



10 DOWNING STREET

THE PRIME MINISTER

23 December, 1983

Dear Mr. [Name],

Thank you for your teletmessage of 16 December about the problems facing Scott Lithgow and the possible impact on the Greenock and Port Glasgow areas.

As you will know, matters have moved on since you wrote. Britoil have issued a notice of cancellation of the oil rig being built at Scott Lithgow. Scott Lithgow for its part has challenged the validity of the cancellation notice and is taking legal action.

But I cannot, I am afraid, accept that there is a case for Government intervention to retain this particular contract. As Norman Lamont set out in his statement to the House of Commons on Tuesday, 20 December, this is a commercial dispute between the two parties. The fact that one is a nationalised industry and that the other is 48 per cent Government owned is irrelevant. If we were to try to intervene, either to urge Britoil to withdraw its notice of cancellation or to urge BS to withdraw its writ and renegotiate the contract, we would be bound to prejudice the commercial and financial position of one party or another. The ground would be cut from under both managements' feet. It is precisely this sort of

/ill-thought

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ill-thought out intervention in the commercial matters of nationalised industries that has contributed to the legacy of outdated and inefficient state-owned industries we are grappling with today.

Still less is there a case for more financial support for Scott Lithgow. This yard has lost £165m. since nationalisation in 1977. Over that period it has, with 8 per cent of the workforce of British Shipbuilders, been responsible for 38 per cent of their losses. What is perhaps extraordinary is that successive Governments have been prepared to provide so much support for so long.

Scott Lithgow must face up to the realities of the commercial world. Customers can only be won and retained by building ships to budget and to time. In both these respects Scott Lithgow has a very poor record. It is a matter of great regret that the workforce at the yard has not accepted the agreement on new working practices. I find it incredible that workers in an industry so hard pressed should be contemplating a strike. I assume that as General Secretary of the STUC you will be doing all in your power to dissuade them from this course.

I fully appreciate, however, the consequences that cancellation, 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 will be used to maximum effect to ameliorate the immediate impact.

Yours sincerely
Raymond Deakin

James Milne, Esq.



File
with AK

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10 DOWNING STREET

From the Private Secretary

20 December, 1983

SCOTT LITHGOW

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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

(217/12)

16 Woodlands Terrace
Glasgow G3 6DF

Ackd. 20/12

16 December 1983

TELEMESSAGE
MRS M THATCHER MP PRIME MINISTER
10 DOWNING STREET
LONDON
SW1

I URGE GOVERNMENT INTERVENTION TO RESOLVE THE DEADLOCK WHICH EXISTS BETWEEN BRITOIL AND BRITISH SHIPBUILDERS OVER THE CONTRACT AT SCOTT LITHGOWS. THE FUTURE OF THIS CONTRACT IS VITAL TO THE ENTIRE POPULATION OF INVERCLYDE BUT PERHAPS EVEN MORE IMPORTANT TO THE FUTURE REPUTATION OF BRITISH SHIPBUILDERS AND INDEED THE U.K. OFFSHORE SUPPLY INDUSTRY. IT IS NONSENSE TO SUGGEST THAT THE GOVERNMENT HAS NO ROLL IN NEGOTIATIONS BETWEEN A NATIONALISED INDUSTRY AND A COMPANY WHICH IS 48 PERCENT STATE OWNED IN AN INDUSTRY OF VITAL STRATEGIC IMPORTANCE TO BRITAIN.

JAMES MILNE.
GENERAL SECRETARY STUC.

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