

MR TURNBULL

c Mr Redwood

SCOTT LITHGOW

Prime Minister (2)

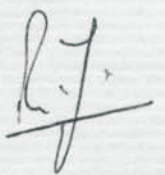
To note that the Scott Lithgow deal is finally balanced. You may want to hear George Younger's response before reacting. He will undoubtedly argue for a higher figure than the £5 million suggested below.

AT 23/3

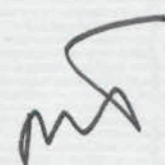
1. We fully support the tough line which DTI and BS are taking with Trafalgar House/Howard Doris over contingent liabilities (Norman Lamont's letter of 23 March to Peter Rees).

2. The history of Scott Lithgow is so discouraging that, in all prudence, we have to treat "contingent" liabilities as verging on the probable. We have no reason to accept liabilities up to £120 million. Even if Trafalgar House could be persuaded to drop their requirement for BS to cover TH's losses up to £90 million, we would still regard the balance of £30 million for damages to Britoil as right out of court.

3. Having just spoken to DTI officials to see what came out of the Gordon Manzie/Eric Parker meeting earlier today, I understand that TH are now trying to negotiate a compromise. There is very little room for compromise when the cost of closing Scott Lithgow is so close to the cost of disposing of it on the original terms which TH proposed. We judge that a small premium - less than £5 million - might be worthwhile to avoid closure. But beyond that point the deal should fall through.



ROBERT YOUNG



Policy Unit
23 March 1984

Shipbuilding
with AT
Shearnagh Wallace
No 10 Press Office

MW Timball.
This attracts
no attention.

David Lambie, M.P., Chairman Select Committee on Scottish Affairs.

TR 26/3

Statement on Scott Lithgow, Embargoed till 11-00 a.m. Friday, 23 March 1984.

THE SCOTT LITHGOW REPORT

The first thing to stress is what the report does not do:

- it does not attempt to analyse what went wrong with the Britoil contract, and with other contracts undertaken by Scott Lithgow in recent years that have run over time;
- it does not attempt to express a view on the terms of a possible private takeover of the yard, for these terms were still the subject of confidential negotiation when the Committee undertook its inquiry.

The purpose of the inquiry, as stated in para. 11, is "to bring together in the time available evidence on the economic and social consequences that would follow from the closure of Scott Lithgow". The background to this is the fact that any private takeover will involve substantial sums of public expenditure in order to "wipe the slate clean" at Scott Lithgow and thereby pave the way for the takeover, and perhaps also to support future capital expenditure by the new owners of the yard. The Government have already had to get parliamentary approval for a supplementary estimate of £125 million for this purpose, and there may be more to come. The report puts the other side of the picture - the social and economic costs of not saving the yard.

Male unemployment in Inverclyde is already 21.8 per cent. The further job losses if the yard closed would be *concentrated* in a very small area. The report quotes estimates that, taking account of consequential unemployment in sub-contracting and service industries, job losses within the immediate Greenock/Port Glasgow area might well be about 6000, and that in particular parts of those towns one could have something like 50 per cent male unemployment. This would cost the Government money - perhaps £22 million a year (including loss of tax revenue) for the Scott Lithgow redundancies alone (para. 19).

The report also contemplates the possibility of Government money being needed for a redevelopment project in the area, and refers to experience following the closure of Linwood (where a year after closure half the workforce was out of work) and at Motherwell, where £60 million is being spent on a project to create just 3000 jobs. (para. 20).

As to the social consequences of closure, particularly telling evidence was received from the churches, which is quoted in part in para. 23.

On the other hand the report points out that the picture for Inverclyde is not entirely black. The electronics industry is firmly established; and while the inquiry was under way National Semi-Conductor announced a new £100 million investment in the area, which is expected to produce some hundreds of jobs by 1986. The report states (para. 26) that this "demonstrates the fallacy of investigation inspired by the

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presumption that nothing will change for the better".

It is important to stress that the report is not out of time even if it comes after a Government announcement on the future of the yard; the report is intended primarily to be of value to the House of Commons and it indicates criteria against which the House should reach a judgement on the Government's decisions (para. 38). Among the criteria to which the report draws attention are -

- a) will a new deal safeguard a truly British capability in the sort of advanced offshore technology that Scott Lithgow has been engaged in (para. 27)?
- b) will new owners continue the tradition of training and apprenticeship for young people (para. 22)?
- c) will any part of the yard that is surplus to a new owner's requirements be made available for other employment-generating activities (para. 34)?
- d) will the Government restore some submarine work to the yard (paras. 35-6)?

The report contains (para. 32) some quite strong criticism of British Shipbuilders' performance as owners and managers of Scott Lithgow; and it concludes that as it is currently owned and operated there is no future for the yard or its workforce, but under new owners and management there could be" (para. 39).

Daniel Lambie, MP.

27st March 1984

From: DAVID LAMBIE, M.P.

The Scott Lithgow Report

You may find it useful to have a few statistics and facts down on paper.

Although the first day's proceedings recorded in the Minutes is 29th February, *my* draft Report was in fact submitted to the Committee in time for its meeting on 22nd February; but the Committee adjourned that day without considering it. Leaving that meeting out of account, the Committee took four meetings to go through the report (29th February, and 5th, 7th and 14th March). There were 92 divisions, only two of which required *my* casting vote. 198 amendments were submitted in writing, and 110 amendments were actually moved.

In the whole of the last Parliament the Committee on Scottish Affairs had 30 divisions in the course of 118 meetings; and the greatest number of divisions on a single report was five (on the Youth Unemployment Training report).

I am afraid that the Clerk's Department does not keep a Guinness book of Committee Records; and so it would take a colossal amount of research to find out whether the Scott Lithgow report has broken any records; but I think it highly unlikely that there have ever been more divisions on a report of comparable length. In the Wealth Tax Committee of 1974-75, when four alternative draft reports were presented and the Committee ended by failing to agree to any of them, there were 34 divisions. The Environment Committee's ^{Report} on Council House Sales (session 1980-81) provoked 125 divisions, but that Report was over 170 paragraphs long.

2 th March 1984