35,000 in ship repair. There were, in addition, around 15,000 employed in engineering activities linked to shipbuilding and repair companies. Of the manual workforce, 35 per cent in shipbuilding and 20 per cent in ship repair

\(^{134}\) *The UK Ship Repair Industry*, 3, 4, 5, 10, 11, 13.


were employed in the steel trades. Overall, craft workers accounted for 68 per cent of the labour force in shipbuilding and 60 per cent in ship repair. Of the 110,000 employed in shipbuilding and repair some 18,500 occupied staff positions and around 4,000 were in supervisory grades. Thirteen companies or groups covering around 55 yards employed over 85,000 workers or more than 75 per cent of the total workforce; 56 per cent of the workforce was over 40 years of age, and more than a quarter had been employed by their current firm for more than 15 years.137

The commission can be seen as a logical extension to an earlier Royal Commission report, chaired by Lord Donovan, which reported in 1968 and was predicated on government concerns over the levels of unofficial strikes and wage inflation and by reports of economically damaging “restrictive practices” in the wider economy. Its official remit was “to consider relations between managements and employees and the role of trade unions and employers’ associations in promoting the interests of their members and in accelerating the social and economic advance of the nation, with particular reference to the Law affecting the activities of these bodies”. The commission’s report presented a “two systems” analysis of British industrial relations, identifying the “formal system” involving negotiations at industry level between the official institutions of trade unions and employers’ confederations and the “informal system” involving shopfloor-level bargaining between workers, shop stewards, and managers. According to the analysis, industrial conflict could be attributed in part to conflict between these two systems, between the assumptions and norms of the formal system and the practical realities of the informal. The commission argued that, whether or not it was supposed to, shopfloor bargaining existed, and that employers had lost control of the workplace because of their refusal to recognise the reality of shopfloor bargaining. The recommendations of the report can be summarised by the phrase “the formalisation of plant- and company-level industrial relations”, a process through which management should grant recognition and official status to shop stewards, the elected workplace representatives of workers, and work with them to draw up codified and written agreements at plant and company level.138

The Commission on Industrial Relations raft of recommendations on shipbuilding and ship repair included the establishment of joint councils representing all manual workers on a standing basis; these councils were

to be responsible for all negotiations and disputes at the company level. Company and district procedure agreements should be negotiated and cover at least union recognition and representational rights and shop steward numbers, functions, and facilities. On the management side it urged that companies should review their industrial relations strategies at board level and that their personnel departments should be strengthened. Whether the conduct of industrial relations in shipbuilding and ship repairing mirrored those recommended by Donovan is open to question; it was to a large extent already in train in these industries.

**Booz-Allen and Hamilton Report 1972**

By 1973, another major report into the British shipbuilding industry, *British Shipbuilding 1972* by the consultants Booz-Allen and Hamilton International BV; had been published by the Secretary of State for Trade and Industry. In stark contrast to the SIC Report, Booz-Allen painted a depressing picture: between 1967 and 1971 tonnage launched in UK yards had remained static and the percentage share of UK tonnage launched, relative to world launches, had fallen to just 5 per cent. New orders in 1971 were at their lowest level since 1967, and in the third quarter of 1972 just 22,000 grt of shipping had been ordered. Overall, the industry was uncompetitive with international competition in terms of price, delivery, labour relations, technological development, and capital investment. Moreover, the extent of international competition coupled with rapid inflation in the cost of labour and raw materials had severely affected British shipbuilders’ financial performance, and had made the industry generally dependent on government support and assistance.

Booz-Allen also noted that the number of employees in shipbuilding and repairing had changed little since 1967 and that skilled labour accounted for 42 per cent of the total employed. Unofficial strikes in the shipbuilding and marine engineering sector through days lost per thousand employees were around three times the national average for all industries and services in 1969, and five times in 1971. However, as a result of the National Demarcation

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140 A White Paper on Industrial and Regional Development published in March 1972 announced a decision to undertake an appraisal of the long-term prospects of the British shipbuilding industry. The consulting firm of Booz-Allen and Hamilton were commissioned and presented their report, subsequently edited to remove confidential material by the Department of Trade and Industry, on 1 February 1973.
Agreement of 1969, working days lost through demarcation disputes in the two years 1970-71 amounted to only half a per cent compared with 32 per cent in the period 1967-69.\textsuperscript{142}

The major structural change recommended by Booz-Allen was to concentrate warship production in just three companies – Vickers at Barrow (nuclear submarines), Yarrow at Scotstoun (frigates), and Vosper Thornycroft at Southampton and Portsmouth (frigates and fast patrol craft) – as in the report’s view there would be a large excess of warship-building capacity relative to domestic demand by 1976 and foreign orders would not compensate. This had potentially dire effects on the three large firms capable of naval and mercantile building, Swan Hunter, Cammell Laird, and Scott Lithgow, all of which had posted substantial losses in the years preceding the report, but which Booz-Allen recognised could continue as mixed naval and mercantile builders until 1976, but no later.\textsuperscript{143}

Three UK shipyards enter the giant tanker market

Both Swan Hunter and Scott Lithgow had entered the VLCC market with SIB funding after the SIC Report, as had Harland and Wolff at Belfast.\textsuperscript{144} Between 1967 and 1973, demand for tanker tonnage outstripped supply, particularly because of the long Japanese orderbook, tempting these firms into this market segment. Moreover, much of the tanker market was speculative, meaning that owners would order tonnage with the expectation of selling it for a higher price on completion. This product specialism favoured the steelworking trades but the increasing amount of steel used in construction made its long-term storage in shipyards and shot blasting of steel plates paramount to counteract inflationary rises in the price, and also utilised recently modernised plant and equipment. However, such was world competition that many contracts had been taken on a fixed-price basis and, with increasing inflation in the wider economy averaging 6 per cent, the long trading cycle of individual firms, and the costs of modernisation, tanker construction had proven to be unremunerative. The tripling and then quadrupling of the crude oil price by the OPEC cartel in 1973-74 consequent

\textsuperscript{142} Ibid., 169.
\textsuperscript{143} Ibid., 12, 13.
\textsuperscript{144} Ibid., 87. Harland and Wolff had incurred severe financial losses from 1965 to 1969. With the aid of an SIB loan of £8 mn, the company undertook a period of heavy capital investment including the construction of a giant building dock. Further grants totalling £7 mn were advanced by the SIB but losses continued; in 1972 the Northern Ireland Ministry of Commerce advanced a loan of £3.5 mn to the company, purchased £4 mn of equity, and provided a grant of £14.15 mn.
upon the fourth Arab-Israeli war of October 1973 led to a slump in demand for oil and the cancellation of orders for 60 mn dwt of tankers and the laying-up of 100 mn dwt of these vessels.\textsuperscript{145} Internationally, shipbuilding launches dropped threefold: from nearly 36 mn grt launched in 1975 to 12 mn grt in 1979. Orders in British shipyards stood at 4.4 mn grt in 1973 but collapsed to 67,000 grt in 1975. This was indicative of the lag effects of the oil crisis, with world production of oil tankers peaking in 1974-1975 as shipbuilders tried desperately to fulfil orders which were too far along the process of construction to cancel.

PA Management Consultants report on ship repair, 1973

In 1973 the Conservative government commissioned yet another report on the United Kingdom ship repair industry from PA Management Consultants, which was published in May.\textsuperscript{146} The report was vague about remedial solutions, save to emphasise that investment, which it considered necessary for the industry, would not be forthcoming from the private sector, and to advise individual ship repairers to take the initiative to make applications for government aid. The report showed that the ship repair industry had consistently declined over the previous decade, with employment halving. It suggested that the major firms on the main estuaries should be encouraged and identified a number of major obstacles to growth. They included outdated facilities of many ship repairers, which did not compare with those of their rivals on the continent and which would become even more unsatisfactory in the longer term. It also identified unsatisfactory labour relations and the impact of this upon international competitiveness.\textsuperscript{147}

Clearly, the British ship repair industry remained fragmented and had a rapidly declining workforce. The level of capital investment in the industry has been nothing short of disastrous and there was an urgent need for massive capital expenditure to bring about a rapid modernisation of ship repairing yards. Under private ownership it has been an industry generally noted for outdated, run-down facilities and poor working conditions.

\textsuperscript{145} For the tanker crisis, see Stokes, \textit{Ship Finance}, and Ratcliffe, \textit{Liquid Gold Ships}. For its effect on Norway, see Tenold, \textit{Tankers in Trouble}.
\textsuperscript{146} \textit{The UK Ship Repair Industry}.
\textsuperscript{147} \textit{Ibid.}; see also Johnman and Murphy, “The Development of the British Ship Repair Industry”, 100-101.
Maritime Fruit Carriers

It was reported in August 1973 that Yaacov Meridor’s Maritime Fruit Carriers (MFC) had ordered twenty-four tankers from Swan Hunter and that a separate company, Swan Maritime, would be formed by MFC and Swan Hunter.148 Earlier in January, through a subsidiary company, MFC had ordered six ULCCs from Harland and Wolff at Belfast; this was just one of thirty-six companies registered in the UK by MFC.149 Later in September, two VLCCs were ordered from Scott Lithgow. Given the size of these orders in total, alarm bells should have been sounded.150 Such was the favourable
amount of subsidy pertaining that, by 1972, government guarantees to shipowners who agreed to build ships in Britain totalled £454 mn; by the end of 1975 this figure had reached £858 mn.\textsuperscript{151} However, the dire state of British shipbuilding in 1973 and political considerations thereon at this stage militated against any serious inquiry into how MFC could afford such a large order – worth some £300 mn – which far exceeded its assets. Indeed, the British government helped to oil the deal with substantial subsidies to MFC.\textsuperscript{152} By 1976 when MFC finally went bust, the total MFC tonnage on order in Swan Hunter, Harland and Wolff, and Scott Lithgow shipyards amounted to 35 per cent of all British shipbuilding industry orders in hand.\textsuperscript{153} This dire state of affairs further encouraged the workforce to embrace nationalisation.

The long march towards nationalisation of shipbuilding and repair

July 1974 saw the collapse of the Court Line group of companies, which by this stage included aviation and leisure interests in addition to Appledore Shipbuilders in North Devon, North East Coast Shiprepairers, and Doxford and Sunderland Shipbuilders. The Labour government, anxious to preserve employment, stepped in and effectively nationalised these companies, saving some 9,000 jobs.\textsuperscript{154} With Cammell Laird, Govan Shipbuilders, and Harland and Wolff also effectively nationalised, only two large SIC Report-inspired groups, Swan Hunter and Scott Lithgow, remained under private control.

From the general election of February 1974 the new Labour government was committed to nationalising shipbuilding, repair, and marine-engine building companies. This was reaffirmed in the second general election of that year in October, and subsequently a bill to nationalise the shipbuilding

very high level of borrowing with charter payments and reefer mortgages as security must have been known to the government; a cautious approach should thus have been taken. Of course, on the other hand, there was no law concerning high gearing of companies.

\begin{enumerate}
\item TNA MT73/571 Figures cited in letter to Stanley Clinton Davis, MP, Department of Trade, 27 June 1976.
\item Great Britain, Parliamentary Papers, House of Commons, Deb. Vol. 916, cc 184-5w, 27 July 1976. Ten MFC shell companies received investment grants under Section 5 of the Industrial Development Act, 1966, and two shipbuilders received construction grants under Section 11 of the Industry Act, 1972, in respect of thirteen ships.
\item Great Britain, Parliamentary Papers, House of Commons, Deb. Vol. 905, cc 385-6w, 12 February 1976, gives the figure of 35 per cent.
\item For the reasons behind the collapse of Court Line, see Department of Trade, Court Line, Final Report.
\end{enumerate}
and aircraft industries was presented to Parliament in the spring of 1975. However, it failed to make it through the 1974-75 session of Parliament. Reintroduced in November 1975, the bill was later successfully challenged on the grounds of hybridity. Consequently, twelve ship repair firms (three of which were publicly owned) were omitted from the nationalisation process.\footnote{The legislative process towards nationalisation is explained in Keesing’s Contemporary Archives, 13 May 1977. At first the bill was declared hybrid, as Yarrow was included but Marathon at Clydebank was not. The act gained Royal Assent on 17 March 1977, with a vesting day of 1 July 1977 for the nationalised company, British Shipbuilders Plc.}

Despite the growing market challenges facing the industry – which, after OPEC, was experiencing the worst depression since the early 1930s – the period from 1974 to 1977 was characterised by internecine political bickering over nationalisation. The debate soon descended into an ideological dogfight in Parliament that unduly delayed the process not least because of the Labour government’s insistence in combining aircraft and shipbuilding in the same bill. It also had a serious impact on the shipbuilding industry’s ability to survive against withering international competition. High inflation, which stood at 25 per cent in 1975 alone, in tandem with fixed-price contracts, ate into the industry’s profitability. Overstaffing was widespread, and owners of the remaining privately owned shipbuilding and -repair firms were reluctant to commit to capital expenditure with the spectre of nationalisation looming. The owners, through the SRNA, who were in regular touch with the Conservative opposition in Parliament, virulently opposed state control. Conversely, the shipyard trade unions – with their members’ jobs at stake – were almost messianic in their desire for nationalisation. By the time nationalisation actually took place, however, most firms in the industry were unprofitable and faced an uphill fight to survive.\footnote{Warren, Steel, Ships and Men, 296. In its last full year before nationalisation Cammell Laird lost £9.2 mn on a turnover of £34 mn; over the last nine months to March 1978 it lost £26 mn. In 1978 Cammell Laird’s new construction hall was completed, two years behind schedule and at a cost of £32 mn to the British taxpayer.}

During the latter part of the nationalisation process, NECS had closed the River Wear ship repairer, T.W. Greenwell, in 1976, with the loss of several hundred jobs.\footnote{For the ramifications of this closure, see Great Britain, Parliamentary Papers, House of Commons, House of Commons Deb. Vol. 857, 9 April 1976.} Strikes such as one at Cammell Laird at the beginning of 1977, where more than 4,000 men were laid off because 450 platers and shipwrights had struck for another £2 per week, were characterised by The Economist as “a peculiar form of ritual suicide”.\footnote{The Economist, 15 January 1977.}
Japanese competition that late in 1976 Japanese yards were quoting prices as much as 60 per cent lower than UK tenders. Such was the dire state of British shipbuilding and indeed to some extent that of West European shipbuilding in general, the fact remained that Japan had the capacity to produce all of the world’s shipbuilding capacity requirements by itself.

The British shipbuilding industry nationalised

Before British Shipbuilders Plc was established, the long road to nationalisation frustrated the original Organising Committee so much so that the Chief Executive Designate, Graham Day, who since 1971 had been managing director of the loss-making Cammell Laird, had left the Organising Committee in December 1976 in protest against the length of time taken to nationalise shipbuilding. Day noted that, “By early action we could have assisted a restructuring and a stabilisation with the minimum disruption for the individual yards and the maximum preservation of genuine job opportunities.”

Subsequently, a new Organising Committee was established, and British Shipbuilders Plc was formed on 1 July 1977 as a result of the Aircraft and Shipbuilding Industries Act, 1977, which nationalised nineteen shipbuilding, five slow-speed diesel manufacturing companies, and three apprentice-training companies in Britain, with Harland and Wolff, Belfast – which was effectively nationalised in any event – exempted. A further six ship repair companies asked to be nationalised after July and these, and one more shipbuilding firm, Ailsa Shipbuilding of Troon, Ayrshire (added in 1978), comprised British Shipbuilders. Admiral Sir Anthony Griffin was appointed chairman and a civil servant, Mike Casey, chief executive. Collectively, British Shipbuilders accounted for 97 per cent of British merchant shipbuilding capacity, 100 per cent of its warship-building capacity, 100 per cent of slow-speed diesel engine manufacturing, and approximately 50 per cent of ship repair capacity. From 1 July 1977 to 1 March 1978, British Shipbuilders employed on average some 86,600 employees, 44,800 of whom were employed on merchant and mixed naval construction, 20,000 on specialised warship construction, 8,500 in ship repair, 5,600 on marine engine building, and 7,700 on general engineering and other activities. Of the 86,600 employees, 24,000 were located in Scotland and the rest in England.

159 Financial Times, 16 December 1976.
British Shipbuilders Plc was set up with no common financial reporting system or corporate plan save that it was to be organised into four divisions: merchant shipbuilding, warship building, ship repair, and marine and general engineering. Crucially, with some exceptions, its constituent companies were still being run by the same people who had presided over the near-collapse of the industry under private control.¹⁶² Not surprisingly, British Shipbuilders attempted from the outset to bring its constituent companies under a standardised system of financial reporting and to impose cash limits on constituent companies. Under the act establishing British Shipbuilders, companies were to be treated as individual profit centres under a decentralised management system – a cataclysmic error on the part of politicians passing the act, as it allowed local management, especially the cosseted warship-building firms which operated under conditions of imperfect competition, to initially ignore the centre.¹⁶³

Originally based in London, British Shipbuilders subsequently moved to Newcastle upon Tyne – the same city in which the Boilermakers’ Society had their headquarters. In the first financial reporting period from 1 July 1977 to March 1978, British Shipbuilders posted a loss of £108 mn before tax and after receipt of Intervention Fund monies. Unsurprisingly, a substantial part of that loss arose from contracts taken before nationalisation.¹⁶⁴ Given the perilous market situation, the government in consultation with the Commission of the European Economic Community had, under the Industry Act of 1972, established a Shipbuilding Intervention Fund (SIF) to aid British Shipbuilders to attract orders against Far Eastern competition by bridging the price gap between European and Asian prices. In February 1977, £65 mn was set aside for this purpose, and by 1978 the amount was raised to £85 mn subject to annual negotiations with the EEC Commission.¹⁶⁵

SIF assistance was initially intended as a temporary aid for merchant shipbuilding only and was provided for contracts taken on a non-profit basis

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¹⁶² Owners of companies that were nationalised were compensated at 1974 share values.
¹⁶³ Aircraft and Shipbuilding Industries Act, 1977. Clause 5 (2): “of seeking the largest degree, consistent with the proper discharge of its functions, of decentralisation of management and decision-taking to separate profit centres in the shipbuilding and ship repairing areas of Great Britain, and in particular of Scotland and Wales and, without prejudice to the generality of the foregoing, in relation to sales, pricing, production, the formulation and implementation of investment programmes, manpower planning and management, industrial relations, and responsibility for financial performance.”
¹⁶⁴ British Shipbuilders Annual Report and Accounts, 1977-78.
¹⁶⁵ Ibid.; see Chairman’s and Chief Executive’s Reports. The Industry Act of 1972 had initially offered shipowners credits and shipbuilders tapering construction grants to 1975, most of which had been used to alleviate losses on fixed-price contracts.
to maintain capacity. Only by way of SIF assistance could British merchant shipyards be kept in business against Far Eastern competition. With the aid of the SIF, British Shipbuilders, broadly, concentrated on survival by attempting to weather the storm of international competition and reduced demand in the hope that it would once again pick up in the early 1980s.\textsuperscript{166} This was almost exactly the position taken by the European Commission, with its various directives on shipbuilding subsidies up to and throughout the 1980s and beyond. However, simultaneously, the commission reduced capacity in the expectation it would not. As Bo Stråth noted, the two positions were mutually incompatible.\textsuperscript{167}

Late in 1977, negotiations were at an advanced stage between British Shipbuilders and the Polish government about an order for twenty-two cargo vessels and two crane ships.\textsuperscript{168} In order to secure the business, the government agreed to give a subsidy from the SIF of not more than £28 mn.\textsuperscript{169} British Shipbuilders provided finance to the joint venture company not with public funds, but with funds borrowed on the commercial market, and a Eurodollar loan of $65 mn was raised from a consortium of banks without government guarantee.\textsuperscript{170} However, the Polish deal was threatened by an overtime ban in support of a pay parity claim with the Boilermakers', imposed by outfit trades at Swan Hunter, which had been promised a number of the Polish ships. British Shipbuilders, as a precondition to placing the Polish order in their various merchant yards, required trouble-free production. Workers at Austin and Pickersgill on the River Wear had refused to accept any reallocated ships from Swan Hunter, but workers at Smiths Dock on the River Tees had agreed to accept two ships. In the end, after a three-month delay hoping that the Swan Hunter situation would be resolved, Govan Shipbuilders (which, it will be recalled, had survived only due to a massive government cash injection as a result of the UCS work-in 1971) agreed by February 1978 to take reallocated ships after Govan shop

\textsuperscript{166} Before December 1977, a £28 mn subsidy for a deal for twenty-four ships for Poland came out of the £65 mn SIF budget. After allowing for that commitment, in December there still remained around £10 mn uncommitted from the fund. Up to that point, the fund had been to secure orders for forty-eight ships. See BPP, House of Commons, Deb, vol. 941, col. 74, 12 December 1977.

\textsuperscript{167} Stråth, The Politics of De-Industrialisation, 22.

\textsuperscript{168} To facilitate this deal British Shipbuilders took a 50 per cent stake in Anglo-Polish Shipping Venture Ltd, a company registered in Poland. The joint venture company would bareboat charter the ships to the Polish Steamship Company for periods of thirteen to fifteen years.

\textsuperscript{169} The deal included a guarantee of export credit by the government’s Export Credit Guarantee Department, a normal part of any export transaction. The amount of the guarantee met the normal EEC and OECD requirement of not more than 70 per cent of the export price.

\textsuperscript{170} British Shipbuilders Annual Report and Accounts, 1977-78.
stewards had been apprised of CSEU policy. At a mass meeting of 3,000 workers only 4 voted against.\textsuperscript{171} No British seaman would be employed on these ships, which would operate under the Polish flag. Indeed, nearly half of the engines were to be built in Poland as were the propellers and shafts, and anchor and chain cables, with decks to be built in Norway. The deal showed in stark terms just how bad the situation was for British Shipbuilders.\textsuperscript{172} Throughout the Polish ships episode, the CSEU had argued in terms of the survival of the industry as a whole, and the experience certainly persuaded them to embark upon national rather than yard-based collective bargaining.

Even if the constituent companies of British Shipbuilders were at this stage semi-autonomous, by January 1979 industrial relations were not. On nationalisation on 1 July 1977 to the end of 1978 the industry was subject to 168 separate collective-bargaining agreements on wages and salaries; by 1 January 1979 it was subject to one with a single negotiating date – a remarkable achievement but one which also reflected the gravity of the competitive position, which the trade unions involved were all too aware of. Just as British Shipbuilders became operational, the employers’ organisation, the SRNA, disbanded. Nationalisation fundamentally changed the dynamics of industrial relations in the industry. Under the Aircraft andShipbuilding Industries Act, British Shipbuilders was committed to a form of industrial democracy mainly of a consultative nature. Monthly discussions with the CSEU Shipyard Negotiating Committee were instituted to discuss and exchange views over a wide range of British Shipbuilders activities. In its first year of operations a number of agreements were made, including a new procedure for the avoidance of disputes, and following discussions with the government and the CSEU a special redundancy payments scheme was instituted under the Shipbuilding (Redundancy Payments) Act, 1978.\textsuperscript{173} Indeed, one former trade unionist, Ken Griffin, had been made deputy chairman of British Shipbuilders, and three active trade unionists, Fred Baker of the General and Municipal Workers Union, Les Gregory of the Electrical, Electronic and Telecommunications and Plumbing Union, and John Hepplewhite of the Boilermakers’ Society, had been made part-time board members.\textsuperscript{174}

\textsuperscript{171} Foster and Wolfson, \textit{Politics of the UCS Work-In}, 405, 424-425.
\textsuperscript{172} See BPP House of Commons, Deb, vol. 941, col. 63, 12 December 1977.
\textsuperscript{173} A separate scheme was instituted for those leaving the industry over the normal retirement age.
\textsuperscript{174} Register of Interests, British Shipbuilders Plc Annual Report, 1977-78.
By March 1979, a Phase 1 Agreement consisting of eighty-four pages on wages and salary readjustments and a deal on productivity (self-financing bonus deals) had been agreed with the CSEU. Wages were now determined nationally for all shipyards, repair establishments, and marine engineering works, rather than by the previous system of local collective bargaining. Yard shop stewards, as a result of this deal, were now more reliant on national union officials and the CSEU. Moreover, the promotion through the so-called social contract between the Labour government and trade unions urging centrally agreed maximum wage increases (in reality a government-imposed pay freeze) further eroded the power of yard shop stewards.

Six months after the Phase 1 Agreement, British Shipbuilders and the CSEU signed the Blackpool Agreement in August 1979, by which the CSEU accepted the reality of a cut in job numbers but only if there were no compulsory redundancies. In other words, employees had to volunteer for redundancies at favourable levels of remuneration. That contraction of the workforce was necessary given the ever deceasing market situation was now beyond doubt. The agreement estimated 6,000 redundancies, initially by paying off the long-term sick, natural wastage (employees leaving for other jobs, retirement, and death) and by transferring surplus labour on an inter-yard basis, plus a ban on adult recruitment; the remainder would be by voluntary redundancy. Simply put, the nationalisation process had been fully supported by the trade unions, but consensus was now under considerable strain by impending yard closures and the need to increase productivity. The latter – through a series of frankly bogus productivity deals prior to nationalisation to get around government price and income policies – meant that British shipbuilding workers were the least productive of the major shipbuilding nations in 1977.

Since nationalisation, the demand for newbuilding had been in steep decline. Sweden, so often held up as an exemplar of modern shipbuilding methods, marketing, and productivity, had also been affected by the post-OPEC crisis and Japanese competition, and nationalised the bulk of its shipbuilding industry under a holding company, Svenska Varv, in 1977, this despite its workforce being the most productive in the world. The large Kockums yard at Malmö was nationalised in 1979. Subsequently, in 1986, the Swedish government decided to cease all merchant shipbuilding.

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175 British Shipbuilders Plc Report and Accounts, 1978-79, Chairman’s and Chief Executive’s Reports.
176 Fairplay, 24 August 1978, 61. In 1977, Sweden topped the productivity table, followed by Japan, West Germany, Denmark, France, Italy, and Britain. Swedish shipyard workers were 3.67 times more productive than their British counterparts.
177 The large Kockums yard at Malmö was nationalised in 1979. Subsequently, in 1986, the Swedish government decided to cease all merchant shipbuilding.
Swedish shipbuilding industry had no interest subsidy, and two of its largest shipyards, Eriksberg and Gotaverken, faced huge losses, not because of lack of orders but through currency speculation to compensate for the lack of interest subsidy. Both firms had financed suppliers’ credits, given in US dollars, with low-interest loans given in Swiss francs. In 1974 the dollar began to depreciate, and neither yard had insured against the currency risk. The Swedish government stepped in to save these two large firms from bankruptcy and introduced a guarantee facility to finance ships on account, assuming they would be sold on completion. As Cees de Voogd has noted, this turned into a financial disaster for all concerned. Svenska Varv announced its intention to close shipyards in 1978, sparking widespread social and political discontent. The government postponed the closure of shipyards but the reduction in capacity continued. Employment had halved from 24,000 in 1975 to 12,000 in 1980, and by 1985 was further reduced to 3,000. At 1990 only 553 employees were left in the Swedish shipbuilding industry.178

Japan had also been badly scarred post-OPEC. As the world’s leading tanker builder it suffered the brunt of cancellations and was left with a great deal of redundant capacity relative to the large amount of docks capable of building VLCCs and ULCCs at its disposal. In 1974, Japanese shipbuilding received only eleven VLCC orders, all of which were taken in the first quarter of that year; this against fifty-four VLCCs and forty-one ULCCs in 1973.179 By 1978, the Japanese Ministry of Transport had introduced a rationalisation scheme with the full co-operation of its shipbuilding industry. A year earlier there had been a number of spectacular failures due to financial insolvency. The year 1978 saw Japan commit 71 bn yen to the Japan Development Bank to subsidise interest payable on loans for ships ordered in Japan. In combination with low interest rates provided to Japanese shipowners, this effectively trimmed 20 per cent of the price of a newbuilding. July saw the inception of a rationalisation scheme. It was agreed that 35 per cent of the capacity to build vessels of 5,000 grt and over available in 1974 would be withdrawn from use. A special fund of 36.8 bn yen was set aside for shipbuilders, and a scrap-and-build scheme was instituted (which resulted in 1 mn grt of extra orders). By the end of 1979, employment, direct and indirect, had been reduced to 162,000 from its 1973 peak of 253,000, in part due to the elimination of 60 berths and building docks. By 1981 Japan’s oversupply problem had been partly alleviated but

178 De Voogd, “Public Intervention and the Decline of Shipbuilding in the Netherlands”, 251-252.
179 Todd, Industrial Dislocation, 8.
output remained around half that of a decade earlier. Towards the latter part of the 1980s, under pressure from government and with shipbuilding capacity exceeding demand, Japanese shipbuilders formed industry coalitions that later coalesced into production groups with the object of aligning capacity to perceived markets – in other words matching supply with demand. By the end of decade these arrangements had been waived, but eight large groups formed the vanguard of Japan’s attempts to remain the world’s leading shipbuilder.

Table 2.7 follows on from Table 2.6 and shows a further decline in UK shipbuilding performance in two important sectors and a significant drop in Japanese share of the market owing to new entrants such as South Korea.

### The 1980s: from nationalisation to privatisation and statistical irrelevance

Under its second chairman, Robert Atkinson, appointed in May 1980, British Shipbuilders Plc was restructured in October into five trading divisions according to product profile: merchant shipbuilding, warship building, engineering, ship repair, and offshore. The last division, comprising Cammell

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180 Ibid., 53-71; Todd explains this period in extensive detail.
181 Ibid., 236.
Laird and Scott Lithgow, at a stroke took two mixed naval and mercantile yards out of naval construction altogether and also brought them out of the ambit of the SIF. Atkinson quickly recognised the need for more centralised financial control but continued the mistake of his predecessor by leaving production and productivity deals to the constituent companies, which inevitably would lead to inter-yard friction and hostility, especially between the loss-making merchant yards and the profitable warship yards. He did, however, centralise marketing. The Thatcher government’s 1979 manifesto had promised to denationalise shipbuilding but it did not feel confident enough to do so before 1984, particularly because of the very real threat of a total implosion of the largely unprofitable merchant shipbuilding sector and the likelihood that private investment in it would not be forthcoming. Initially, it pledged financial support continuing until 1981 contingent upon rationalisation and a return to viability, but trading losses after the intervention fund subsidy continued: more than £45.5 mn in 1978-79 and £110 mn in 1979-80.  

The only substantial profit-earners were the three specialist warship yards, Vickers, Vosper Thornycroft, and Yarrow. By the end of 1981, however, the number of engine-building companies had been reduced from five to two. Employment had been reduced to 66,747 and ship repair had been reduced from 6 to 4 firms. Of these, Tyne Shiprepair (an amalgamation of NECS and Swan Hunter Shiprepairers) had incurred losses of £8 mn, and Grangemouth Dockyard had suffered a serious decline in its traditional business. As Lewis Johnman has noted, from 1 July 1977 to November 1980, the industry consumed £316 mn in public dividend capital and £105.5 mn in Shipbuilding Intervention Fund monies, and was still unable to match prices quoted by competitors.

In April 1980, British Shipbuilders informed the CSEU that Caledon Shipbuilding (part of an SIC Report-inspired merger of the Henry Robb shipyard at Leith on the River Forth and Caledon Shipbuilding at Dundee on the River Tay in 1968) had to close. This was obviously against the spirit of the Blackpool Agreement with its rejection of compulsory redundancies. British Shipbuilders did, however, by means of voluntary redundancy and a process of attrition, scale down the Caledon workforce to just over 250. By September 1981 they sought to close the yard, with compulsory

183 British Shipbuilders Annual Report and Accounts, 1981-82.
redundancies, but met with resistance from 145 of the men affected, who occupied the yard. A three-day strike ordered by the CSEU in support did not get the support of all other shipyards and did not take place. Caledon was duly closed down at the end of 1981, and Henry Robb limped on until early 1984 when it also closed, bringing to an end 600 years of shipbuilding on the River Forth.

By 1982, given the attrition rate of yard closures and its subsequent drop in membership, the Boilermakers’ Society had been looking to amalgamate with a larger trade union and in so doing retain its internal structures. There were some in the society who wished it to amalgamate with a larger craft union such as the Amalgamated Union of Engineering Workers. However, talks continued with two other general (unskilled) unions, the Transport and General Workers’ Union and the General and Municipal Workers Union (GMWU). The latter represented the bulk of unskilled labour in shipbuilding and ship repair, and by August an amalgamation between the Boilermakers’ and the much larger GMWU had been realised. The new union would be known as the General, Municipal, Boilermakers and Allied Trades Union.  

It was richly ironic, given the hierarchical structure of trades throughout the history of British shipbuilding, that its major craft union, the Boilermakers’ Society, with its messianic protection of craft privileges and pay differentials throughout its lifetime, would eventually amalgamate with an unskilled union.

Not only was British shipbuilding suffering from Japanese competition, by this stage, a comparatively new entrant, South Korea, had increasingly won world market share; in 1982 this stood at 12 per cent, and new yards capable of building sophisticated high-value tonnage had also come on stream. From March 1972 onwards, under the military dictatorship of Park Chung-hee and with trade unions under state control, the Hyundai Construction chaebol (family-owned conglomerate) had formed Hyundai

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186 A good example was Daewoo’s Okpo facility at Keoje Island, Pusan, a yard designed by A & P Appledore to construct virtually any type of ship, plant or offshore structure. Daewoo took over Okpo from KSEC in December 1979 when the yard was 25 per cent finished; it was finally completed in January 1981. See Jonnson, Shipbuilding in South Korea, 82. In the two years to 1982, the yard had constructed a series of four stainless steel chemical tankers, a series of six semi-submersible drilling rigs and speciality plant, including a barge-mounted seawater treatment plant for US oil companies operating in Alaskan waters. As Todd noted, the Okpo yard “was nothing less than a masterpiece of shipbuilding ingenuity”. It employed 8,100 men and had a building dock of 530 m in length equipped with a Krupp crane capable of lifting 900 tons (then one of the two largest shipbuilding cranes in the world). See Todd, Industrial Dislocation, 187-188.
Heavy Industries (HHI) and began to construct, with state support, a huge shipbuilding complex at Mipo Bay, Ulsan, which was completed in June 1974. It was designed to construct five VLCCs per year with the aid of the British consultants A&P Appledore, the lower Clyde shipbuilders, Scott Lithgow, and slow-speed diesel marine engine builders, Kincaid, who provided training and production drawings. Prior to this Korean shipbuilding had ranked seventieth in the world, with only one state-owned company of any note whatsoever, Korean Shipbuilding and Engineering Company (KSEC), and with an annual capacity of just 250,000 grt in 1973. South Korea aimed for an annual output of 1.9 mn grt in 1976 and a huge 9 mn grt by 1985.\textsuperscript{187}

Shipbuilding and steel were seen as instruments to stimulate national industrial growth and even though the tanker market sank post-OPEC, South Korea determined to increase its market share despite its output projections, which were wildly optimistic. South Korean output (HHI and KSEC only) in 1976, in terms of tonnage launched, amounted to 625,950 grt (UK: 1.304 mn grt) and in 1985 (HHI, KSEC, Daewoo, Samsung) 2,750,536 grt (UK: 145,000 grt). South Korea, therefore, as Lars Bruno and Stig Tenold have noted, had expanded rapidly with huge state commitment in a period characterised by capacity reduction elsewhere.\textsuperscript{188} Initially dependent on technology transfer and foreign know-how, the South Korean industry quickly assimilated this, overcame technological barriers, and nurtured its own technological capability; by utilising low labour costs and repression of the labour force, it quickly gained market share and useful foreign currency.

By 1979, two other chaebols, Daewoo and Samsung, had also entered shipbuilding. However, the industry did experience problems in the mid- to late 1980s largely as a result of years of taking export contracts at below-cost prices. By mid-1988, HHI, KSEC, Daewoo, and Samsung, had reputedly run up debts to USD $4.5 bn, and the industry’s workforce had contracted from 75,000 in 1984 to 51,000. By the end of 1988, labour unrest, strikes, and the granting of unsustainable pay rises, and severe price competition with Japanese shipbuilding, had all affected the industry’s profitability. In April 1987, KSEC requested protection from its creditors, and in 1988 Daewoo Shipbuilding was rescued by its banks. A strike at HHI, Ulsan, in 1989 lasted more than three months and resulted in USD $760 mn in lost production. That year, KSEC was sold out of bankruptcy protection to the Hanjin chaebol.\textsuperscript{189}

\textsuperscript{187} Todd, Industrial Dislocation, 18.
\textsuperscript{188} Bruno and Tenold, “The Basis for South Korea’s Ascent in the Shipbuilding Industry”.
\textsuperscript{189} Todd, Industrial Dislocation, 196-198.
The industry’s plight was not aided by the state’s inclination not to provide financial assistance, rapidly rising labour costs, and Japan’s new low-interest export financing in support of Japanese shipbuilders. However, both the South Korean and Japanese shipbuilding industries — at that stage the world’s most competitive — were expected to increase profitability in the early 1990s as older ships in world fleets needed replacing. By the end of 1989, it was strongly suspected that collusion between Japan and South Korea was de facto allowing new orders to be parcelled out between them.\(^{190}\)

In South Korea, Daewoo Shipbuilding posted its first profit in 1991 and in 1994 it merged with Daewoo Heavy Industries. With the onset of the Asian financial crisis in 1997, liquidity in shipbuilding became crucial to service accumulated debts from the rapid expansion programmes undertaken by South Korean chaebols. Daewoo Shipbuilding was restructured in 1999 and at the end of 2000 was demerged from Daewoo Heavy Industries. By 2001, its reconstruction was complete, the company becoming Daewoo Shipbuilding and Marine Engineering.\(^{191}\)

By the end of 1982 British Shipbuilders had closed half of its merchant shipbuilding capacity, and the terms of the British Shipbuilding Act, 1983, gave the government the required means to compel British Shipbuilders to begin a process of the privatisation of its remaining companies.\(^{192}\) Losses for 1982-83 totalled £117 mn mainly due to the the Offshore Division. A new chairman, Graham Day (who, it will be recalled, had resigned from the original Organising Committee of British Shipbuilders) was appointed in succession to Robert Atkinson with a specific brief to reduce losses and privatisation the profitable elements of British Shipbuilders, the warship yards.\(^{193}\)

From 2 April 1984 the number of British Shipbuilders divisions was reduced from five to two to prepare for its eventual size and shape after disposals and privatisation. Tyne Ship Repair and Grangemouth Dockyard had been sold and the remaining two ship repair companies, Falmouth and Vosper Shiprepairers, were now up for sale. Now only warship-building and merchant and composite building yards formed the core capability,

\(^{190}\) Ibid., 197.

\(^{191}\) See www.dsme.co.kr.

\(^{192}\) British Shipbuilding Act, 1983, c. 15, section 2: “the Secretary of State may, after consultation with British Shipbuilders, by order, give to it directions – (a) to discontinue or restrict any of its activities or to dispose of any of its property, rights and liabilities; or (b) to secure the discontinuance or restriction of any of the activities of a wholly owned subsidiary of British Shipbuilders or the disposal of all or any of its property, rights and liabilities or the winding up of any such subsidiary.”

\(^{193}\) For this, see Johnman and Murphy, British Shipbuilding and the State Since 1918, 231-232.
reflecting the progressive withdrawal from ship repair, offshore, and marine and general engineering.\(^{194}\) Earlier in March, British Shipbuilders biggest loss-maker, Scott Lithgow, became the first constituent company to be privatised – sold to the industrial conglomerate Trafalgar House Plc for a knockdown price of £12 mn. After the sale, Trafalgar House received £36.649 mn in June 1985 from British Shipbuilders in compensation for continuing problems with completing a semi-submersible drilling rig. A record trading loss of £161 mn in the 1983-84 reporting year for British Shipbuilders was almost entirely due to losses in its Offshore Division. The entire adventure begun by Robert Atkinson in 1981 into offshore semi-submersible drilling rig construction at Scott Lithgow and Cammell Laird had been disastrous.\(^{195}\)

**Privatisation**

Thereafter, British Shipbuilders began the privatisation of its constituent companies in earnest by selling off its warship yards, its two remaining ship repair companies, Falmouth Shiprepair Ltd and Vosper Shiprepairers Ltd (sold in 1984 and 1985 respectively), and engine-building and general engineering companies. Brooke Marine at Lowestoft was redesignated as a warship yard and sold in 1985 to a management buyout, as was Vosper Thornycroft at Southampton and Portsmouth. Yarrow was also sold in that year to the conglomerate GEC-Marconi. In 1986 Smiths Dock on the Tees was closed, as was Clark Kincaid’s Wallsend engine works, Vickers at Barrow was sold to yet another management buyout and was rebranded Vickers Shipbuilding and Engineering Ltd (VSEL), which also included Cammell Laird, redesignated as a warship yard in 1984 after the collapse of the Offshore Division, and sold to VSEL for a nominal £1. Swan Hunter had also been designated a warship yard and was privatised in 1986 by another management buyout, as was Hall Russell at Aberdeen. Redesignation of four of the seven yards above (three, Yarrow, Vosper Thornycroft, and Vickers, were already designated warship yards) precluded all seven from accessing SIF monies.\(^{196}\)

The year 1986 also saw the sale of the small Ailsa shipyard at Troon to the Perth Corporation. Ailsa was purchased by the Yorkshire-based

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194 Merchant and composite comprised British Shipbuilders merchant and engine building facilities and included yards engaged in both merchant and warship construction, such as Swan Hunter.

195 For this period, see Johnman and Murphy, “A Triumph of Failure”.

196 The Shipbuilding Intervention Fund existed for thirty-six years and at one point accounted for a third of the cost of a ship. It was finally abolished throughout the European Union from 1 January 2001.
Cathelco in 1996 and, after completing a £20 mn order from the Ministry of Defence for ten landing craft, closed in 2000. In 1988 Govan Shipbuilders was sold to the Norwegian conglomerate, Kvaerner, for a paltry £6 mn, with the loss of 500 jobs and with British Shipbuilders picking up the redundancy costs, allowing Kvaerner access to the SIF. This left British Shipbuilders with only one major merchant shipbuilding facility, North East Shipbuilders Ltd (NESL) at Sunderland, and the much smaller shipyards of Appledore-Ferguson at North Devon and Port Glasgow, and Clark Kincaid’s engine works at Greenock. By 1989, Appledore, Ferguson, and Clark Kincaid had been privatised, and NESL’s Pallion (the locus of a large construction hall) and Southwick shipyards closed in a backstage deal with the European Union Commission as a counterpart for aid. Counterpart funding was designed to assist those areas where shipbuilding closed, in this case, Sunderland, but only on condition that no future shipbuilding be conducted.197

The remaining assets of NESL were then privatised in 1989 as A & P Appledore International, and were utilised for ship repair. The NESL closure ended volume merchant shipbuilding in Britain. In contrast, ship repair and conversion, most of it undertaken in former assets of British Shipbuilders, survived in part, and largely returned to the casualised system of labour which had characterised it beforehand. The result of privatisation had been an income to British Shipbuilders of £125.5 mn while costs had been £234.8 mn – leaving a negative balance of £109.3 mn. All told, British Shipbuilders Plc, from July 1977 to 1989, cost British taxpayers more than £2 bn.198 In 1975, British shipbuilding had employed 48,000 employees in newbuilding; by 1990 the figure stood at 6,000. The comparative figures for the Netherlands and West Germany for employees engaged in shipbuilding in 1975 were 21,000 and 47,000 respectively. By 1990 these numbers had been reduced to 4,000 and 15,000 respectively. In 1975, Japanese shipbuilding, at 256,000 employees, employed far more workers than the UK, West Germany, the Netherlands, and Sweden combined (141,000). By 1990, however, shipbuilding employment in Japan had contracted markedly to 89,000.199 From 1977

197 For this period in more detail, see Johnman, “The Privatisation of British Shipbuilders”, and Johnman and Murphy, British Shipbuilding and the State Since 1918, 234-236.
198 Johnman and Murphy, British Shipbuilding and the State Since 1918, 240. British Shipbuilders Plc continued to exist as a shell corporation under statute law, accountable for liabilities arising from its operation until 2013. From March 2013, any remaining liabilities passed to the Department of Innovation and Skills.
199 Figures from De Voogd, “Public Intervention and the Decline of Shipbuilding in the Netherlands”, 252.
onwards, British shipbuilding had marched towards statistical irrelevance. Table 2.8 shows British shipbuilding’s decreasing market share during the 1980s.

In attempting to sum up the labour situation in British Shipbuilders from nationalisation to privatisation, one has to conclude that closures occurred with, on the whole, surprisingly little opposition from trade unions. In part this was due to quasi-nationalisation of a substantial part of the industry prior to 1977, the initial welcoming of full nationalisation by all trade unions concerned, the pseudo-corporatist structure of the British Shipbuilders Plc Board, the smugness of those employed in the warship division that somehow they were immune from competitive pressures, and the rather pious hope that an industry that had monumentally failed to confront foreign competition from the 1950s onwards could, in some mysterious way, rise phoenix-like from its competitive torpor. Concurrently, from 1980 onwards, the Conservative government passed a series of employment laws aimed at undermining trade union rights and weakening employment protection.200

During the years of British Shipbuilders control, strikes did of course occur, but those that did were of short duration, and closures and diminution of the workforce were easily bought off by generous redundancy terms. By 1979-80, days lost to industrial disputes were about one-seventh of the national average and, in the following two reporting years, days lost were less than 1 per cent of those available.201 In the spring of 1981, the CSEU concluded an agreement for a 7.5 per cent wage rise and for the introduction of a 39-hour working week effective from 1 April 1982. Following a period of wage freeze, in the autumn of 1983, British Shipbuilders proposed to the CSEU radical alterations to traditional working practices to pave the way for a “step-change improvement in productivity”. After lengthy negotiations, the CSEU agreed to these changes in exchange for an unconsolidated across-the-board increase in wages by a supplement of £7 per employee per

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200 The Employment Act, 1980, outlawed secondary action by unions against an employer who was not directly a party to a given trade dispute, and the definition of a trade dispute was narrowed to encompass only disputes between workers and their own employer. The Employment Act, 1982, banned “union-only” clauses in contracts, and made it far easier to gain court injunctions against industrial action by trade unions. Trade unionists were also banned from refusing to work with non-trade unionists and from refusing to handle work from non-trade union companies. The Employment Act, 1988, required separate workplace ballots in certain disputes and outlawed industrial action to establish or enforce a “closed shop”. It legislated on the prevention of union discipline against persons ignoring a strike call even though the strike call was supported by a ballot.

week from January 1984 subject to the conclusion of local agreements. This was known as the Phase 5 Agreement.²⁰²

By March 1985, even British Shipbuilders headquarters staff had been further reduced to ninety-four employees, reflecting the changing composition of the constituent yards, cost reductions, and transfer of responsibilities to the operating level. This was an 18 per cent reduction over the reporting year, and man-days lost as a result of strikes totalled less than 0.2 per cent of those available. A Phase 6 wage settlement valued at 4.4 per cent of the total paybill was reached in 1984, offset by overall productivity improvements. Another cause for concern was that just over 90 per cent of merchant vessels on order throughout the world were scheduled for delivery in 1986. Indeed the market for newbuilding was in its ninth year of no real growth, with prospects little better. As Day noted, “unless more responsible policies are adopted in South Korea and Japan it is difficult to see how any European shipyard can maintain its capacity even at the present drastically reduced levels”. He hoped that Far Eastern governments would require their domestic shipbuilders to tailor capacity, prices, and sales finance to responsible financial criteria.²⁰³ In relation to South Korea, this was wishful thinking at best, and with Japan it was only marginally less so. With the government-ordered privatisation of British Shipbuilders constituent

²⁰² British Shipbuilders Annual Report and Accounts, 1982-83, 1984-85; Mortimer, History of the Boilermakers’ Society, vol. III, 389-390. By this agreement, provisions were made for flexibility and interchangeability of composite groups of workers within shipyards.

<table>
<thead>
<tr>
<th>Year</th>
<th>UK</th>
<th>World</th>
<th>UK as a % of world</th>
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<tbody>
<tr>
<td>1980</td>
<td>244</td>
<td>13,935</td>
<td>1.8</td>
</tr>
<tr>
<td>1981</td>
<td>339</td>
<td>17,066</td>
<td>2.0</td>
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<tr>
<td>1982</td>
<td>528</td>
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<tr>
<td>1983</td>
<td>527</td>
<td>14,888</td>
<td>3.5</td>
</tr>
<tr>
<td>1984</td>
<td>191</td>
<td>17,732</td>
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</tr>
<tr>
<td>1985</td>
<td>145</td>
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<tr>
<td>1987</td>
<td>46</td>
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<tr>
<td>1988</td>
<td>91</td>
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</tr>
<tr>
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<tr>
<td>1990</td>
<td>79</td>
<td>14,894</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Lloyd’s Register of Shipping, various years
warship firms proceeding apace, British Shipbuilders had the unenviable prospect of losing its profitable core and being left with an unprofitable rump of mercantile-only yards.

Privatisation proved to be the means by which the British state annihilated its maritime industries. The axis between the state and merchant shipbuilding, evident for most of the twentieth century, was now irrevocably broken. Simply put, the state wanted rid of shipbuilding. In the course of the next decade, slow-speed marine-engine building manufacturing would also be annihilated, and the aim of promoting competition in warship building would be stymied by the creation of a quasi-monopoly.

The 1990s: the long goodbye

Clark Kincaid, British Shipbuilders’ last engine works, sold to the HLD Group in 1989, was acquired by the Norwegian conglomerate Kvaerner in 1990 and was renamed Kvaerner Kincaid. It was sold to Scandiaverken in 1999 and closed in 2000, bringing to an end marine engine building in the once great maritime town of Greenock. Hall Russell, in receivership, was sold again in 1989 to A & P Appledore (Aberdeen) but closed in 1992, as did Brooke Marine at Lowestoft. Scott Lithgow closed in 1993, posting the largest single loss on a contract in the history of British shipbuilding. Scott Lithgow’s disastrous entry into the large offshore structures market ultimately cost British Shipbuilders Plc £228 mn in losses and legal action by Trafalgar House Plc.204

In 1993 there occurred a bitter four-week strike over pay by 1,300 workers at GEC Marconi Marine’s yard at Scotstoun (formerly Yarrow Shipbuilders). There had been no pay increase since 1991 and on 5 March 1993 the striking workers voted overwhelmingly to return to work. The action was initiated by an unprecedented 97 per cent vote of the manual workforce to strike, against the recommendations of shop stewards and union officials, and was the first strike over pay for nearly twenty years at the Scotstoun yard.205

In 1994, Swan Hunter entered receivership.206 It was subsequently purchased by a Dutch entrepreneur, Jaap Kroese, ensuring its survival

204 Johnman and Murphy, Scott Lithgow, 340-341.
205 The Independent, 6 and 21 February 1993. A full orderbook offered the strikers maximum leverage after more than a decade of redundancies, the grudging surrender of craft rights, and a two-year wage freeze. For an analysis of this strike, see McKinlay and Taylor, “Privatisation and Industrial Relations in British Shipbuilding”.
206 For an analysis of the factors leading up to receivership, see Johnman, “Public Intervention and the Hollowing out of British Shipbuilding”.
on a much-limited scale until 2006, when it ceased shipbuilding. VSEL closed Cammell Laird at Birkenhead in 1993 (Cammell Laird was thereafter purchased and reverted to ship repair and conversion but closed in 2001).\footnote{Part of the Birkenhead shipyard site was leased by the Coastline Group as a ship repair facility. Coastline eventually bought part of the shipyard and adopted the Cammell Laird name, before floating on the London Stock Exchange in 1997 and acquiring dockyards on the Tees and Tyne and a former Royal Dockyard at Gibraltar. The late withdrawal from a £50 mn refit contract for the Costa Classica cruise ship by Costa Crociere, a division of Carnival Cruises of the USA, tipped Cammell Laird Shiprepairers into receivership in April 2001. The Tees, Tyne, and Birkenhead yards were acquired by A & P Shiprepair Group in 2001. The Gibraltar dockyard was sold to a local management buyout. In 2005, A & P sold the Birkenhead yard to Northwestern Shiprepairers and Shipbuilders (NSS). Peel Holdings, owners of the Mersey Docks and Harbour Company, which owned a 50 per cent stake in NSS, acquired the Cammell Laird site and surrounding land in 2007 to facilitate a property development although NSS continued to maintain a long lease on the shipbuilding site. In November 2008, NSS, having acquired the Cammell Laird name earlier, was renamed Cammell Laird Shiprepairers & Shipbuilders Ltd. In February 2008 it was announced that the company had won a £28 mn Ministry of Defence contract to refit and overhaul the Royal Fleet Auxiliary ship, Fort Rosalie. In January 2010, a £44 mn order for the flight deck modules of the Royal Navy’s new aircraft carrier, HMS Queen Elizabeth, was announced. Cammell Laird returned to shipbuilding with an order from Western Ferries for two ferries for its Clyde route in June 2012, for delivery in August 2013.}

VSEL was acquired by GEC-Marconi in 1995 as part of Marconi Marine to join Yarrow. By 1999, a mega £7.7 bn merger of two British companies, Marconi Electronic Systems (a defence, electronics, and naval subsidiary of the General Electric Company Plc) and British Aerospace (manufacturer of aircraft, munitions, and naval systems) resulted in the creation of BAe Systems in November 1999. Thus one company at the end of the century monopolised nuclear submarine construction at the former VSEL yard at Barrow and frigate construction at Scotstoun, and leased from Clydeport, on the withdrawal of Kvaerner from shipbuilding in 1999, the last merchant yard of any significance on the British mainland at Govan.\footnote{After 1985 Vosper Thornycroft had become known as the VT Group and later concentrated its activities at Portsmouth. In 2008 BVT Surface Ships was created as a joint venture combining the shipbuilding and naval support business of VT Group and BAe Systems yards on the upper Clyde. By the end of March 2010, Babcock International (which had taken over the former Royal Dockyard at Rosyth) had acquired the VT Group.}

Conclusions

The demise of almost all British merchant shipbuilding firms, the bulk of ship repair firms, and marine-engine building firms linked to shipbuilding in the twentieth century owed much to an inability to meet international
competition head on. From a position of unrivalled supremacy prior to 1914, British shipbuilding and repair’s future prospects altered significantly during the protracted conflict of the First World War and in the mostly depressed interwar period.

Obsessed with reducing its capacity and utterly failing to alter its atomistic structure, its extant system of industrial organisation, inter-firm competition, and low levels of capital investment, the industry limped towards the Second World War in a far worse position than it had found itself in 1914. The war masked the industry’s fundamental problems and served to maintain its inherent contradictions.

After 1945, ad hoc solutions applied sticking plaster to a fundamentally ill patient too weak to collectively challenge Japanese, German, and Swedish competition and of insufficient backbone to force change in the bitter climate of industrial relations it had largely fostered for its own ends. By 1958, when the long seller’s market in shipbuilding had come to a jarring halt, firms had on the whole failed to read market trends evident elsewhere in the construction of larger oil tankers and bulk carriers. Modernisation schemes were largely piecemeal.

No British shipbuilder had the vision or the capital to contemplate a shipyard such as Arendal in Sweden or, later, Ulsan in South Korea. Large swathes of the British shipbuilding and ship repair industries increasingly looked to the state during the 1960s and 1970s for salvation; and an industry that had always abhorred nationalisation reluctantly embraced it, by which stage most of it was uncompetitive on price, delivery, and credit and teetering on the edge of bankruptcy in any event.

Nationalisation did little more than prolong the larger part of the industry’s agony, and privatisation hastened its death throes. All of this proved, at great expense and to no great purpose, merely sufficient to keep alive a warship-building capability and a semblance of competition, which as the century ended had moved towards quasi-monopoly. BAe Systems with Babcock International and Thales UK at present are completing an aircraft carrier but, as this work has advanced, BAe announced in November 2013 the loss of 1,775 jobs and the closure of its Portsmouth shipyard in 2014. Around 800 of these jobs will be lost at BAe’s shipyards at Govan and Scotstoun in Glasgow, which employ around 3,700 workers, the largest concentration of shipbuilding workers in Britain. These yards are now building three ocean-going offshore patrol vessels for the Royal Navy, with the first to be delivered in 2017, by which stage it is hoped that orders for a new generation of frigates will be won. Although the referendum on Scottish independence on 18 September 2014, if a yes vote had occurred, would have impacted on
this – no UK government would build warships in a foreign country – the fact that the majority of the Scottish electorate voted no gives some hope that new warship orders will eventually accrue. Nonetheless, the vast majority of the shipbuilding workforce in Great Britain is now wholly dependent on government largesse in a protected market. Just how far the mercantile side of the industry has sunk is witnessed by the South Korean Daewoo shipbuilding group winning an order in November 2013 worth £425 mn from the British government for four 37,000-ton MARS (military reach and sustainability afloat) fleet tankers for delivery in 2016 – a mere drop in the ocean for South Korea, who at May 2014 have some 774 merchant ships on order.209

As the twenty-first century unfolded, South Korea overtook Japan as the world’s pre-eminent shipbuilder and in turn has been usurped by China in terms of volume, but not value. State sponsorship of shipbuilding has basically become a game of high-stakes poker. The countries with the deepest pockets and the willingness to throw huge amounts of money to their shipbuilding industries come out on top. Take Japan, South Korea, and China. What is apparent is that the latter two countries began their road to ascendancy by building relatively unsophisticated tonnage such as tankers and basic bulk carriers, with South Korea being far more export-oriented in its approach to the market. However, as their industry grew, indigenous firms began to build more sophisticated tonnage such as chemical and gas carriers, container vessels, and the like. It is likely that China, now the world’s second-largest economy and as of 2014 vying for first place with the USA, will, for nationalist reasons, keep South Korea in second place, simply because it will pour huge financial resources into its industry, particularly as it expands its naval forces. That China now builds sophisticated tonnage should worry Japan, as the latter has concentrated on the sophisticated end of the market as increasingly has South Korea.

What both Japan and South Korea (the latter to a lesser extent) fear is that Chinese costs for labour, materials, etc., will continue to be heavily subsidised in order to undercut competitors and to ensure China tops the world output league. As to labour in these countries, the tendency over time is for wages to rise, but government subsidies to firms ensure that rising wage levels do not translate into higher costs for the product. On the demand side, shipping firms mostly are price- and delivery-conscious:

209 BBC News, 6 November 2013. South Korean figures from Clarksons Shipping Intelligence Network: May 2014.
shipbuilders know this and to get the work they often tender at unrealistic prices.

At present, with the exception of Japan – for most of the century an experienced builder of warships – South Korea and China are quickly catching up in warship construction, a field where West European countries and the USA still enjoy a comparative advantage as they do with cruise-liner construction. One must conclude in summarising the wider lessons of shipbuilding in the twentieth century that East Asian countries better understood the nature of capitalism than their West European counterparts. Are the workers in East Asia in the same boat as their dwindling European fellows? All governments to varying extents have bailed out their shipbuilding industries, some of which have been leakier than others: the trick for workers is to recognise which particular part of the industry in which to sell their labour over time in order to maximise their earning potential, and to raise their living standards – no easy task.