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RECORD OF MEETING HELD WITH SCOTTISH TUC TO DISCUSS SCOTT LITHGOW  
HELD AT 10 DOWNING STREET ON TUESDAY 31 JANUARY AT 9.30 AM.

Present:

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|---|---|---|------|
| Prime Minister  | Mr John Langan  | ) |      |
| Secretary of State<br>for Scotland                        | Mr Hugh Wyper   | ) |      |
| Minister of State,<br>Department of Trade<br>and Industry | Mr Tom Dougan   | ) |      |
| Mr Ingham   | Mr William Dougan   | ) | STUC |
| Mr Turnbull   | Mr John Henry   | ) |      |
|   | Mr Douglas Harrison   | ) |      |
|   | Mr James Milne  | ) |      |
|   | Mr Ian McNie  |   |      |
|   | Chairman, Clydeside District<br>Confederation of Shipbuilding<br>and Engineering Unions |   |      |
|   | Mr Duncan McNeil  |   |      |
|   | Convenor of Shop Stewards,<br>Scott Lithgow   |   |      |
|   | Mr David Basnett  |   |      |
|   | General Secretary, GMBATU   |   |      |
|   | Mr George Arnold  |   |      |
|   | National Executive Member,<br>Shipbuilding AUEW   |   |      |
|   | Mr Alex Ferry   |   |      |
|   | General Secretary, CSEU   |   |      |

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Mr Langan for the Scottish TUC said there had been an extensive debate on Scott Lithgow in Scotland. It was clear that around 9,000 jobs, in the yard and outside, were at risk which could push unemployment in the Greenock/Port Glasgow area up towards 40 per cent. Many of the original arguments put forward for allowing the cancellation to proceed had not stood up to examination; the record of the workforce at Scott Lithgow was much better than the Government had claimed and the costs of closure would be much greater than allowing the contract to be renegotiated. He hoped that, having considered the arguments more fully, the Government would change its mind.

/Mr Milne

Mr Milne, General Secretary of the STUC, said the Greenock/Port Glasgow area was totally dependent on shipbuilding as other industrial developments in the area had failed to take root. Citing Mr Ross Belch, he rejected the description of the workforce as obstructive and inefficient. In his view Scott Lithgow had been a success story.

He explained that the two yards had been unified in 1965 and that as naval shipbuilding had declined the new company had concentrated on tankers and bulk carriers. As this market began to decline it decided, quite correctly, to move into off-shore engineering. Though it had encountered difficulties, the yard had built up substantial experience and the workforce was becoming accustomed to new techniques and methods of working. To close the yard now would be to throw all this away. He believed much of the blame lay with the management and in particular with the engineers ODECO. The latter had built a rig which had failed and they were now working extremely cautiously. This had delayed the delivery of drawings, substantially delaying the project.

He referred to estimates that it would cost five times as much to close the yard as complete the project. Professor Pickett estimated the extra cost could be £22m. Britoil was prepared to renegotiate but British Shipbuilders had been denied the freedom to do this. The Government should use its influence over the two parties, one 100 per cent owned, the other 48 per cent owned. He rejected the argument that it was wrong for the Government to intervene in the commercial decisions, claiming that the Government was quite prepared to do this when it suited it e.g. on gas and electricity prices. He said that a new operation employing only 1,000 workers was not an acceptable solution.

The Prime Minister said she had visited Scott Lithgow and was well aware of the dependence of the local community on the yard. The problems encountered were not just recent but there had been a long history of late deliveries and losses. Since nationalisation Scott Lithgow had lost £165m, 38 per cent of the total loss of British Shipbuilders. The losses amounted

to £25,000 per man, £13,000 in the last year alone. There was a severe loss of confidence in the yard which would not be put right merely by the injection of further taxpayers money. She was anxious to see the rig completed but believed the best way was to seek a fresh start. The Government was prepared to bear the past losses and the costs of closure, enabling a new operator to start with a clean slate. If the rig were completed successfully it would provide a platform for new orders. She was disappointed to hear a new operation was not acceptable and she hoped this attitude would be reconsidered.

Mr. Basnett said that wider questions of policy were raised. The relative costs of closure or completion to British Shipbuilders did not measure the full social and industrial consequences nor were they a guide to the cost to the Exchequer. He doubted whether Trafalgar House had the necessary technical expertise. British Shipbuilders had the necessary experience and this would be lost, as well as time wasted, if a new operator were brought in. He saw a growing market for offshore engineering and it was vital that British Shipbuilders should remain in this field. He therefore urged that the Government should bring British Shipbuilders and Britoil together. His union would give every assistance to the efforts to raise productivity.

Mr. McNeil, the Convenor of Shop Stewards at Scott Lithgow, accepted that the workforce there had no choice but to talk to whoever was prepared to finish the rig. He was sure the workforce would be prepared to co-operate in the adoption of new working practices. He was concerned, however, that at present the unions were not in a position to talk to potential operators.

Mr. Langan urged that calculations on the relative costs of enabling British Shipbuilders to renegotiate the contract versus the costs of bringing in a new operator should be published. The Prime Minister noted the difficulty of making such estimates and pointed out that Britoil had already cancelled the contract. They could only be induced to renegotiate through a further injection of public money. There was no sign of any other orders.

Mr. Ferry argued that the development of new technology was always costly and that was true in the offshore engineering field as in any other. The Government was abandoning Scott Lithgow at the point when it might begin to benefit from past experience. The Prime Minister pointed out that the problems of Scott Lithgow were not confined to the development of new technology; large losses had been made on a recent tanker contract. In further discussion the STUC representatives argued that Scott Lithgow was the only wholly British owned yard capable of building drilling rigs of the kind Britoil were seeking. The maintenance of a wholly British presence in this market was essential. The Prime Minister said that the fact that a yard was British did not guarantee orders; only delivery to time and to budget could do that.

Mr. Arnold argued that great strides had been made recently in improving working practices and the workforce at Scott Lithgow were taking a very constructive approach. They were keen to start afresh on a renegotiated British Shipbuilders/Britoil contract.

Summing up the discussion for the STUC, Mr. Langan thanked the Prime Minister for allowing them to express their case. He was disappointed that they had failed to persuade the Prime Minister to change course.

cc: Those present  
Mr. Young  
Mr. Kerr, HM Treasury.

31 January 1984