



CONFIDENTIAL

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2pm

THE MINISTER OF STATE

Norman Lamont Esq MP
Minister of State for Industry
Department of Trade and Industry
1 Victoria Street
London SW1

3 November 1983

Dear Norman,

BRITOil CONTRACT AT SCOTT LITHGOW

Thank you for sending me a copy of your letter of 28 October to Peter Rees. Peter Walker explained the importance of the Britoil rig in his letter of 27 September and the need to try and save the order.

If Britoil are prepared to negotiate with BS then I, like George Younger believe it would be a mistake not to steer BS into this course of action. My measures for coming to this conclusion are as follows.

Firstly, the damage to the British offshore supplies industry caused by a major contractor renegeing on a contract would be devastating - more particularly at this time when Peter is in the middle of a major export drive to China in support of the UK offshore industry. Failures like this are impossible to explain away to overseas buyers and reflect badly on all.

Secondly, Britoil require a heavy duty rig for their long term exploration needs. If they do not complete the one at Scott Lithgow then there is a very strong possibility that they would build one in a Korean shipyard. The industrial and political impacts of such an outcome of the affair do not need elaboration.

The recently concluded discussion between BS management and their unions agreed to improve working practices. Could not BS be prevailed upon to bring these agreements into operation on the Britoil contract and reduce the delivery period?

Whilst I appreciate that the final decision must rest with you based on all the facts at your disposal I believe that re-negotiation of the contract would cause the least damage to all concerned.

I am copying this letter to the Prime Minister, Peter Rees, Michael Heseltine, George Younger and Sir Robert Armstrong.

Your ever,
Alick

ALICK BUCHANAN-SMITH

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Norman Lamont Esq MP
Minister of State for Industry
Department of Trade & Industry
1 Victoria Street
LONDON
SW1

24 November 1983

Dear Norman,

BRITOLIL CONTRACT AT SCOTT LITHGOW

I have seen a copy of Peter Rees' letter of 7 November about this contract. My main pre-occupations continue to be the adverse effect on the international image of the UK offshore supplier industry and the loss to UK exploration drilling capability of a significant unit.

I hope that, in reaching your decision, proper weight will be given to the international image implications. Beyond that, however, and regarding the rig, there are some practical considerations to be taken into account before a final decision is taken. These are:-

- a) Before a final decision is taken to close the yard it should be clearly established that the rig can in fact be built elsewhere in the UK, or alternatively, that we can divest BS of ownership of the yard and complete the rig at the present yard but under new management.
- b) I regard it as implicit in Peter's letter that, if it proves necessary, it will be possible to find money to enable the rig to be completed elsewhere or under new management.

Frankly I would not regard as satisfactory an outcome which would lose both the yard and the rig.

I am sending a copy of this letter to the Prime Minister, Michael Heseltine, George Younger, Peter Rees and Sir Robert Armstrong.

Your aw
Alick

ALICK BUCHANAN-SMITH

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AT 2/12

From the Minister of State for Industry

Norman Lamont MP

Rt Hon Alick Buchanan-Smith MP
Minister of State for Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

2 December 1983

Dear Alick

BRITTOIL CONTRACT AT SCOTT LITHGOW

Thank you for your letter of 24 November.

I appreciate your concern that any decision on the future of this contract should take account of the effect on the image of our offshore supply industry and the strategic value to the UK of the rig concerned.

However I cannot accept your suggestion that come what may we must find ways of completing the rig. As the Prime Minister has made clear through her Private Secretary's letter of 10 November, the right approach is to allow British Shipbuilders to exercise its commercial judgement in negotiations with Britoil. Britoil will themselves be taking full account of the value of the rig as a major exploration unit in seeking to renegotiate the contract. If Britoil decide that they prefer to cancel rather than settle on terms acceptable to BS, then it is up to them to seek other ways of completing it if they wish. No doubt they will explore fully all the UK possibilities, but I fear that it may well be quite unrealistic to assume either that another contractor would take over the work on acceptable terms elsewhere or still less that anyone would wish to take on the Scott Lithgow yard itself for this purpose.

Copies go to the Prime Minister, Michael Heseltine, George Younger, Peter Rees and Sir Robert Armstrong.

Yours faithfully
Norman

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Norman Lamont Esq MP
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16 December 1983

BRITTOIL CONTRACT AT SCOTT LITHGOW

Thank you for your letter of 2 December.

I am naturally disappointed that you do not agree that it is essential that the rig should be built. I remain of the view that, if and when the prospect of it being completed at Scott Lithgow finally disappears, we must urgently consider alternative ways of enabling Britoil to acquire this key vessel. This may involve public funds. So I would be grateful if you could keep me closely informed of developments.

Copies of this letter go to the Prime Minister, Michael Heseltine, George Younger, Peter Rees and Sir Robert Armstrong.

*Your ear,
Alick*

ALICK BUCHANAN-SMITH

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