

Prime Minister

Sir William Lithgow has <sup>②</sup>  
asked for you to be drawn to your attention  
I will reply.

AT 3111

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Andrew Turnbull Esq.,  
Private Secretary,  
10, Downing Street,  
LONDON SW1.

25th January, 1984.

Dear Mr. Turnbull,

I take the liberty of enclosing a copy of a letter that appeared in yesterday's Financial Times, since it would appear to illustrate one of the fundamental reasons for a lack of confidence in the Government's judgement in industrial matters relating to this area.

Yours sincerely,

William Whitby

MS

F.T. 26/1/84

## Letters to the Editor

### Why Scott Lithgow deserves to live

From Mr A. R. Belch

Sir, — I was managing director of Lithgows Ltd, the Clyde-side shipbuilders, from 1964 until I became managing director of the Scott Lithgow Group on its formation in 1969. I retired from the shipbuilding scene four years ago to develop other business interests. I believe that, once you have left an organisation it is not helpful to interfere in its activities and problems. However, the letter from Sir Robert Atkinson, former chairman of British Shipbuilders, in the Financial Times (January 24) prompts me to break my silence.

First, as a Clyde shipbuilder of some 40 years' standing, I must agree with the case made by Sir Robert for the retention of the Scott Lithgow facility on the Lower Clyde. To dissipate the great amount of specialist knowledge which has now been built up within the group would be a profligate disregard of a national asset of great value.

However, he prefaces his appeal for Scott Lithgow to be "taken out of BS and sold to a consortium" with a number of immoderate and ill-informed statements which, were they to be taken seriously by a potential buyer, could well destroy any chance of Scott Lithgow being of commercial interest to anyone. I am particularly concerned that he should condemn the workforce in such sweeping terms and, by implication, the people of the Lower Reaches community where I have lived and worked for most of my life.

Speaking from considerable experience in the industrial relations scene on the Lower Clyde I can state categorically that the men I knew and worked with do not deserve the all-embracing character assassination so continuously handed out by Sir Robert. They may have regrettably shown an unfortunate degree of intransigence in recent times, but in my time they were not resistant to change (they signed the first UK flexibility agreement in 1965); they were not particularly militant (they signed the first no-strike agreement known in British shipyards); and their performance over the years testifies that they were far from being inefficient.

Nor had the group the "endemic habit of late delivery" with which Sir Robert labels it. For the records, my memory tells me that the first penalty for late delivery paid by Scott Lithgow was the nominal sum of about £50,000 and that in 1979. It is true that the group delivered vessels on occasion beyond the dates in the original

contracts but these deliveries were always agreed mutually between owner and builder and their "lateness" caused by specification changes or other factors beyond the control of the builders.

I was amazed that Sir Robert widened his attack to embrace customers as well—"over exacting," "difficult," etc, are hardly epithets one applies to people on whose goodwill one must depend for future orders. He is certainly referring to customers with whom I am unfamiliar. Suffice it to say that I cannot think of a single Scott Lithgow customer during my time who would not happily have returned to build with the group. One customer alone built as many as 30 ships with us since the war, the last being delivered in 1979.

One is tempted to wonder how, if all Sir Robert's strictures are justified, Scotts managed to prosper in the business of shipbuilding since 1711 and Lithgows since 1874. Certainly there were good years and bad years, as in most businesses and particularly in shipbuilding, but the facts are that if Sir Robert were to break down his figure of about £200m loss in the past 10 years, he would find that, in the four years prior to nationalisation, the Scott Lithgow Group has an accumulated total loss of only £2.4m over that four-year period after making full provision with our auditors for future anticipated losses. If a £5m compensation, which I believe was paid to Scott Lithgow long after nationalisation for losses arising during that period from faulty submarine electric cables supplied by outside contractors, is taken into account, the £2.4m loss is turned into profit. I suggest there could not be much wrong with an organisation which could perform to that level in a rapidly contracting market whilst having to tackle long-term fixed price contracts in times of rampant inflation.

In the period subsequent to nationalisation, whilst I was still at the helm, there were admittedly substantially greater losses but a significant proportion of these was caused by non-recurring factors such as the costly business of closing down yards and of rectifying major technical problems created by suppliers.

There is, in fact, ample evidence to show that the Scott Lithgow Group, with which I was privileged to be associated for so many years, was at one time rightly regarded as a major shipbuilding success, not only on the River Clyde but also within the whole UK shipbuilding scene. While the UCS saga was developing on the Upper Clyde we were quietly going about our business. At one time we employed 9,000 people in six shipyards (each with its own particular specialist products); we recruited about 400 boys into our training centre each year; we had full order books and delivered ships to the entire satisfaction of their owners; we had excellent industrial relations and survived through the difficult shipbuilding days of the 1960s and 1970s, when many shipyards were going to the wall, until the company was nationalised in 1977. Up to that point we had not received any financial aid from Government except that provided to all shipbuilders under agreed international arrangements.

Finally, I would only express the hope that something will emerge to ensure that the excellent facilities and considerable expertise, which lie within Scott Lithgow, will in some way be saved for the nation and that thereby a decent livelihood will be ensured for the thousands of good people who live in the communities of Greenock and Port Glasgow.

A. R. Belch,  
9 Claimont Gardens,  
Glasgow

## A future for Scott Lithgow?

From Sir Robert Atkinson.

Sir,—Scott Lithgow was given a great opportunity to be a world leading force in onshore work. It has failed for two reasons. It has been unable to convert from shipbuilding to onshore work quickly enough and within reasonable cost. The entrenched attitude of the workforce, their resistance to change, their inefficiency, and their militancy have all contributed to that but there are other causes.

The long history of problems, the endemic habit of late delivery and financial losses have actually caused customers to ask not to deal with that yard. The effect of loss of customer confidence in any business is the equivalent of a terminal illness.

Finally a loss of £74m last year (totalling about £200m in 10 years) could not be tolerated any longer by Government let alone by a private company. Hence my report to the Secretary of State for Industry in April 1983 that Scott Lithgow was not viable in its present form. I named a potential buyer in the private sector with whom discussions had been held.

The Prime Minister was very moderate when she described the performance of Scott Lithgow as abysmal. Scott Lithgow has let the nation down, it has let BS down, it has let itself down and it has let the unions down.

Scott Lithgow's failure to deliver rigs on time and at the right price is also due to other causes: the knock-on effect of previous late ship deliveries; an incredibly difficult complexity of products — submarines, warships, merchant ships and oilrigs; a site several miles long which is, and always was, hopelessly inefficient and unworkable; exacting and difficult customers e.g. unreasonable contract terms, incredible delays in drawings approval, lack of design drawings initially, over-exacting customer inspection, failure of sub-contractors (many foreign and very often specified by customer) have all contributed to delay.

Scott Lithgow faced an extremely difficult task in the time allowed and of its three rigs, two are probably the most difficult ever built in the world. The difficulties of converting from shipbuilding to offshore has broken Swedish, German, American and other builders. There is no doubt that Scott Lithgow has made much progress within the last 18 months and is now near success. After all the first rig was a national engineering feat. It is a great engineering production and Scott Lithgow and Scotland deserve credit for that design and manufacture. Is it not true

that a Finnish yard was more than 18 months late with an equivalent rig?

The cancellation of the Britoil rig should not be allowed to finalise. It will cause yard closure, probably £200m or more in cancellation and associated charges: it will damage the Scottish economy and decimate the Lower Clyde. It will also damage Britain's reputation and manufacturing ability, cause the loss of 5,000 jobs and the skills that go with it. Our country cannot afford that.

Britoil has bent backwards to help British Shipbuilders and it is to be commended for its patience and goodwill, as is BP. The rig must be renegotiated before it is snapped up from abroad. Floating rigs are the most difficult to manufacture. In my view that national capability must be retained.

Scott Lithgow will never achieve acceptable efficiency so long as it has the present IR structure and wage systems. The high skills required by rig manufacture and the time factor, demand and pay, high wages and salaries. They also demand employment terms and conditions not workable in a normal shipyard. Offshore manufacture cannot tolerate restrictive practices and endless negotiations.

Scott Lithgow then should be taken out of BS, sold to a consortium and its debts written off. The labour force should be strengthened and offered entirely new employment terms. If they do not accept them a new labour force should be engaged.

The Scottish banks have never had their fair share of BS banking. So a Scottish private consortium should be formed to take over floating rig manufacture (not Scott Lithgow) and the yard separated to a smaller site employing about 1,000. Such plans were produced a year ago. The facilities at Greenock are of the best in the world with the natural and deep water facilities bringing additional bonus.

The consortium should be funded by the amount it is going to cost to cancel and close which is about £200m or more. In the national interest HMG should give a three year guarantee.

The permanent union officers should press their local misguided and inexperienced colleagues to acknowledge the situation and a sincere appeal to that fair minded Secretary of State, Mr George Younger, will do more to attract a private buyer than anything else and without which there will be no future.

(Sir) Robert Atkinson,  
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Ichen Abbas,  
Winchester, Hants.

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24/1/84

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