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6th May, 1980.

The Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister,  
No. 10 Downing Street,  
London SW1.

R7

Dear Prime Minister,

It was a great pleasure to have a brief chat at the Churchill ceremony. You asked what our continuing family business was doing that competitors were not. We are rapidly developing new technologies and markets, some unique, creating new jobs and skills. Our remaining shipyard is unusual in making profits from merchant shipbuilding, despite the unbelievable frustrations of fishery policy. I have enclosed a note.

Relations with some Ministers are frosty. As foreigners have noted, British Governments lack understanding of how industry works. Permanent officials' recruitment and training, more so than politicians' is the reason. In a recent example, the new Government inherited a hiatus in fishing vessel construction policy; it has taken a year to get Ministerial decisions; an efficient capital goods sector which we need for the future has been unreasonably disrupted. We deal with our sponsoring Ministry, D. of I., M.A.F.F., S.O.; Treasury confirm that cuts are not the cause of delays. Industry finds interdepartmental policy hang ups exasperating. If M.A.F.F.'s narrow short term interests are at variance with our sponsoring Ministry's, that should be resolved without our agency.

+ / The D. of I. apparently lacks the will to offer a reasonable settlement for the assets nationalised three years ago on the basis of values of six years ago (since when money has depreciated 60%.) This concerns not public expenditure, but private venture capital, in our case, formed by Clydeside industry. The Department does not work within the timetables for arbitration laid down by the Act. Contemporaries, especially in Socialist countries, are amazed at British indifference to natural justice and the importance of releasing wealth creating potential.

I have no connection with Scott Lithgow now. Shipbuilding has turned out very much as predicted when last I reported to you in person. I saw Adam Butler as requested. Action may have been taken in time to prevent a U.C.S. replay on a national scale by giving back some authority to local management and curbing the excesses of centralists. It is never too late to rebuild, hopefully on advanced technology base.

Income Tax changes have been helpful to industrial companies, the abolition of exchange control and bureacracy, stimulating. Undamped, often/

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often artificial forces in the market mechanism, particularly with Sterling, have damaged prospects. There is still too much bumbledom - for every bureaucrat hour mounted against industry, we have to find another hour to respond. Further elimination of unnecessary functions and, so, staff, especially in Local Government, will work wonders. I am concerned at Government shortcircuiting effective Quangos, viz. the W.F.A., in preference for a civil service department clearly anxious to perpetuate its importance, despite lack of specialised knowledge. One hopes the Permanent Secretaries will stand up, count and be counted, for given the necessity, one soon finds who one can do without.

Many of my contemporaries in industry and commerce are still too apologetic about the importance of efficient wealth creation, but the message is getting through to ordinary people. We wish you well, not least in the pursuit of justice within the E.E.C. With the Community budget burdened with agricultural surplusses, why are Europeans almost alone in not turning to energy and feedstock crops? We seem unable to see the trees for the wood.

With all good wishes,

Yours sincerely  
Bill Hargreaves

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NOTE:

Lithgows Holdings. The Group is essentially one of small specialised companies with substantial management autonomy operating within an overall framework which provides backup as required. It has a market and technical logic based on innovation. Principally engineering and marine, it also embraces primary production and a small hotel and leisure division. It includes:

1. Campbeltown Shipyard (100% owned) - Britain's only specialised builder in steel inshore fishing vessels and market leader (generally 80ft. class costing c. £750,000).
    - (a) Currently profitable at 8% of turnover.
    - (b) World leader in seiner/pocket trawler/long line design - Canadian Government and Australian builder licensed, vessels exported to Faroes, Eire etc.
  
  2. Perenco (Engineers - 100%).  
Perth, (non union, attracting refugees from harassment elsewhere).
    - (a) Makes specialized components for electronics industry, otherwise brought from England or abroad.
    - (b) Has developed unique hydraulic actuator for robotic applications, particularly sub-sea.
  
  3. Prosper (S.D.A. interest presently being acquired will result in Group status with management minority shareholders - previously rescued from involuntary takeover by French).
    - (a) European leaders in thread rolling with design and manufacture of dies, tools and finished product under one roof.
    - (b) Sole European manufacturers of brake adjusting screws for suppliers to the motor truck industry.
    - (c) Rapid manufacturing methods eliminate the need for oil and chemical industry to hold stocks of studbolts, (local finishing and distribution being established overseas - viz. Lithgows Pty. of Western Australia already successfully competing with East European and Japanese suppliers).
    - (d) Specialized products being supplied to European and U.K. manufacturers of heat exchangers, screwjacks etc.
    - (e) Machine developed to recognize correct orientation of components and fit them, viz. assembling nuts on studs the right way round.
- Prosper, operating primarily from a former chicken hatchery in Ayrshire, was founded by an American large corporation executive, supported by a Cambridge mathematician and a Scottish production engineer.
4. Sullom Voe Engineering, (40%) - part of the Shetland based partnership with the private Wood Group of Aberdeen, has secured the contract to service the requirements of the twenty four oil companies at Sullom Voe in the face of international competition.
  
  5. Underpressure Engineering, Mansfield (50%) - taken from receivership to a flourishing business supplies the water and gas industry with/

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with specialized fittings, uniquely one which allows a new branch to be teed into a live main without the interruption of supply - export markets now being broken into.

6. Western Ferries - although, in the face of unfair competition from the heavily subsidised S.T.G., forced to retrench the service which carried variously, the total, and then two-thirds of the traffic to Islay, now carries two-thirds of the traffic on the lower Clyde crossing, making money against very heavy S.T.G. losses. Successfully pioneered passenger services with Norwegian highspeed allweather craft.
7. New Project - Consortium - now about to become operational in salvaging copper, gutta percha, and steel from redundant sub-sea telephone cables by unique techniques.
8. Inver Salmon, (100%) - building a complete integrated salmon farm onshore in Argyll, using hydro energy of fresh water supply to juvenile unit to circulate seawater to fattening unit. The bulk of the scheduled output of 100,000 large fish per annum will be exported. Proven technology is being combined on a single site. Nothing directly comparable exists elsewhere in the World.

Consolidated outputs for 1979 were £10M.; which in real terms has more than doubled in two years. Numbers employed have not quite doubled to around a thousand. Most growth has been generated internally. Protracted delays in the settlement of debts by Government under the A. & S.I. Act which discriminates heavily against private business, are preventing further development and diverting top executive effort.

Amounts paid to Lithgows to date:

1. Loan to Scott Lithgow - overdue interest paid after raising Court action, (£800,000 principal outstanding).
2. Equity - Scott Lithgow Drydocks - £225,000 (50% of £450,000), (stockholders' representative's valuation, £8.5M.).
3. Scott Lithgow Limited - 40% of £300,000 = £120,000.

Total Compensation Stock received to date, £345,000 (nothing since May, 1979).

