



10 DOWNING STREET

THE PRIME MINISTER

23 December, 1983

Dear Sir William,

Thank you for your letter of 15 December about the developments at Scott Lithgow. It must be a cause of great sadness to you, as it is to me, to witness them. We live in a competitive world and this is particularly true of shipbuilding. Customers can only be won and retained by building ships and rigs to budget and to time. In both these respects Scott Lithgow's record since nationalisation has been extremely poor. It has lost £165 million - 38% of the total losses of British Shipbuilders, although the company accounts for only 8% of the employment of the Group.

The Government has taken the view that it would be wrong to intervene in what is essentially a commercial dispute between Britoil and British Shipbuilders. To do so would prejudice the position of one side or the other and would represent the kind of intervention which in the past has contributed to current problems. To do so would inevitably require a further injection of tax payers' money which, given the past record, cannot be justified. I fully appreciate, however, the consequences that cancellation of the Britoil contract, should it take place, will have on the local community. George Younger has already made clear that, in the event of cancellation and subsequent redundancies, the resources of the Government, including the Scottish Development Agency, will be used to maximum effect to mitigate the immediate impact.

/ I agree

SF

FILE *HL*

cc: DTI
SO.

I agree with you that we must look to the future,
emphasising enterprise and the development of products which
customers want and will pay for.

Every good wish to you both.

Yours sincerely

Raymond D. Hunter

Sir William Lithgow



10 DOWNING STREET

From the Private Secretary

20 December, 1983

Caroline Stephens has passed to me your letter of 15 December on the problems of British Shipbuilders on the Lower Clyde. In view of the importance of this subject, I have placed it before the Prime Minister and a reply will be sent to you in due course.

ANDREW TURNBULL

Sir William Lithgow



File
with AK

107

10 DOWNING STREET

From the Private Secretary

20 December, 1983

SCOTT LITHGOW

BF

The Prime Minister has received the attached telemessage from Mr. James Milne, General Secretary of the Scottish TUC, and the attached letters from the Moderator of the General Assembly of the Church of Scotland and Sir William Lithgow, all expressing concern about the possible closure of Scott Lithgow. I would be grateful if you would provide a draft reply for the Prime Minister to send to these communications. Since this issue is very topical, could this be done as soon as possible.

(A. Turnbull)

John Alty, Esq.,
Department of Trade and Industry

JK

Sir William Lithgow
Telephone Langbank (0475-54) 692
(after hours Langbank 389)
Telex 779801

→ Mr Turnbull
P.O. Box 2,
Port Glasgow,
Renfrewshire.

PA14 5JH

Miss C.M. Stephens,
Personal Assistant to The Prime Minister,
No. 10 Downing Street,
LONDON SW1.

15th December, 1983.

Dear Miss Stephens,

I enclose herewith a letter to the Prime Minister prompted specifically by the problems of British Shipbuilders on the Lower Clyde. In it, I seek to reassure her that this, like many industrial areas, can help itself given the right encouragement in a low key. Otherwise I am not seeking to offer any specific advice. You may feel that the Prime Minister's boxes are burdened enough at the present time, in which case please hold this letter back against a time when you judge it may be appropriate for the Prime Minister to have some background briefing.

My Regards and Christmas Greetings,

Yours sincerely
William Whitely

Sir William Lithgow
Telephone Langbank (0475-54) 692
(after hours Langbank 389)
Telex 779801

P.O. Box 2,
Port Glasgow,
Renfrewshire.

PA14 5JH

The Rt. Hon. Margaret Thatcher, MP
Prime Minister,
No.10 Downing Street,
LONDON SW1.

15th December, 1983.

Dear Prime Minister,

When I last reported to you in Opposition, I explained that Scott Lithgow would resist Nationalisation to the last ditch, but not be buried in it; that would be too destructive of the Lower Clyde community. The fiasco of Nationalisation later broke an innovative team that won through years when inflation turned fixed prices, demanded by a World market, into a nightmare; years when Government engrandised industrial duds, but publicly ridiculed all alike for the benefit of foreign competitors. I left Scott Lithgow in 1978, other colleagues subsequently, preferring not to be discredited by State management methods.

Most of us here accept our share of blame for mistakes made. Our community must however get on with the future; that will be doubly difficult if political acrimony leaves us quarantined as the Upper Reaches were after U.C.S. When I called on him a few weeks before the final debacle, I found Mr. Heath apparently unaware of what was likely to happen; his Government's handling of that situation went far to destroy the credibility of its policies.

In today's realism, and with goodwill, I am confident home grown prosperity can be re-established. There remains a great future in sophisticated ocean engineering for which the Lower Reaches has excellent resources. Whether British Shipbuilders could achieve a "Jaguar" leap out of the pit is unlikely though. Even the response of an offshore constructor customer of mine, asked by a Minister whether his company might be interested in part of Scott Lithgow, was that he would have liked the facilities but not the men. Most of these men though are every bit as good as those he has. The Benn compensation formula has left Lithgows with no capital base for major activities, but the rapid expansion of our electronics related business in Greenock is only held back by the lack of an adequate factory to let.

Local people here are not returning the sniper fire in a battle which reflects little more credit on Britoil than British Shipbuilders; a proud community does not want to become a Beirut. It was soon recognised that Nationalisation was a disaster, but it is not easy to maintain mutual respect between a community that voted for it and a Government that opposed it. I realise how thankless the task of Government is, but sponsoring Ministers should acknowledge that, from the outset, grave and expensive errors were made by the Department and

Ministerial Appointees, as well as on the job. You have told me how you can be isolated in No.10. Briefs are not always faithful to the whole truth.

Unemployment may be a failure of organisation. The catalyst of successful enterprise is confidence. With good products and technology, front line industry will win back markets which have allowed to be overrun. Economic recovery that makes the pastures of the South lusher and the moors of the North bleaker is not what we have striven for. All strength to your leadership.

I have asked Caroline Stephens to hold this letter back if she judges that this is not an appropriate time to burden you with it.

Mary Claire joins me in our best wishes to you both for Christmas and the New Year.

Yours very sincerely
Bill Higgs