

PRIME MINISTER

cc: Mr. Ingham
Mr. Redwood

SCOTT LITHGOW

You are meeting the Scottish TUC tomorrow. Their delegation will be:

Mr. John Langan)	
Mr. Hugh Wyper)	
Mr. Tom Dougan)	
Mr. William Dougan)	STUC
Mr. John Henry)	
Mr. Douglas Harrison)	
Mr. James Milne)	
Mr. Ian McNie	-	Chairman, Clydeside District Confederation of Shipbuilding and Engineering Unions
Mr. Duncan McNeil	-	Convenor of Shop Stewards, Scott Lithgow
Mr. David Basnett	-	General Secretary, G.M.B.A.T.U.
Mr. George Arnold	-	National Executive Member, Shipbuilding AUEW

I attach:-

- (i) A brief from DTI
- (ii) A note on Scott Lithgow's track record
- (iii) Mr. Younger's speech in the Debate
- (iv) Selections from the Questions material
- (v) The minutes from the recent meeting of Ministers
- (vi) A note on other shipbuilding closures.

Line to Take

You may want to begin by allowing the trade union delegation to develop their case, which will probably be along the following lines:-

- (i) The yard must be saved to prevent 4,000 redundancies directly and perhaps 8,000 in total, bringing unemployment in the area to over 30 per cent.
- (ii) The Government should intervene as the two parties /to the dispute

to the dispute are 100 per cent and 49 per cent
Government owned.

- (iii) Britain should not withdraw from off-shore engineering.
- (iv) It is cheaper to continue than to terminate the project.
- (v) Government help is needed to launch a successor operator.
- (vi) Government help is needed for the Inverclyde area.

You could respond on the following lines:-

- The Government line has been made clear. There is no question of over-ruling the management of either BS or Britoil nor of providing additional money to fund further losses at Scott Lithgow as presently constituted. Confidence in the yard has been irretrievably lost. The record at the yard has been poor not simply on this contract but over many years. Not seeking to apportion blame which doubtless lies on both sides of the industry. But unions must recognise that the only way to win and keep customers is to deliver on time and to price.

Mr Younger attaches importance to this.

- The Government shares the wish of the unions to remain in the field of off-shore engineering. The best chance for finishing the rig lies in a new start, with a new operator, recruiting a new workforce. The Government and British Shipbuilders will be bearing the costs of closure enabling a new start to be made. British Shipbuilders and Britoil are best placed to conduct the search for a new operator. If they can find a sound commercial deal, the Government will look at it urgently and sympathetically. (Although not wishing to promise money to help a new operator, Mr. Younger is anxious not to close the door on this possibility). The Secretary of State for Scotland, together with the SDA, is looking urgently at the needs of the area and the resources available.

16 Woodlands Tce
Glasgow

File

27 January 1984 ⊕

TELEMESSAGE
RT. HON. MARGARET THATCHER M.P.
PRIME MINISTER
10 DOWNING ST
LONDON
SW1

*R28
pps*

THE STUC ACCEPTS WITH RELUCTANCE THE PRIME MINISTERS DETERMINATION THAT THE DELEGATION SHOULD ONLY CONSIST OF STUC REPRESENTATIVES. IN DOING SO WE PLACE ON RECORD OUR CONCERN AND PUZZLEMENT AT THE PRIME MINISTERS RESTRICTIONS ON THE DELEGATION, WHICH DID NOT APPLY OVER RAVENS CRAIG 14 MONTHS AGO. THE STUC HOWEVER REITERATES ITS INSISTANCE THAT WE PRESENT OUR VIEWS ON THE POSSIBLE SOLUTIONS TO THE CRISIS WITHOUT RESTRICTION. I SEEK THE PRIME MINISTERS CONFIRMATION THAT THE MEETING IS ACCEPTABLE ON THIS BASIS.

JAMES MILNE.

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s/s Scott speech

NW

I BEG TO MOVE, TO LEAVE OUT FROM "HOUSE" TO THE END OF THE MOTION AND TO ADD INSTEAD THEREOF:

"RECOGNISING THE WISDOM OF THE GOVERNMENT'S GENERAL POLICY OF DECLINING TO SEEK TO INTERFERE IN MANAGEMENT RESPONSIBILITIES IN INDUSTRY AND COMMERCE, WOULD DEPLORE ANY MOVES BY THE GOVERNMENT TO INVOLVE ITSELF IN THE RESOLUTION OF THE MATTERS IN DISPUTE BETWEEN BRITTOIL AND SCOTT LITHGOW OVER THE CONTRACT TO BUILD A SEMI-SUBMERSIBLE DRILLING RIG; AND NOTES THAT SINCE THE SCOTT LITHGOW YARD WAS NATIONALISED LOSSES UNDERWRITTEN BY THE TAXPAYER TOTAL £165 MILLION."

IT IS RIGHT THAT THE HOUSE SHOULD DEBATE THE PRESENT DIFFICULT POSITION AT SCOTT LITHGOW FOLLOWING THE CANCELLATION OF THE BRITTOIL CONTRACT AS THIS IS A MATTER WHICH IS OF GREAT CONCERN TO EVERYONE WHO HAS AT HEART THE WELL BEING OF THE SCOTTISH ECONOMY AND FUTURE EMPLOYMENT PROSPECTS IN THE INVERCLYDE AREA. AS SECRETARY OF STATE FOR SCOTLAND I AM AND ALWAYS HAVE BEEN DEEPLY CONCERNED ABOUT BOTH OF THESE ISSUES AND THE IMPLICATIONS OF CANCELLATION FOR THE FUTURE OF SCOTT LITHGOW. THIS IS A VERY SERIOUS SITUATION BY ANY STANDARD, BUT IT IS ALSO A MOST UNUSUAL ONE. THIS IS NOT, AS SO MANY OTHERS HAVE BEEN, A CRISIS THAT HAS COME UPON US BY SURPRISE. ON THE CONTRARY, EVERYONE CONCERNED SAW IT COMING LONG AGO AND TREMENDOUS EFFORTS HAVE BEEN MADE TO AVERT IT.

AS LONG AGO AS DECEMBER 1982, BRITTOIL (THE CUSTOMERS) HAD GRAVE DOUBTS AS TO WHETHER THE CONTRACT WOULD BE COMPLETED. THEY MADE THIS CLEAR TO SCOTT LITHGOW AND ALL THROUGH 1983 INTENSIVE DISCUSSIONS CONTINUED RIGHT UP TO CHAIRMAN LEVEL, BETWEEN THE TWO PARTIES IN AN EFFORT TO SORT OUT THE DIFFICULTIES.

I AND MY COLLEAGUES IN GOVERNMENT WERE ALSO EXTREMELY CONCERNED AND WE CONTINUED TO APPROVE THE FUNDING BY BRITISH SHIPBUILDERS OF THE HUGE AND GROWING LOSSES ON THE CONTRACT IN ORDER TO GIVE ALL CONCERNED EVERY CHANCE TO GET THE CONTRACT BACK ON THE RAILS. AT THE SAME TIME REPEATED AND WELL PUBLICISED WARNINGS WERE GIVEN IN THE HOPE THAT THOSE CONCERNED AT EVERY LEVEL IN SCOTT LITHGOW WOULD UNDERSTAND THE CRISIS AND RESPOND.

AS LONG AGO AS DECEMBER 1981, I WROTE TO THE CHAIRMAN OF BRITISH SHIPBUILDERS EXPRESSING MY CONCERN ABOUT THE APPALLING ABSENTEEISM RECORD AT THAT TIME AT SCOTT LITHGOW AND LAST APRIL I WARNED, AT A MEETING WITH LOCAL REPRESENTATIVES AND SHOP STEWARDS FROM THE YARD, THAT THERE WAS A DANGER OF THE YARD CLOSING IF IT COULD NOT IMPROVE ITS PERFORMANCE. THAT WARNING WAS NOT ONE WHICH WAS DIRECTED SOLELY AT THE WORKFORCE. IT WAS INTENDED TO BE HEARD AND HEDED BY ALL WHO HAD AN INTEREST IN THE FUTURE OF THE YARD - OWNERS, MANAGERS AND WORKERS. NOR WAS I, BY ANY MEANS THE ONLY ONE WHO GAVE SUCH WARNINGS FROM SPRING 1983 ONWARDS. THE THEN CHAIRMAN OF BRITISH SHIPBUILDERS, SIR ROBERT ATKINSON SPOKE OUT WITH SUCH BLUNTNESS THAT HE WAS CRITICISED BY SOME FOR BEING UNNECESSARILY FRANK. MY HON FRIENDS THE MEMBERS FOR EDINBURGH CENTRAL AND KINGSTON UPON TIAMES AS WELL AS MY RT HON FRIENDS THE FORMER AND PRESENT SECRETARIES OF STATE FOR INDUSTRY AND MORE RECENTLY MY HON FRIEND THE MINISTER FOR INDUSTRY AND EDUCATION IN THE SCOTTISH OFFICE ARE ALL CLEARLY ON RECORD WARNING ABOUT THIS CONTRACT. AND THE PRESENT CHAIRMAN OF BS, MR GRAHAM DAY, HAS SPOKEN OUT TOO. THERE WAS HOWEVER, A DEAFENING SILENCE FROM ONE VITALLY IMPORTANT SOURCE - THE PARTY OPPOSITE AND THEIR TRADE UNION ALLIES AND IN PARTICULAR THE HON GENTLEMAN THE MEMBER FOR GARSCADDEN AND INDEED HIS PREDECESSOR. I CAN FIND NO RECORD OF ANY WARNING OR LEADERSHIP FROM THEM AT ANY POINT IN THIS SORRY TALE. INDEED THE ONLY STATEMENTS THEY DID MAKE WERE TO CRITICISE THE WARNINGS SO CORRECTLY BEING GIVEN BY SO MANY

OTHERS AND THUS WEAKENING THEIR EFFECT AND GIVING ENCOURAGEMENT TO THOSE WHO WERE DETERMINED TO RESIST CHANGES IN WORKING PRACTICES WHICH WERE CRUCIAL TO RESTORING THE CONFIDENCE OF THE CUSTOMER IN THE ABILITY OF THE YARD TO DELIVER THE CONTRACT.

NOBODY SUGGESTS THAT SUCH CHANGES COULD BE MADE OVERNIGHT, OR THAT THEY WOULD MIRACULOUSLY HAVE PRODUCED THE RIG ON TIME, BUT A COMMITMENT TO SIGN THE "SURVIVAL PACKAGE" WITH ENTHUSIASM AND CONVICTION WAS THE CRUCIAL MISSING FACTOR WHICH FINALLY DESTROYED CONFIDENCE. NOR DID THE HON MEMBER FOR GARSCADDEN UTTER A WORD EITHER TO URGE THE SCOTT LITHGOW WORKERS TO REFUSE TO STRIKE DURING DECEMBER 1983. THE OPPOSITION CLAIM TO HAVE INFLUENCE IN THESE MATTERS, AND I AM SURE THEY HAVE, BUT ON THIS OCCASION THROUGH NEGLIGENCE OR LACK OF COURAGE OR BOTH, THEY REFUSED POINT BLANK TO USE THAT INFLUENCE AND THEY BEAR A HEAVY RESPONSIBILITY FOR AIDING AND ABETTING THE DISASTER THAT HAS FOLLOWED.

THE PRESENT CRISIS HAS BEEN BROUGHT ABOUT BY BRITOIL'S DECISION TO CANCEL ITS CONTRACT, BUT HON MEMBERS OPPOSITE MUST RECOGNISE THAT THE FUTURE OF THE YARD IS IN JEOPARDY NOT SIMPLY BECAUSE OF ITS PERFORMANCE ON THIS ONE CONTRACT BUT BECAUSE OF LATE DELIVERIES AND ENORMOUS LOSSES OVER MANY YEARS. I REALISE, OF COURSE, THE DIFFICULTIES IN THE DEVELOPMENT OF THE ADVANCED TECHNOLOGY INVOLVED IN THE BUILDING OF THIS SEMI-SUBMERSIBLE RIG FOR BRITOIL. BUT HOWEVER SOPHISTICATED THE TECHNOLOGY INVOLVED IN SUCH A CONTRACT THERE IS NO GOOD IN PROCEEDING WITH SUCH ENTERPRISES IF THEY CANNOT BE BROUGHT THROUGH INTO PROFIT: THE PRICE OF LEARNING CANNOT BE MET INDEFINITELY. SCOTT LITHGOW UNDERTOOK TO COMPLETE THIS CONTRACT AT A CERTAIN PRICE AND BY A SPECIFIED DATE. THEY HAVE FAILED TO DO SO AND THE MARKET HAS JUDGED THEM ACCORDINGLY. EVEN SO IF THE YARD HAD HAD A GOOD RECORD PREVIOUSLY, THERE MIGHT BE MORE TO THE ARGUMENT THAT THE PERFORMANCE ON THE BRITOIL CONTRACT SHOULD BE EXCUSED BECAUSE

THE RIG CONCERNED IS SO ADVANCED TECHNOLOGICALLY. BUT SADLY THE PERFORMANCE ON OTHER CONTRACTS - SOME OF WHICH, SUCH AS THE BP TANKER "BRITISH SPIRIT", WERE VERY FAR FROM BEING ON THE FRONTIER OF NEW TECHNOLOGY - HAS ALSO BEEN VERY POOR. FOR EXAMPLE, THE LOSS OF £ 26.6 MILLION ON THE "BRITISH SPIRIT" ACTUALLY EXCEEDED THE CONTRACT PRICE OF £ 23.4 MILLION. SINCE NATIONALISATION IN 1977 LOSSES HAVE TOTALLED £ 165 MILLION.

THE OPPOSITION DEMAND THAT, NOTWITHSTANDING THIS PAST RECORD, THE GOVERNMENT SHOULD INTERVENE IN THE CONTRACTUAL - AND NOW LEGAL - DISPUTE BETWEEN BRITISH SHIPBUILDERS AND BRITOil AND SECURE THE RENEGOTIATION OF THE CONTRACT FOR HULL 2002. EVEN IF THE ISSUE WAS ONLY ONE OF FINANCE, THE GOVERNMENT WOULD FIND IT VERY DIFFICULT TO JUSTIFY FURTHER SUPPORT FOR A YARD WHICH HAS ALREADY BEEN SUCH A HEAVY BURDEN ON THE TAXPAYER. BUT THERE ARE OTHER CONSIDERATIONS, NOT LEAST THE ATTITUDE OF THE PARTIES TO THE CONTRACT. THE CHAIRMAN OF BRITISH SHIPBUILDERS HAS MADE IT CLEAR THAT RENEGOTIATION WOULD BE PREJUDICIAL TO THE INTERESTS OF BRITISH SHIPBUILDERS AS A WHOLE. FOR THEIR PART, BRITOil MADE CLEAR AS LONG AGO AS DECEMBER 1982 THEIR SERIOUS DOUBTS ABOUT THE RATE OF PROGRESS ON THE CONTRACT. THEIR PRESENT POSITION IS THAT ALTHOUGH READY TO CONSIDER ANY SPECIFIC PROPOSALS FOR COMPLETION OF THE RIG THEY HAVE LOST CONFIDENCE IN THE COMMITMENT OF SCOTT LITHGOW TO DO THIS ON SATISFACTORY TERMS. THE GOVERNMENT ARE ACCORDINGLY BEING ASKED TO BRING NOT ONE, BUT TWO UNWILLING PARTIES TO THE NEGOTIATING TABLE. I HAVE HEARD THE ARGUMENT THAT DESPITE THIS, THE GOVERNMENT HAVE A RESPONSIBILITY BECAUSE THEY OWN BRITISH SHIPBUILDERS AND HAVE A SIGNIFICANT STAKE - ALBEIT A MINORITY ONE - IN BRITOil, TO KNOCK THE HEADS OF THE TWO PARTIES TOGETHER. I REJECT THIS SUGGESTION ENTIRELY. THE FUTURE OF THE CONTRACT IS A MATTER BETWEEN THE TWO PARTIES IN WHICH IT WOULD BE QUITE WRONG FOR MINISTERS TO INTERVENE.

A FURTHER ARGUMENT IS THAT THE GOVERNMENT SHOULD INTERVENE BECAUSE IT IS CLAIMED IT WOULD BE CHEAPER TO RENEGOTIATE THE CONTRACT RATHER THAN TO CANCEL IT. VARIOUS ESTIMATES PURPORTING TO SUPPORT THIS CONCLUSION HAVE BEEN REFERRED TO IN THE PRESS. THEY VARY ENORMOUSLY. I DO, OF COURSE, RECOGNISE THE INTEREST WHICH THERE IS ON THE QUESTION OF COMPARATIVE COSTS AND I DO NOT CRITICISE THOSE WHO HAVE MADE AN HONEST ATTEMPT TO ASSESS THE POSITION. THEIR PROBLEM IS THAT THEY HAVE NO ACCESS TO THE ESSENTIAL INFORMATION. ~~WE HAVE. BUT AS HON MEMBERS KNOW FULL~~

moreover, this information is both

~~WELL I CANNOT SIMPLY LAY THEM BEFORE THE HOUSE. THEY ARE BOTH COMMERCIALY CONFIDENTIAL AND THE SUBJECT OF LITIGATION BETWEEN BS AND BRITOil.~~

IT WOULD BE QUITE WRONG OF ME TO PREJUDICE THAT LEGAL ACTION, *by banding about all sorts of figures on this matter.*

BUT I HAVE BEEN KEEN TO ESTABLISH THE GENERAL POSITION AND I CAN SAY THIS TO THE HOUSE. BRITISH SHIPBUILDERS, WHICH IS THE ORGANISATION BEST PLACED TO ESTIMATE THE COST OF RENEGOTIATION HAS ASSURED ME THAT, EVEN WITHOUT TAKING INTO ACCOUNT THE POTENTIAL KNOCK-ON EFFECT ON OTHER BRITISH SHIPBUILDERS CONTRACTS, ACCEPTANCE OF CANCELLATION IS THE SIGNIFICANTLY CHEAPER AND COMMERCIALY JUSTIFIED OPTION.

BUT LET US FOR A MOMENT SPECULATE ON WHAT WOULD HAVE HAPPENED IF THE GOVERNMENT HAD BEEN FOOLISH ENOUGH TO TAKE THE ADVICE OF THE HON MEMBERS OPPOSITE AND HAD INTERVENED AND SECURED THE RENEGOTIATION OF THE BRITOil CONTRACT. FOR A START THIS WOULD HAVE BEEN TO FALL INTO THE TRAP OF ENCOURAGING THE BELIEF THAT THE GOVERNMENT ARE ALWAYS THERE TO BAIL OUT A NATIONALISED INDUSTRY FROM DIFFICULTIES IN WHICH IT FINDS ITSELF AS A RESULT OF FAILING TO PRODUCE THE GOODS ON A COMMERCIAL CONTRACT ENTERED INTO FREELY. THAT IS THE SEEMINGLY EASY COURSE WHICH HAS LED TO SO MANY OF THE PROBLEMS WITH WHICH WE ARE HAVING TO GRAPPLE TODAY. IT IS NOT A COURSE WHICH SEEMED TO COMMEND ITSELF TO THE PARTY OPPOSITE WHEN THEY WERE IN GOVERNMENT. THE THEN MINISTER

OF STATE AT THE DEPARTMENT OF INDUSTRY, THE RT HON MEMBER FOR GORTON SAID IN A DEBATE ON 24 FEBRUARY 1977 ON THE SHIPBUILDING INDUSTRY (ASSISTANCE) BILL "IT WOULD BE FOOLISH TO 'BAIL OUT' YARDS THAT ARE NOT ABLE TO MEET PRICING AND DELIVERY CRITERIA". THIS COULD NOT BE MORE APT TO THE PRESENT CIRCUMSTANCES AT SCOTT LITHGOW. IN THIS CASE IT WOULD HAVE MEANT ACCEPTING A COMPLETELY OPEN-ENDED FINANCIAL COMMITMENT - VIRTUALLY WRITING A BLANK CHEQUE - AS WE WOULD HAVE NO IDEA HOW LONG THE CONTRACT WOULD HAVE TAKEN TO COMPLETE OR WHETHER THE YARD WOULD EVER HAVE WON A FURTHER ORDER. IT IS CLEAR FROM MY DISCUSSIONS WITH OIL COMPANIES THAT THE YARD AS AT PRESENT ORGANISED HAS LOST CUSTOMER CONFIDENCE SO COMPLETELY THAT THE PROSPECTS OF IT OBTAINING ANY FURTHER ORDERS ARE REMOTE TO SAY THE LEAST. I CERTAINLY KNOW OF NO OIL COMPANY WHICH WOULD BE PREPARED TO PLACE AN ORDER AT SCOTT LITHGOW AT PRESENT. IN SHORT, IT IS CLEAR THAT INTERVENTION WOULD SIMPLY HAVE LED TO THE NEED FOR STILL FURTHER SUPPORT BY THE TAXPAYER WHILE MERELY POSTPONING THE INEVITABLE.

NO, INTERVENTION IN THE COMMERCIAL AND LEGAL ISSUES CURRENTLY IN DISPUTE BETWEEN BRITISH SHIPBUILDERS AND BRITOil IS NOT THE COURSE. THE ROLE OF GOVERNMENT IS NOT TO TRY TO CHANGE THE COMMERCIAL REALITIES. WE MUST CONCENTRATE OUR EFFORTS ON TWO TASKS. THE FIRST AND MOST IMMEDIATE IS THAT OF FINDING A NEW OPERATOR WHO CAN MAKE A NEW START AT PORT GLASGOW. THIS TASK WILL NOT BE EASY, PARTICULARLY IN VIEW OF THE PAST HISTORY OF SCOTT LITHGOW, BUT IT HAS BEEN ACHIEVED ELSEWHERE ON THE CLYDE AND I AND MY COLLEAGUES ARE DOING ALL THAT WE CAN TO ASSIST THE CHAIRMAN OF BRITISH SHIPBUILDERS IN HIS EFFORTS TO FIND A PRIVATE BUYER. IT IS A TASK ON WHICH THE CHAIRMAN OF BRITISH SHIPBUILDERS IS ALREADY EMBARKED AND WHICH BRITISH SHIPBUILDERS AS OWNERS OF THE ASSETS ARE BEST PLACED TO UNDERTAKE. MY COLLEAGUES AND I ARE DOING ALL THAT WE CAN TO ASSIST. WE ARE AGREED ON THE IMPORTANCE OF MAINTAINING OUR SKILLS AND THE

CAPACITY OF THE YARD IN THE OFFSHORE BUSINESS, BUT IT MUST BE A PROFIT MAKING OPERATION. THIS IS GOING TO REQUIRE A MAJOR CHANGE IN ATTITUDES, IN METHODS OF WORK AND MANAGEMENT. OBVIOUSLY THE ATTITUDE OF THE CUSTOMER FOR THE PARTLY COMPLETED RIG IS IMMENSELY IMPORTANT TO ANY TAKE-OVER OPERATION. IT IS TOO EARLY TO SPECULATE ON THE OUTCOME OR THE ATTITUDE OF PARTICULAR COMPANIES WHICH MIGHT BE INTERESTED IN TAKING OVER THE SCOTT LITHGOW FACILITIES AND COMPLETING THE BRITTOIL CONTRACT, BUT WE RECOGNISE THE URGENCY OF THE SITUATION.

BUT I RECOGNISE THAT EVEN IF A NEW OPERATOR CAN BE FOUND THERE WILL STILL BE SIGNIFICANT JOB LOSSES. THIS BRINGS ME TO OUR SECOND TASK. AS I HAVE MADE CLEAR, I AM THEREFORE READY TO DO ALL THAT I CAN TO HELP THE LOCAL INVERCLYDE ECONOMY. I HAVE ALREADY HAD DISCUSSION WITH THE CHAIRMAN AND CHIEF EXECUTIVE OF THE SCOTTISH DEVELOPMENT AGENCY. IN RESPONSE TO AN INVITATION FROM INVERCLYDE DISTRICT COUNCIL, THE SCOTTISH DEVELOPMENT AGENCY HAS ALREADY WITH MY SUPPORT COMMISSIONED CONSULTANTS TO EXAMINE THE PROSPECTS FOR THE AREA AND, IN THE LIGHT OF THEIR REPORT, I SHALL DISCUSS WITH LOCAL INTERESTS WHAT REMEDIAL ACTION MIGHT BE TAKEN.

THE GOVERNMENT ARE NOT PREPARED TO INTERVENE IN THE DISPUTE BETWEEN BRITISH SHIPBUILDERS AND BRITTOIL OVER THE FUTURE OF THE CONTRACT FOR HULL 2002, BUT WE DO ACCEPT A RESPONSIBILITY TO HELP IN THE EFFORT TO FIND A NEW OPERATOR FOR THE YARD AND TO ASSIST THE REGENERATION OF THE LOCAL INVERCLYDE ECONOMY. IRRESPECTIVE OF THAT, HOWEVER, AS LONG AS HOPE REMAINS OF PUTTING THIS RIG INTO PRODUCTION AGAIN UNDER A NEW OWNER OR NEW MANAGEMENT OR BOTH, WE WILL CERTAINLY DO ALL WE CAN TO FACILITATE SUCH A DEAL.

THE GOVERNMENT BELIEVES THAT IT IS VERY IMPORTANT FOR THE UK TO MAINTAIN AND DEVELOP FURTHER OUR CAPABILITY IN THE OFFSHORE

CONSTRUCTION INDUSTRY, AND WE CERTAINLY DO NOT BELIEVE THAT, AS A COUNTRY WITH A LARGE PRESENCE OF THE WORLD'S HIGHEST TECHNOLOGY INDUSTRIES, THERE CAN BE ANY QUESTION OF THE UNITED KINGDOM OPTING OUT OF THE WORLD MARKET FOR TECHNOLOGICALLY ADVANCED RIGS BECAUSE OF SOME BASIC DEFICIENCY IN OUR SKILLS. (THIS IS THE POINT WHICH I WAS MAKING IN MY RECENT REMARKS REGARDING KOREA FOR WHICH I HAVE BEEN CRITICISED SO HEAVILY.) I SIMPLY DO NOT ACCEPT THAT, WHEN PROPERLY MOTIVATED AND LED, WORKERS ON THE LOWER CLYDE CANNOT COMPETE SUCCESSFULLY WITH THOSE IN ANY OTHER PART OF THE WORLD.

I, AND MY COLLEAGUES IN GOVERNMENT WILL, AS I SAY, BE DOING ALL IN OUR POWER TO ASSIST, BUT THERE IS A VITAL ELEMENT OF HELP WHICH WE NEED FROM ALL CONCERNED ON THE LOWER CLYDE. WE NEED A CLEAR AND UNEQUIVOCAL COMMITMENT FROM ALL WHO WISH TO FORM THE WORKFORCE FOR THIS INDUSTRY IN THE FUTURE. WE NEED AN OPEN AGREEMENT FOR NEW WORK PRACTICES, FOR FLEXIBLE SHIFT WORKING AND TOTAL COOPERATION WITH WHAT WILL HAVE TO BE A NEW AND DYNAMIC MANAGEMENT TEAM. WE NEED TOO AN ASSURANCE OF NO DISPUTES IN ANY CIRCUMSTANCES WITHOUT FULL USE OF AGREED PROCEDURES, AND A JOINT COMMITMENT TO THE CUSTOMER BY ALL CONCERNED THAT THE WORK WILL BE DELIVERED ON TIME.

ONLY IN THIS WAY CAN THE ESSENTIAL CONFIDENCE OF CUSTOMERS BOTH PRESENT AND FUTURE BE REBUILT. I AM SURE THAT THE VAST MAJORITY OF THOSE WHO WORK IN THE LOWER CLYDE WOULD BE ONLY TOO WILLING TO GIVE SUCH UNDERTAKINGS, AND THAT THEY UNDOUBTEDLY HAVE THE SKILLS WHEN PROPERLY USED, TO OUT-PERFORM ANYONE IN THE WORLD IN THIS FIELD.

I ASK THE HOUSE TO ACCEPT THIS AMENDMENT.

PRIME MINISTER'S QUESTIONS: SCOTT LITHGOW

1. Q: Is the Prime Minister aware of the estimates (e.g. by Professor Pickett of Strathclyde University) that it would be cheaper to re-negotiate the contract and complete the rig than scrap it?

Price -

A: It is very difficult to make such estimates with any precision, but what is clear is that those best placed to make this judgement, the management of British Shipbuilders, are sure that cancellation is the cheapest and hence the commercially justified option.

2. Q: The fault for this whole business lies with Scott Lithgow management who have shown incompetence in taking on a project beyond their capabilities.

A: ~~I do not wish to allocate blame entirely to one quarter or another.~~ There are no doubt faults on both sides of the industry. Still less do I wish to denigrate other working people in the Inverclyde area, many of whom have produced outstanding achievements in other industries

3. Q: Will the Prime Minister repudiate the offensive remarks of the Secretary of State for Scotland who said that the Koreans could do better "with people who were more-or-less taken off the paddy-fields"?

A: Whatever the precise wording, the Secretary of State's remarks contain an important truth - that ~~the Koreans provide formidable international competition which Scott Lithgow, or any other shipyard for that matter, have to face up to.~~

4. Q: What options is the Government considering for a successor operation?

A: As my RHF the Secretary of State for Scotland ~~will~~ no

/ ~~edit~~

Scott Lithgow

doubt make clear in his speech in the debate which follows, the search for a new operator at Port Glasgow is being pursued with great vigour. A fresh start needs to be made, putting aside old attitudes and old methods of work and management.

5. Q: What action is the Government taking to deal with the disastrous loss of jobs in the area which cancellation will produce?

A: The Secretary of State for Scotland is actively discussing possibilities with the local authorities and the Scottish Development Agency. The latter has already commissioned consultants to examine the prospects for the area.

6. Q: Will the Prime Minister receive a delegation from the STUC?

A: I have agreed to receive such a delegation and I hope the meeting will take place in the next week or so. In agreeing to such a meeting, I must make it clear that there can be no question of the Government over-ruling the commercial decisions of British Shipbuilders, nor of the Government providing additional finance to fund losses by Scott Lithgow.

Shipbuilders
and Scott Lithgow.
& Co

Cancellation of the Contract

This contract is a commercial matter between Scott Lithgow and Britoil which is now sub judice but it is right that in the interests of the UK taxpayer and UK industry as a whole, companies and nationalised industries should take decisions of this kind on a commercial basis.

Government Intervention

The Government has already intervened by funding losses by the yard of £165 million since nationalisation in 1977, and last year the subsidy to Scott Lithgow by the taxpayer amounted to £13,000 per employee. Since 1977 Scott Lithgow, with 8 per cent of the work force of British Shipbuilders has been responsible for 38 per cent of their losses. It will be quite wrong for the Government to pour in yet ^{more} ~~further~~ of the taxpayers' money into a yard which seems unable to deliver to cost and to time.

£165m to S.L. since 1977

British Shipbuilders Pay Negotiations

I am relieved that the Unions have called off their suicidal strike but British Shipbuilders ^{workforce} must realise that the only way to protect jobs is to win and keep customers in a highly competitive world market rather than to rely on subsidies from the taxpayer. If British Shipbuilders are to compete and survive in the world market they must adopt modern working practices.

Unemployment

Appreciate effect cancellation of the contract would have on local community. If the contract is cancelled and jobs lost, my Rt Hon Friend, the Secretary of State for Scotland, will urgently consider how Government resources and the Scottish Development Agency can be used to help the area.



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10 DOWNING STREET

From the Private Secretary

30 January 1984

Dear John,

SCOTT LITHGOW

I attach a copy of the note which DTI have prepared for tomorrow's meeting. When I put this in to the Prime Minister I will emphasise the two points you made to me, that she should not contribute the blame excessively to the workers at Scott Lithgow, and secondly that the Government should not close the door totally to assistance for a new operator, even if it is not prepared to put more money into Scott Lithgow as at present constituted.

Two further notes should come to you direct from John Alty.

I think I have now settled the composition of the Trade Union delegation as follows:

Mr. John Langan)	
Mr. Hugh Wyper)	
Mr. Tom Dougan)	
Mr. William Dougan)	STUC
Mr. John Henry)	
Mr. Douglas Harrison)	
Mr. James Milne)	

Mr. Ian McNie - Chairman, Clydeside District Confederation of Shipbuilding and Engineering Unions

Mr. Duncan McNeil - Convenor of Shop Stewards, Scott Lithgow

Mr. David Basnett - General Secretary, G.M.B.A.T.U.

~~Mr. Alex Ferry - General Secretary, C.S.E.U. (possibly)~~

Mr. George Arnold - National Executive Member, Shipbuilding AUEW

I am copying this letter to John Alty and Andrew Lansley (Department of Trade and Industry).

Your sincerely
Andrew Turnbull

(Andrew Turnbull)

John Graham, Esq.,
Scottish Office



File

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From the Minister of State for Industry

Norman Lamont MP

Andrew Turnbull Esq
PS/Prime Minister
10 Downing Street
LONDON
SW1

30 January 1984

Dear Andrew

PRIME MINISTER'S MEETING WITH THE SCOTTISH TUC

Further to my letter of 27 January 1984, Mr Lamont has suggested that I send you the attached notes on:

- (a) The closures and redundancies announced last week by British Shipbuilders and;
- (b) Scott Lithgow's past record.

As the note on Scott Lithgow's record says, it is important to take care in the interpretation of the late delivery dates on previous orders. We are therefore also attaching a speaking note which the Prime Minister might care to use on this topic.

Finally, Mr Lamont asked me to emphasise that the Chairman of British Shipbuilders assured him before his appearance in the debate on Scott Lithgow last week that the Britoil rig is so far only one third complete, contrary to some reports in the press suggesting that the rig was two thirds complete.

I am copying this letter to John Graham.

Yours Sincerely

Stuart Gill

PP JOHN ALTY
Private Secretary



R F

PRIME MINISTER'S MEETING WITH STUC

BRITISH SHIPBUILDERS: CLOSURES AND REDUNDANCIES

Last week BS announced the closure of three small shipbuilding yards (1100 jobs) and nearly 1500 further redundancies. The yards closed included Henry Robb (383 employees) in Leith.

The redundancies fell heavily on Scotland with 300 jobs lost at Govan and 800 at Scott Lithgow. The Unions have also been advised that a further 2000 plus jobs will be lost at Scott Lithgow when work on the BP rig is finished next month.

The latest redundancies will mean that BS will have shed nearly 10,000 jobs over 83/84, around 4,500 of which were in Scotland.

SBP1
30 January 1984

PRIME MINISTER'S QUESTIONS, 26 JANUARY 1984

BRITISH SHIPBUILDERS: CLOSURES AND REDUNDANCIES

Line to Take

I naturally very much regret the loss of jobs in British Shipbuilders but the Corporation cannot be insulated from its markets. It cannot keep men on when there is no work for them.

Background

BS have today (Wednesday 25th) informed the Unions of

1. Closure of 3 small merchant yards:
Goole (Humberside, 365 jobs: MP Sir Paul Bryan C)
Clelands (Tyneside, 405: MP Neville Trotter C)
Henry Robb (Leith, 383, MP Mr R Brown L)
2. A further 529 redundancies up to March 1984 including Govan (Clydeside, 300), Clark Hawthorn (Tyneside, 135) and Brooke Marine (Lowestoft, 140).
3. 38 Compulsory redundancies to make up shortfall of job losses called for in last tranche of redundancies which have not been covered by voluntary redundancy.

The Unions have already been advised that there will be 800 redundancies called for immediately at Scott Lithgow and more later - 2000 plus - when work on the BP rig is complete. There will also be further redundancies later at Cammell Laird.

Department of Trade & Industry
Shipbuilding Policy Division
25 January 1984



PRIME MINISTER'S QUESTIONS, 26 JANUARY 1984

Closure of Henry Robb, Clelands and Goole Shipyards

Prospective Orders

Background

Mr Ron Brown MP has taken a particular interest in the tenders for MoD work for which Henry Robb Leith had bid several months ago. MoD announced on 23 January that the order for three mooring and salvage vessels would be placed with another BS subsidiary Hall Russell of Aberdeen. They have also decided that a further order for five twin-unit tractor tugs will be placed with the UK private sector yard of Richard Dunston of Hessle (North Humberside) and the unsuccessful yards have been informed.

Mr Neville Trotter MP has been pursuing the prospects of Clelands on Tyneside winning an MoD order for a Coastal Survey Vessel and an Ash Barge from the CEGB and was forewarned privately of the BS decision to close this yard and divert these orders to other BS yards in the interests of the Corporation as a whole. The associated company Goole Shipbuilders at the mouth of the Humber has had no orders in prospect for some time.

BS's announcement says that only in the case of Clelands have any of the three merchant yards being closed had any serious prospect of winning new orders. This one small (CEGB) order would only have provided work for one sixth of the Clelands workforce and would have resulted in heavy losses because of the under-recovery of overheads.

Line to Take

Decisions on the future of individual BS yards are a matter for the professional judgement of the Corporation's management. I understand they have explained that none of the yards being



closed had prospects of winning new work on acceptable terms.

Department of Trade & Industry

26 January 1984



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SCOTT LITHGOW'S DELIVERY RECORD

We have repeatedly stressed that this whole problem has to be seen in the wider context of Scott Lithgow's recent performance. The losses speak for themselves. Their delivery record is I am afraid a sad story.

The Iolair, the Emergency Support Vessel for BP, was delivered 16 months late - though in fairness it has to be said that it was highly innovative vessel and the extent to which Scott Lithgow was at fault is still a matter of dispute.

Perhaps more seriously, Scott Lithgow last year delivered a tanker to BP some 15 months after the original contractual date and ended up paying 5 months worth of damages. Even more disturbingly, after the contract had been renegotiated - the course Hon Members opposite suggest for the Britoil rig - they made a loss representing 113% of the total income from the contract.

These individual instances add up to a shipyards' reputation in the market place. The sad fact is that Scott Lithgow has, over the years, simply lost all customer confidence. The Britoil rig is just the latest - and last - straw.

SBP1

24 January 1984



SL'S TRACK RECORD

SL'S TRACK RECORD

Employment/Losses

Scott Lithgow has typically accounted for about 8% of total BS employment since 1977. Over the same period it has accounted for 38% of total losses. (£160m to March 1983).

2. In 1982/3, Scott Lithgow lost £66m of BS' total loss of £117m - 56%

<u>Year</u>	<u>Average Employment</u>	<u>Loss (£m)</u>	<u>Subsidy per head (£m)</u>
1977/8	7730	22	3105
1978/9	7830	7	1533
1979/80	6924	34	4910
1980/81	5470	14	2559
1981/82	5063	15	2963
1982/83	5245	66	12583

3. Total loss £160m, average employment 6375, average loss per man since nationalisation - £25,000. Loss per man in 1982/3 alone - £13,000.

Strikes

4. Recent stoppages reported in the press have been:

- (i) July 1983 - walk out by 250 plumbers over termination of an overtime agreement.
- (ii) September 1982 - walk out by 300 platers over the sacking of a Shop Steward for doing the FT crossword during working hours. Affected work on BP tanker.



- (iii) January 1982 - 3 week dispute at Port Glasgow yards. Halted work on BP ESV.
- (iv) August 1980 - walk out at Kingston Glen over special allowances for difficult and dangerous work. Halted work on BS ESV.

Late Deliveries

	Originally Due	Delivered	Months Late
Britoil Rig	2.84	Not Yet	-
BP Rig	1.83	Not Yet	11
BP Tanker	12.81	3.83	15
BP ESV	4.81	8.82	16
Furness Withy Bulk Carrier	3.78	10.78	7
Furness Withy Bulk Carrier	9.77	4.78	7
Ben Odeco Drill Ship	12.75	3.77	15

[These figures should be treated with care. They do not make allowance for slippage due to delivery dates renegotiated because the customer changed or increased the specification.]

SBP1

20 January 1984



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From the Minister of State for Industry

Norman Lamont MP

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
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SW1

27 January 1984

Dear Andrew

PRIME MINISTER'S MEETING WITH STUC: 31 JANUARY

Attached is a brief for this meeting. Mr Lamont has not had an opportunity to see it but will do so over the weekend. I shall let you have any comments he may have on it on Monday.

As you know, Mr Lamont will be attending the meeting.

Yours

John

JOHN ALTY
Private Secretary



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SCOTT LITHGOW - MEETING WITH SCOTTISH TUC

BRIEF FOR THE PRIME MINISTER

The meeting is with the General Council of the STUC - Secretary: Jimmy Milne. The STUC wished to bring along others from the churches and local authorities, but the meeting has been restricted at your request to the STUC alone (Mr Turnbull's letter at Flag A). The main item is Scott Lithgow, but the recently announced closure of Henry Robb (Leith) may well come up.

BACKGROUND

Current Workload at Scott Lithgow

2. Britoil rig - value £88m, cancelled on 19 December 1983, all work stopped.

BP rig - value £77m, 11-12 months late, expected completion in February 1984, 2200 men.

Seabed Operations

Vessel (MOD) - value £60m, expected completion in August 1984, 700 men.

Redundancies and Industrial Relations

3. 200 voluntary redundancies have taken place since September 1983. 280 were laid off on 20 January and the unions know that 800 more redundancies will be declared in the next few days in response to the Britoil cancellation. The workforce met on 20 January and decided not to accept lay-offs and not to move, as the management wished, to 3-shift working on the (very late) BP rig. Those laid off have since reported for work; they are drawing lay-off pay and are in cabins on the site.



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4. If no way of reviving the Britoil contract is found, 2,200 men will go when the BP rig is finished, 700 more when the MOD vessel is completed in August.

Regional Context

5. Scott Lithgow employs about 4,000 in the Greenock (Port Glasgow) Largs travel to work area. Current unemployment is about 17.4%. Complete closure of the yard would push this to about 24% (Consett level). The area is already an SDA.

Government's Position

6. The contractual dispute: The Britoil dispute is a commercial matter to be resolved by BS and Britoil. Intervention would either undermine the commercial and financial position of one side or another, or it would mean more money to bail out Scott Lithgow. BS has already made a published provision of £44m losses on the rig and Mr Day is not prepared to ask Government for more money.

7. SL's Record: But Britoil contract is only last straw. The yard has lost all customer confidence. It has a terrible loss record (over £160m from nationalisation to March 1983). It will lose the better part of £100m this year alone.

8. Third Party Takeover: The only hope for the future lies in a new operator making a fresh start. It is widely known that several companies have expressed interest, the most serious being Trafalgar House. It is up to BS, Britoil and any interested third party to work out a sound commercial deal and to put it to the Government.

Other Issues

9. The STUC will undoubtedly attack BS' rationalisation programme, and especially the closure of Henry Robb (Leith) which will mean the loss of 400 jobs.

10. Equally topical is the agreement between BS and the unions on working practices reached on 25 January. This covers about all the extensive changes in working practices originally sought by BS. If accepted by the yards by 10 February, it is worth £7pw backdated to 1 November.

LINE TO TAKE

11. (i) Fully appreciate and share STUC's concern for the livelihood of their members. No-one wants to see redundancies or the closure of the yard. And remember extent of our support for industry - £900m since 1979.
- (ii) But have to be realistic. Some welcome realism already abroad - the decision to call off the strike, the pay deal. Government is not going to intervene in the commercial dispute between BS and Britoil. Would perpetuate the old and failed policies of pouring good money after bad.
- (iii) Only real hope for yard lies in a new operator making a fresh start. Know that BS and Britoil are talking to interested parties. If they can find a sound commercial deal, Government will look at it urgently and sympathetically. Hope that unions will recognise that such a deal would be in best interests of their members and will do everything they can to help.



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(vi) If there are large scale redundancies, the Secretary of State for Scotland and the SDA naturally stand ready to do what they can to help.

SBP1/DTI

27 January 1984