



# Aircraft and Shipbuilding Industries Act 1977 (repealed)

## 1977 CHAPTER 3

### PART I

#### THE CORPORATIONS

##### **Modifications etc. (not altering text)**

- C1** By [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), [s. 10\(1\)](#) it is provided that Pt. I is repealed in relation to British Aerospace and that any reference in that provision (in whatever terms expressed) to either or both of the Corporations originally established by s. 1 of this Act shall be construed as a reference to the other Corporation so established (that is to say British Shipbuilders)

#### *Constitution and functions*

### **1 British Aerospace and British Shipbuilders.**

- (1) There shall be constituted, subject to and in accordance with the provisions of this section,—
- (a) .....<sup>F1</sup>
  - (b) a body corporate to be called British Shipbuilders.
- (2) Each Corporation shall consist of—
- (a) a chairman appointed by the Secretary of State; and
  - (b) subject to subsection (3) below, not less than [<sup>F2</sup>2] nor more than 20 other members each appointed by the Secretary of State after consultation with the chairman.
- (3) In relation to either Corporation, the Secretary of State may by regulations made by statutory instrument—

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- (a) provide that subsection (2)(b) above shall have effect in relation to the Corporation with the substitution of a different minimum or maximum number of members;
  - (b) provide that, in addition to the office of chairman of the Corporation, there shall be other offices to which he may appoint members of the Corporation;
  - (c) make provision with respect to the appointment and tenure of office of, and the vacation of office by, members of the Corporation;
  - (d) make provision with respect to the disclosure by members of the Corporation of any interest (whether direct or indirect) in contracts made or proposed to be made by the Corporation or any of its wholly owned subsidiaries or in any other matter whatsoever which falls to be considered by the Corporation;
  - (e) make provision with respect to the quorum, proceedings and meetings of the Corporation, the execution of instruments by or on behalf of the Corporation and the proof of documents purporting to be executed, signed or issued by or on behalf of the Corporation or by or on behalf of any of the Corporation's members or employees; and
  - (f) make such provision supplementary or incidental to the matters specified in paragraphs (a) to (e) above as appears to the Secretary of State to be expedient.
- (4) Subject to any provision made by virtue of subsection (3) above, the arrangements relating to meetings of each Corporation shall be such as it may determine; and the validity of any proceedings of either Corporation shall not be affected by any vacancy among the members or in the office of chairman or by any defect in the appointment of a member.
- (5) Each Corporation—
- (a) shall pay to the members thereof such remuneration and such allowances as may be determined by the Secretary of State with the consent of the Minister for the Civil Service; and
  - (b) if the Secretary of State with the consent of that Minister so determines in the case of a person who is or has been a member of the Corporation, shall pay or make arrangements for the payment of a pension to or in respect of that person in accordance with the determination; and
  - (c) if a person ceases to be a member of the Corporation and it appears to the Secretary of State that there are special circumstances which make it right that that person should receive compensation, shall pay to that person a sum of such amount as the Secretary of State may with the consent of the Minister for the Civil Service determine.
- (6) Neither Corporation is to be regarded as the servant or agent of the Crown or as enjoying any status, privilege or immunity of the Crown, and its property is not to be regarded as property of or held on behalf of the Crown.
- (7) The Secretary of State may by order made by statutory instrument specify a different name by which either Corporation is to be known; and where any such different name is so specified, any reference in this Act or in any other enactment, instrument or document to . . . <sup>F3</sup> British Shipbuilders, shall be construed accordingly.
- (8) The power to make an order under subsection (7) above includes power to vary or revoke any order previously made under that subsection; and a statutory instrument containing regulations or an order made under any provision of this section shall be subject to annulment in pursuance of a resolution of either House of Parliament.

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<sup>F4</sup>(9) .....

(10) In the <sup>M1</sup> House of Commons Disqualification Act 1975 and in the <sup>M2</sup> Northern Ireland Assembly Disqualification Act 1975, in Part II of Schedule 1 (bodies of which all members are disqualified), there shall be inserted at the appropriate places in alphabetical order,— . . . <sup>F5</sup>“ British Shipbuilders ”.

#### Subordinate Legislation Made

**P1** S. 1: power exercised by [S.I. 1977/626](#)

**P2** S. 1(3): Power conferred by s. 1(3) exercised by [S.I.1991/1560](#)

#### Textual Amendments

**F1** S. 1(1)(a) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)

**F2** Figure in s. 1(2)(b) substituted (31.7.1991) by [S.I. 1991/1560](#), [reg.2](#)

**F3** Words in s. 1(7) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), [Sch. 3](#)

**F4** [S. 1\(9\)](#) repealed (22.7.2004) by [Statute Law \(Repeals\) Act 2004 \(c. 14\)](#), [Sch. 1 Pt. 16](#) Group 1

**F5** Words in s. 1(10) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 10(1), [Sch. 2 para. 6](#), [Sch. 3](#)

#### Modifications etc. (not altering text)

**C2** By virtue of [S.I. 1981/1670](#), [arts. 2, 3\(5\)](#) this enactment has effect as if any reference to the Minister for the Civil Service were a reference to the Treasury.

**C3** S. 1(9) restricted by [Industry Act 1980 \(c. 33, SIF 64\)](#), [ss. 20, 22](#)

**C4** The text of s. 1(10) is in the form in which it was originally enacted: it was not reproduced in Statutes in Force and, except as specified, does not reflect any amendments or repeals made prior to 1.2.1991.

#### Marginal Citations

**M1** [1975 c. 24](#).

**M2** [1975 c. 25](#).

**2** ..... <sup>F6</sup>

#### Textual Amendments

**F6** S. 2 repealed by [British Shipbuilders Act 1983 \(c. 15, SIF 64\)](#), s. 1(2), [Sch.](#)

### **3 Powers of the Corporations.**

[<sup>F7</sup>(1) Subject to the provisions of this Act, British Shipbuilders shall have power to carry on the following activities, namely—

- (a) the design, development, production, sale, repair and maintenance of ships and slow speed diesel marine engines;
- (b) research into matters relating thereto;
- (c) any activities which were carried on, immediately before the date of transfer, by a company which, by virtue of this Act, becomes a wholly owned subsidiary of British Shipbuilders; and

*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

- (d) with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State, any other activities to which the consent or authority relates;

and British Shipbuilders may also promote the carrying on of any of those activities to such extent as it thinks fit by other persons none of whom need be a wholly owned subsidiary of British Shipbuilders.]

- (2) Subject to subsection (3) below, each Corporation shall have power—
  - (a) to acquire by agreement, and to hold, interests in other bodies corporate;
  - (b) to form or take part in forming bodies corporate;
  - (c) to enter into partnerships with other persons; and
  - (d) to exercise all rights conferred by the holding of interests in bodies corporate.
- (3) Except with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State, neither Corporation shall have power—
  - (a) to exercise any of the powers conferred by paragraphs (a) to (c) of subsection (2) above; or
  - (b) to dispose of an interest in any of its wholly owned subsidiaries, unless the disposal is to another such wholly owned subsidiary.
- (4) The powers conferred by subsection (2) above in relation to bodies corporate shall be exercisable whether or not they are or will be incorporated in the United Kingdom; and the power conferred by paragraph (c) of that subsection shall be exercisable whether or not the partnership will be governed by the law of any part of the United Kingdom.

<sup>F8</sup>(5) .....

- (6) Each Corporation shall have power—
  - (a) with the consent of the Secretary of State to enter into and carry out agreements with the Minister of Overseas Development, being agreements whereunder the Corporation acts, at the expense of that Minister, as the instrument by means of which technical assistance is furnished by that Minister in exercise of the power conferred by section 1(1) of the <sup>M3</sup>Overseas Aid Act 1966; and
  - (b) with the consent of the Secretary of State and the Minister of Overseas Development, to enter into and carry out agreements whereunder the Corporation, for any purpose specified in that section, furnishes technical assistance in a country or territory outside the United Kingdom against reimbursement to the Corporation of the cost of furnishing that assistance.
- (7) Each Corporation may, with the consent of the Secretary of State, promote Bills in Parliament, and may without any such consent oppose any Bill in Parliament; and any reference in this subsection to a Bill in Parliament includes a reference to an order under the <sup>M4</sup>Private Legislation Procedure (Scotland) Act 1936 and a proposed Measure introduced in the Northern Ireland Assembly.
- (8) Each Corporation shall have power to do anything and to enter into any transaction (whether or not involving the expenditure of money, the borrowing or lending of money, the acquisition of any property or rights or the disposal of any property or rights) which in its opinion is calculated to facilitate the exercise or performance of the functions conferred on it under or by virtue of any enactment of which in its opinion is incidental or conducive to the exercise or performance of any such function.

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- (9) For the avoidance of doubt it is hereby declared that the preceding provisions of this section relate only to the capacity of each Corporation as a statutory corporation, and nothing in those provisions shall be construed as authorising the disregard by either Corporation of any enactment or rule of law.

#### Textual Amendments

- F7** S. 3(1) substituted by [British Shipbuilders Act 1983 \(c. 15, SIF 64\), s. 1\(3\)](#)  
**F8** S. 3(5) repealed (19.11.1998) by [1998 c. 43, ss. 1\(1\), 2\(3\), Sch. 1 Pt. IV](#) Group 5.

#### Modifications etc. (not altering text)

- C5** S. 3(6): functions of the Minister of Overseas Development now exercisable by Secretary of State for the time being discharging the functions expressed to be conferred on the Minister of Overseas Development by the [Overseas Aid Act 1966 \(c. 21\): S.I. 1979/1451, art. 3\(1\), Sch. 2](#)

#### Marginal Citations

- M3** [1966 c. 21.](#)  
**M4** [1936 c. 52.](#)

## 4 Corporations to give effect to directions of Secretary of State.

- (1) Each Corporation shall give effect to any direction given to it under subsection (2) below or under any of the following provisions of this Act and shall secure, so far as appropriate, that each of its wholly owned subsidiaries also gives effect to any such direction.
- (2) The Secretary of State may give directions of a general character as to the exercise and performance by either Corporation of its functions (including the exercise of rights conferred by the holding of interests in bodies corporate, whether or not incorporated in the United Kingdom) in relation to matters which appear to the Secretary of State to affect the national interest.
- (3) Before giving any direction to either Corporation under subsection (2) above, the Secretary of State—
- shall consider all factors relating to that Corporation that appear to him to be relevant to the proposed direction, and
  - shall consult the Corporation.
- (4) Before giving any such direction to British Shipbuilders, the Secretary of State shall have full regard to the need—
- to co-ordinate the operations of British Shipbuilders with those of the British shipping industry;
  - to take account of any shipbuilding policy for the time being adopted by any international organisation of which the United Kingdom is a member;
  - to ensure that British Shipbuilders is able to compete in world markets on equal terms with its competitors in other countries; and
  - to take account of any special considerations relating to parts of the United Kingdom and in particular, but without prejudice to the generality of those considerations, relating to employment.

*Status: Point in time view as at 03/04/2006.*

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- (5) When the Secretary of State gives a direction under subsection (2) above, he shall lay a copy of it before each House of Parliament within 28 days of giving it, unless he has notified the Corporation to which it is given that he is of opinion that it is against the national interest to lay it or that he accepts the Corporation's contention that it is against the Corporation's commercial interests to lay it.

**[<sup>F9</sup>4A Organisation of British Shipbuilders' activities.**

- (1) It shall be the duty of British Shipbuilders so to exercise its powers as to secure that the carrying on of the activities that have fallen to be carried on under its ultimate control is organised, so far as regards the direction thereof, in the most efficient manner.
- (2) British Shipbuilders shall not make, or permit to be made, any substantial change in the manner in which the carrying on of the activities that have fallen to be carried on under its ultimate control is organised, so far as regards the direction thereof, except with the consent of the Secretary of State.]

**Textual Amendments**

**F9** Ss. 4A, 4B inserted by [British Shipbuilders Act 1983 \(c. 15, SIF 64\)](#), s. 2(1)

**[<sup>F10</sup>4B Discontinuance and restriction of British Shipbuilders activities.**

- (1) Without prejudice to section 4(2) above but subject as provided in subsection (2) below, 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.
- (2) The Secretary of State shall not give any direction under subsection (1) above unless he is satisfied that the giving of it will further the national interest.
- (3) Subject to subsection (4) below, any direction under subsection (1) above to dispose or secure the disposal of property, rights or liabilities may in particular include a direction—
- (a) to form a company for the purpose of acquiring the property or rights and assuming the liabilities to be transferred in pursuance of the direction;
  - (b) prohibiting, except with the consent of the Secretary of State, the disposal to, or acquisition from any person by, any company which will acquire property or rights in pursuance of the direction of assets used or capable of use in the carrying on of activities of a description, or of activities other than activities of a description, specified in the direction.
- (4) The powers to direct the formation of a company and to restrict the disposal or acquisition of assets are exercisable subject to the following further limitations, that is to say—
- (a) no company shall be directed to be formed otherwise than as a wholly owned subsidiary of British Shipbuilders; and

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- (b) no such restriction shall be imposed except on a company which is, or when formed will be, a wholly owned subsidiary of British Shipbuilders or be binding after it ceases to be such a subsidiary.
- (5) So long as the restriction on the disposal or acquisition of assets is binding on British Shipbuilders or any of its wholly owned subsidiaries the provisions of this Act relating to the capacity of British Shipbuilders or of the subsidiary shall have effect subject to the restriction.
- (6) Where the Secretary of State gives a direction under subsection (1) above requiring the disposal to an outside person of an interest in a company which is a wholly owned subsidiary of British Shipbuilders, or gives his consent to such a disposal under section 3(3) above or section 9(3) below, then, without prejudice to section 4(2) above, he may, after consultation with British Shipbuilders, by order give to it directions to secure—
  - (a) that the articles of association of the company are altered in the manner specified in the directions;
  - (b) that the share capital of the company is increased by the sum and in the manner so specified and that any share or shares representing the whole or any part of that sum are issued to the Secretary of State or to a nominee of his; and
  - (c) that an employees' share scheme is established in respect of the company in such terms and making such provision as is so specified.
- (7) Any power to make orders conferred by this section shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.
- (8) In this section—
  - “ employees' share scheme ” means a scheme for encouraging or facilitating the holding of shares or debentures in a company by or for the benefit of—
    - (a) the bona fide employees or former employees of the company or of a subsidiary of the company; or
    - (b) the wives, husbands, widows, widowers or children or stepchildren under the age of 18 of such employees or former employees;
  - “ the group ” means British Shipbuilders and all its wholly owned subsidiaries taken together;
  - “ outside person ” means a person who is not a member of the group. ]

**Textual Amendments**

**F10** Ss. 4A, 4B inserted by [British Shipbuilders Act 1983 \(c. 15, SIF 64\)](#), s. 2(1)

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..... F11

**Textual Amendments**

**F11** S. 5 repealed by [British Shipbuilders Act 1983 \(c. 15, SIF 64\)](#), s. 3(3), **Sch.**

*Status: Point in time view as at 03/04/2006.*

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## 6 Machinery for settling terms and conditions of employment etc.

- (1) Except in so far as it is satisfied that adequate machinery exists for achieving the purposes of this section, it shall be the duty of each Corporation to consult any relevant trade union with a view to the conclusion between the Corporation and any such trade union of such agreements as appear to the parties to be desirable with respect to the establishment and maintenance of machinery for the purposes specified in subsection (2) below.
- (2) The purposes referred to in subsection (1) above are—
  - (a) the settlement by negotiation of terms and conditions of employment of persons employed by the Corporation and its wholly owned subsidiaries.
  - (b) the resolution of trade disputes, [<sup>F12</sup>within the meaning of Part IV of the Trade Union and Labour Relations (Consolidation) Act 1992],
  - (c) the promotion and encouragement of measures affecting efficiency, in any respect, in the carrying on of their activities by the Corporation and its wholly owned subsidiaries, and
  - (d) the discussion of other matters of mutual interest to the parties to the agreements.
- (3) Nothing in this section shall be construed as prohibiting either Corporation or any wholly owned subsidiary of either Corporation from taking part together with other employers or organisations of employers in the establishment and maintenance of machinery for any of the purposes set out in subsection (2) above.

### Textual Amendments

**F12** Words in s. 6(2)(b) substituted (16.10.1992) by [Trade Union and Labour Relations \(Consolidation\) Act 1992 \(c. 52\)](#), ss. 300(2), 302, [Sch. 2 para. 8\(2\)](#).

## 7 Formulation of the Corporations' policies and plans and conduct of their operations.

- (1) It shall be the duty of each Corporation, after consulting any relevant trade union, to formulate in each year other than that in which it is constituted a corporate plan relating to the conduct, during such period beginning in that year as the Corporation considers appropriate, of the operations of the Corporation and its wholly owned subsidiaries and dealing, subject to subsection (2) below, with the following matters, namely,—
  - (a) capital investment,
  - (b) research and development,
  - (c) employment of persons,
  - (d) forecasts of income and expenditure on profit and loss account and of payments and receipts of the Corporation and its wholly owned subsidiaries,
  - (e) such other matters as the Corporation considers appropriate, and
  - (f) such other matters as the Secretary of State may for the purposes of this subsection specify in writing to the Corporation,

and, in formulating its corporate plan in each year and in determining the period to which the plan is to relate, and in the general conduct of the operations of the Corporation and its wholly owned subsidiaries in each year, the Corporation shall act on lines settled from time to time with the approval of the Secretary of State.



*Status: Point in time view as at 03/04/2006.*

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(2) If the Secretary of State gives a direction to either Corporation to that effect, the plan formulated by the Corporation in any year under subsection (1) above need not deal with such of the matters falling within paragraphs (a) to (d) of that subsection as may be specified in the direction.

(3) ..... F13

(4) In this section  
..... F14

“year” means the period of 12 months beginning on 1st January.

#### Textual Amendments

**F13** S. 7(3) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)

**F14** Definition repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)

### 8 Furnishing and publication of information by the Corporations.

(1) In such manner and at such times as the Secretary of State may specify in relation to it, each Corporation shall furnish the Secretary of State with such information—

(a) as he may specify in writing to it, and

(b) as the Corporation has or can reasonably be expected to obtain,

with respect to such matters relating to the Corporation or its wholly owned subsidiaries or the activities (past, present or future), plans or property of any of them as the Secretary of State may so specify.

(2) The Secretary of State may, by directions given to either Corporation, require it to publish, in such manner as may be specified in the directions, such information as may be so specified relating to—

(a) the operations of the Corporation and its wholly owned subsidiaries; and

(b) its policy and plans for the general conduct of its undertaking and the businesses of all or any of its wholly owned subsidiaries.

(3) Before giving any directions under subsection (2) above the Secretary of State shall consult the Corporation to which they are to be given.

### 9 Control by Corporations of wholly owned subsidiaries.

(1) Each Corporation shall secure that, notwithstanding anything in the memorandum or articles of association of any of its wholly owned subsidiaries, none of those subsidiaries—

(a) shall carry on any activity which the Corporation itself has no power to carry on or has power to carry on only with the consent of the Secretary of State, or

(b) shall acquire any interest in a body corporate or form or take part in forming a body corporate, or

(c) shall enter into a partnership with any other person,

except with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State.

*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

- (2) Paragraph (b) of subsection (1) above shall apply whether or not the body corporate is or will be incorporated in the United Kingdom, and paragraph (c) shall apply whether or not the partnership will be governed by the law of any part of the United Kingdom.
- (3) Each Corporation shall secure that, except with the consent of, or in accordance with the terms of any general authority given by, the Secretary of State, none of its wholly owned subsidiaries shall dispose of an interest in any other of its wholly owned subsidiaries, unless the disposal is to the Corporation itself or to another of its wholly owned subsidiaries.

### *Financial provisions*

## **10 Financial duties of the Corporations.**

- (1) The financial duties of each Corporation shall be such as may from time to time be determined by the Secretary of State with the approval of the Treasury and after consultation with the Corporation concerned.
- <sup>F15</sup>(2) . . . . .
- (3) As soon as possible after the making of a determination under subsection (1) above the Secretary of State shall give notice thereof to the Corporation concerned.
- (4) Each Corporation's report for any accounting year shall set out any determination made in relation to it under subsection (1) above, other than a determination which was wholly superseded before the beginning of the accounting year to which the report relates.
- (5) The Secretary of State shall not make, and the Treasury shall not approve, a determination under subsection (1) above, unless satisfied that the duties to be imposed on the Corporation concerned by the determination are likely, taken together, to result in an adequate return on the capital employed by the Corporation and its subsidiaries.
- (6) A determination under subsection (1) above—
  - (a) may relate to a period beginning before the date on which it is made; and
  - (b) may contain incidental or supplemental provisions.
- (7) As soon as possible after the making of any determination under subsection (1) above the Secretary of State shall lay a copy of the determination before each House of Parliament.

#### **Textual Amendments**

**F15** S. 10(2) repealed (22.7.2004) by Statute Law (Repeals) Act 2004 (c. 14), Sch. 1 Pt. 16 Group 1

## **11 Borrowing powers of the Corporations and their wholly owned subsidiaries.**

- (1) Subject to subsections . . . <sup>F16</sup>(7) below, each Corporation may borrow money in accordance with the provisions of subsections (2), (3) and (4) below.
- (2) Each Corporation may borrow temporarily, by way of overdraft or otherwise,—
  - (a) in sterling from the Secretary of State, or

*Status: Point in time view as at 03/04/2006.*

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- (b) with the consent of the Secretary of State and the approval of the Treasury or in accordance with any general authority given by the Secretary of State with the approval of the Treasury, in sterling or a currency other than sterling from a person other than the Secretary of State,  
such sums as may be required for meeting the obligations and discharging the functions of the Corporation or any of its wholly owned subsidiaries.
- (3) Each Corporation may borrow, otherwise than by way of temporary loan,—
- (a) in sterling from the Secretary of State, or
- (b) with the consent of the Secretary of State and the approval of the Treasury, in sterling from the Commission of the European Communities or the European Investment Bank or in any currency other than sterling from a person other than the Secretary of State,  
such sums as may be required by the Corporation or any of its wholly owned subsidiaries for capital purposes or for fulfilling any guarantee entered into by it.
- (4) Each Corporation may borrow from any of its wholly owned subsidiaries, without any consent, approval or other authority.
- (5) It shall be the duty of each Corporation to secure that none of its wholly owned subsidiaries borrows otherwise than from the Corporation or from another of its wholly owned subsidiaries except with the consent of the Secretary of State and the approval of the Treasury.
- (6) .....<sup>F17</sup>
- (7) The aggregate of—
- (a) the amounts for the time being outstanding, otherwise than by way of interest, in respect of money borrowed by British Shipbuilders and each of its wholly owned subsidiaries, other than money borrowed on excluded loans, and
- (b) the public dividend capital received by British Shipbuilders,  
shall not exceed [<sup>F18</sup> [<sup>F19</sup>£1,550 million]; but the Secretary of State may, with the consent of the Treasury, by order made by statutory instrument increase or further increase that limit by any sum, not exceeding [<sup>F20</sup>£150 million], specified in the order, but not so as to make the limit exceed [<sup>F21</sup>£1,800 million].]
- (8) No part of the commencing capital of the Corporations specified under section 15(1) below shall be taken into account under subsection . . .<sup>F22</sup> (7) above.
- (9) A loan is an excluded loan for the purposes of subsections . . .<sup>F23</sup> (7) above if—
- (a) it consists of money borrowed—
- (i) by a Corporation from one of its wholly owned subsidiaries, or
- (ii) by one of a Corporation's wholly owned subsidiaries from another such subsidiary or from the Corporation; or
- (b) it is a loan under—
- (i) .....<sup>F23</sup>
- (ii) .....<sup>F23</sup>
- (iii) section 7 or section 8 of the <sup>M5</sup>Industry Act 1972 (assistance for industry), or
- (iv) .....<sup>F23</sup>
- (c) it is a loan guaranteed under section 10 of the <sup>M6</sup>Industry Act 1972 (construction credits for ships); or

*Status: Point in time view as at 03/04/2006.*

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- (d) the purpose of the loan is to pay off the whole or any part of the commencing debt (within the meaning of section 15 below) of either Corporation; or
  - (e) the purpose of the loan is to pay off a previous loan which was itself an excluded loan by virtue of paragraph (d) above or this paragraph.
- (10) The power to make an order under . . . <sup>F24</sup> subsection (7) above includes power to vary or revoke any order previously made in the exercise of that power; and no such order shall be made unless a draft of it has been laid before and approved by the Commons House of Parliament.

#### Textual Amendments

- F16** Words repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)
- F17** S. 11(6) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)
- F18** Words substituted by virtue of [British Shipbuilders \(Borrowing Powers\) Act 1983 \(c. 58, SIF 64\)](#), s. [1\(1\)](#)
- F19** Words substituted by virtue of [British Shipbuilders \(Borrowing Powers\) Act 1987 \(c. 52, SIF 64\)](#), s. [1\(1\)\(a\)](#)
- F20** Words substituted by virtue of [British Shipbuilders \(Borrowing Powers\) Act 1987 \(c. 52, SIF 64\)](#), s. [1\(1\)\(b\)](#)
- F21** Words substituted by virtue of [British Shipbuilders \(Borrowing Powers\) Act 1987 \(c. 52, SIF 64\)](#), s. [1\(1\)\(c\)](#)
- F22** Words repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), [Sch. 3](#)
- F23** S. 11(9): words and (b)(i)(ii) and (iv) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)
- F24** Words repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)

#### Marginal Citations

- M5** [1972 c. 63](#).
- M6** [1972 c. 63](#).

## 12 Loans by the Secretary of State to the Corporations.

- (1) Without prejudice to his powers under any other enactment, the Secretary of State may, with the approval of the Treasury, lend to either Corporation any sums which it has power to borrow from him under section 11 above and the Treasury may issue to the Secretary of State out of the National Loans Fund any sums necessary to enable the Secretary of State to make loans in pursuance of this subsection.
- (2) Any loans made in pursuance of subsection (1) above shall be repaid to the Secretary of State at such times and by such methods, and interest on the loans shall be paid to him at such times and at such rates, as he may, with the approval of the Treasury, from time to time direct.
- (3) All sums received by the Secretary of State in pursuance of subsection (2) above shall be paid into the National Loans Fund.
- (4) The Secretary of State shall prepare in respect of each financial year <sup>F25</sup>... accounts (<sup>F25</sup>...relating to British Shipbuilders) of—
  - (a) the sums issued to him in pursuance of subsection (1) above and the sums received by him in pursuance of subsection (2) above and of the disposal by him of those sums; and

*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

- (b) the public dividend capital received and the public dividend paid by the Corporation.
- (5) The Secretary of State shall send each of the accounts referred to in subsection (4) above to the Comptroller and Auditor General before the end of the month of November next following the end of the financial year to which it relates; and the Comptroller and Auditor General shall examine, certify and report on each of the accounts and lay copies of each and of his report thereon before each House of Parliament.
- (6) The form of the accounts prepared in pursuance of subsection (4) above and the manner of preparing them shall be such as the Treasury may direct.

#### Textual Amendments

**F25** Words in s. 12(4) repealed (22.7.2004) by [Statute Law \(Repeals\) Act 2004 \(c. 14\)](#), [Sch. 1 Pt. 16](#) Group 1

#### Modifications etc. (not altering text)

**C6** S. 12(2)–(6) modified by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 10(1), [Sch. 2 para. 1](#)

### 13 Treasury guarantees.

- (1) The Treasury may guarantee, in such manner and on such conditions as they think fit, the repayment of the principal of [<sup>F26</sup>the payment of interest on and the discharge of any other financial obligation in connection with] any sums which either Corporation borrows from a person other than the Secretary of State.
- (2) Immediately after a guarantee is given under this section, the Treasury shall lay a statement of the guarantee before each House of Parliament; and where any sum is issued for fulfilling the guarantee so given the Treasury shall, as soon as possible after the end of each financial year (beginning with that in which the sum is issued and ending with that in which all liability in respect of the principal of the sum and in respect of interest thereon is finally discharged), lay before each House of Parliament a statement relating to that sum.
- (3) Any sums required by the Treasury for fulfilling a guarantee under this section shall be charged on and issued out of the Consolidated Fund.
- (4) If any sums are issued in fulfilment of a guarantee given under this section, the Corporation . . . <sup>F27</sup> shall make to the Treasury, at such times and in such manner as the Treasury may from time to time direct, payments of such amounts as the Treasury so direct in or towards repayment of the sums so issued and payments of interest, at such rate as the Treasury so direct, on what is outstanding for the time being in respect of sums so issued.
- (5) Any sums received by the Treasury in pursuance of subsection (4) above shall be paid into the Consolidated Fund.

#### Textual Amendments

**F26** Words substituted by [Miscellaneous Financial Provisions Act 1983 \(c. 29, SIF 99:1\)](#), s. 4(1), [Sch. 2](#)

**F27** Words repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 2](#), [Sch. 3](#)

*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

## 14 Transfer to Corporations of rights and obligations with respect to certain government loans.

- (1) ..... <sup>F28</sup>
- (2) On the shipbuilding industry vesting date any rights or obligations of the Secretary of State in existence on that date with respect to any loan which—
- falls within subsection (3) below, and
  - was made to a company which comes into public ownership as, or as the wholly owned subsidiary of, a company the securities of which vest in British Shipbuilders,
- shall, by virtue of this section, become rights or obligations of British Shipbuilders.
- (3) The loans referred to in subsections (1) and (2) above are—
- ..... <sup>F28</sup>
  - loans under section 5 of the <sup>M7</sup>Science and Technology Act 1965 (support of scientific research, etc.);
  - loans under section 4 of the <sup>M8</sup>Shipbuilding Industry Act 1967 (loans by the Shipbuilding Industry Board, the rights and obligations under which vested in the Secretary of State under section 9(3) of that Act);
  - ..... <sup>F28</sup>
  - loans under Part II of the <sup>M9</sup>Industry Act 1972 (financial assistance for industry); and
  - a loan of £4½ million made in 1971 to Yarrow (Shipbuilders) Limited and in respect of which a supplementary sum was included in Vote 7 in Part 15 of Schedule (B) to the <sup>M10</sup>Appropriation Act 1971.

### Textual Amendments

**F28** S. 14(1)(3)(a)(d) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)

### Marginal Citations

**M7** 1965 c. 4.

**M8** 1967 c. 40.

**M9** 1972 c. 63.

**M10** 1971 c. 67.

## 15 The commencing capital of each Corporation.

- (1) As soon as possible after the passing of this Act, the Secretary of State shall by notice in writing given to each Corporation—
- specify as the commencing capital of the Corporation such amount as he may with the approval of the Treasury determine, and
  - specify the amount of that commencing capital which, with the approval of the Treasury, he determines is to be treated for the purposes of this Act as public dividend capital received by the Corporation,
- and so much of the commencing capital of a Corporation as is not specified as mentioned in paragraph (b) above is in this section referred to as “the commencing debt” of the Corporation.
- (2) The commencing capital of a Corporation shall not exceed the aggregate of—

*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

- (a) the amount determined by the Secretary of State, with the approval of the Treasury, to be necessary to recoup the Crown expenses and liabilities incurred by reason of the provisions of section 35 below and paragraph 3 of Schedule 4 to this Act; and
  - (b) the amount determined by the Secretary of State with the approval of the Treasury as being the amount that would have been necessary to recoup the Crown expenses and liabilities which would have been so incurred in relation to such of the securities vested in the Corporation by virtue of Part II of this Act as—
    - (i) were held by or on behalf of the Crown immediately before they were so vested, and
    - (ii) do not relate to any loan to which . . . <sup>F29</sup> subsection (2) of section 14 above applies, if those securities had not been held as mentioned in sub-paragraph (i) above; and
  - (c) . . . . . <sup>F30</sup>
  - (d) in the case of British Shipbuilders, the aggregate of the principal outstanding on the shipbuilding industry vesting date in respect of the loans to which section 14(2) above applies.
- (3) On the relevant vesting date each Corporation shall assume a liability to the Secretary of State in respect of the commencing capital of the Corporation.
- (4) The rate of interest payable on so much of the principal of the commencing debt of a Corporation as is for the time being outstanding, the date from which interest is to begin to accrue, the arrangements for paying off the principal of the debt, and the other terms of the debt shall be such as the Secretary of State may, with the approval of the Treasury, from time to time determine; and different rates and dates may be determined under this subsection with respect to different portions of the commencing debts.
- (5) Any sums received by the Secretary of State by way of interest on or repayment of the commencing debt of a Corporation shall be paid into the National Loans Fund.

**Textual Amendments**

**F29** Words repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)

**F30** S. 15(2)(c) repealed by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 15(2), [Sch. 3](#)

**Modifications etc. (not altering text)**

**C7** S. 15(4) modified by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 10(1), [Sch. 2 para. 2\(2\)](#)

**16 Public dividend capital and public dividends.**

- (1) Subject to section 11 above, the Secretary of State may with the approval of the Treasury pay to either Corporation such sums (in this Act referred to as “public dividend capital”) as he thinks fit.
- (2) In consideration of receiving public dividend capital, each Corporation shall make payments to the Secretary of State (in this Act referred to as “public dividends”) in accordance with subsection (4) or subsection (5) below.

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*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

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- (3) Each Corporation shall, in respect of each of its accounting years, decide whether or not to propose to the Secretary of State to pay any public dividend and, if it decides to make such a proposal, the amount it proposes to pay.
- (4) If either Corporation makes a proposal under subsection (3) above in respect of an accounting year of the Corporation and the proposal is agreed by the Secretary of State with the consent of the Treasury, the Corporation shall in respect of that accounting year pay a public dividend of the amount so proposed.
- (5) If, in respect of any of its accounting years,—
  - (a) a corporation makes no proposal under subsection (3) above, or
  - (b) a proposal by a Corporation under that subsection is not agreed as mentioned in subsection (4) above,
 the Corporation shall, in respect of that accounting year, pay a public dividend of such amount, if any, as the Secretary of State may determine with the consent of the Treasury and after consultation with the Corporation.
- (6) Any sums required by the Secretary of State for making payments of public dividend capital shall be defrayed out of moneys provided by Parliament, and any public dividends received by him shall be paid into the Consolidated Fund.

## 17 Accounts and audit.

- (1) Subject to the following provisions of this section, it shall be the duty of each Corporation—
  - (a) to keep proper accounts and proper records in relation thereto,
  - (b) to prepare in respect of each accounting year of the Corporation a statement of accounts giving a true and fair view of the state of affairs and profit or loss of the Corporation, and
  - (c) to prepare in respect of each accounting year of the Corporation such a statement or statements of consolidated accounts dealing with, and giving a true and fair view of the state of affairs and profit or loss of,—
    - (i) the Corporation and all of its [<sup>F31</sup>subsidiary undertakings] (in this section referred to as “the group”), or
    - (ii) some but not all the members of the group,
 as the Corporation may determine and the Secretary of State and the Treasury may for the time being approve.
- (2) If the Secretary of State with the consent of the Treasury so requires a Corporation by notice in writing, the Corporation shall, in respect of any accounting year of the Corporation to which the notice relates, comply with its obligation under subsection (1)(c) above, so far as it relates to those members of the group which are specified in the notice, by preparing a statement of consolidated accounts dealing with the members of the group specified in the notice and giving a true and fair view of their state of affairs and profit or loss.
- (3) Every statement of accounts prepared by a Corporation in accordance with this section shall comply with any requirement which the Secretary of State has, with the consent of the Treasury, notified in writing to the Corporation relating to—
  - (a) the information to be contained in the statement;
  - (b) the manner in which that information is to be presented; and



*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

- (c) the methods and principles according to which the statement is to be prepared.
- (4) Subject to any requirement notified to the Corporation under subsection (3) above, in preparing any statement of accounts in accordance with this section, each Corporation shall follow, with respect to each of the matters specified in paragraphs (a) to (c) of that subsection, such course as may for the time being be approved by the Secretary of State with the consent of the Treasury.
- (5) The first accounting year of each Corporation shall end on such date as the Secretary of State may direct in relation to that Corporation and, subject to subsection (6) below, each subsequent accounting year of each Corporation shall be the period of 12 months beginning immediately after the end of the previous accounting period.
- (6) If the Secretary of State so directs in relation to an accounting year of either Corporation, that accounting year shall end on such date as may be specified in the direction (whether before or after the date on which it would otherwise expire).
- (7) The accounts kept, and all statements prepared, by a Corporation under this section shall be audited by auditors appointed for each accounting year of the Corporation by the Secretary of State.
- <sup>F32</sup>[(8) A person shall not be appointed under subsection (7) above unless he is eligible for appointment as a company auditor under section 25 of the Companies Act 1989.]
- (9) As soon as the accounts kept, and the statements prepared, by a Corporation under this section have been audited, the Corporation shall send to the Secretary of State—
- (a) a copy of the statements, and
- (b) copies of the statements of accounts for such of its [<sup>F33</sup>subsidiary undertakings] as the Corporation may, with the approval of the Secretary of State and the consent of the Treasury, determine, and
- (c) if the Secretary of State with the consent of the Treasury so requires by notice in writing, copies of the statements of accounts for each [<sup>F33</sup>subsidiary undertaking] of the Corporation which is specified in the notice,
- together with a copy of any report made by the auditors on the statements or on the accounts of the Corporation; and the Secretary of State shall lay a copy of every statement and report of which a copy is received by him in pursuance of this subsection before each House of Parliament.
- <sup>F34</sup>[(10) In this section “subsidiary undertaking” has the same meaning as in Part VII of the Companies Act 1985.]

#### Textual Amendments

- F31** Words substituted by [Companies Act 1989 \(c. 40, SIF 27\)](#), s. 23, [Sch. 10 para. 28\(2\)](#) (subject to the transitional and saving provisions in [S.I. 1990/355, art. 8](#), [Sch. 3 para. 1](#) and [S.I. 1990/1392, arts. 2\(d\), 6](#))
- F32** S. 17(8) substituted (1.10.1991) by [S.I. 1991/1997, reg 2](#), [Sch. para.29](#) (with [reg. 4](#))
- F33** Words substituted by [Companies Act 1989 \(c. 40, SIF 27\)](#), s. 23, [Sch. 10 para. 28\(3\)](#) (subject to the transitional and saving provisions in [S.I. 1990/355, art. 8](#), [Sch. 3 para. 1](#) and [S.I. 1990/1392, art. 6](#))
- F34** S. 17(10) added by [Companies Act 1989 \(c. 40, SIF 27\)](#), s. 23, [Sch. 10 para. 28\(4\)](#) (subject to the transitional and saving provisions in [S.I. 1990/355, art. 8](#), [Sch. 3 para. 1](#) and [S.I. 1990/1392, art. 6](#))

*Status: Point in time view as at 03/04/2006.*

*Changes to legislation: There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I. (See end of Document for details)*

## 18 Annual report.

- (1) It shall be the duty of each Corporation to make to the Secretary of State, as soon as possible after the end of each of its accounting years, a report on the operations of the Corporation and its wholly owned subsidiaries during that year.
- (2) The report of a Corporation under subsection (1) above for any accounting year shall set out any direction under this Act given to it during that year by the Secretary of State unless the Secretary of State has given a notice concerning it under section 4(5) above and has not revoked it.
- (3) The Secretary of State may at any time revoke a notice under section 4(5) above by notice given to the Corporation concerned.
- [<sup>F35</sup>(3A) The report for any accounting year shall also set out any consent given by the Secretary of State to British Shipbuilders during that year under subsection (2) of section 4A above and shall include a general account of the changes in organisation made during that year by virtue of any consent of his given in that or in any earlier accounting year under that subsection.]
- (4) ..... <sup>F36</sup>
- <sup>F37</sup>(5) .....
- (6) The Secretary of State shall lay before each House of Parliament a copy of every report made to him under subsection (1) above.

### Textual Amendments

**F35** S. 18(3A) inserted by [British Shipbuilders Act 1983 \(c. 15, SIF 64\)](#), s. 2(3)

**F36** S. 18(4) repealed by [British Aerospace Act 1983 \(c. 15, SIF 64\)](#), s. 3(3), [Sch.](#)

**F37** [S. 18\(5\)](#) repealed (22.7.2004) by [Statute Law \(Repeals\) Act 2004 \(c. 14\)](#), [Sch. 1 Pt. 16](#) Group 1

### Modifications etc. (not altering text)

**C8** S. 18(5) excluded by [British Aerospace Act 1980 \(c. 26, SIF 64\)](#), s. 10(6)(b)

**C9** S. 18(5) restricted by [Industry Act 1980 \(c. 33, SIF 64\)](#), s. 20

**Status:**

Point in time view as at 03/04/2006.

**Changes to legislation:**

There are currently no known outstanding effects for the Aircraft and Shipbuilding Industries Act 1977 (repealed), PART I.