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CP(71) 114

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18 October 1971

CABINET

UPPER CLYDE SHIPBUILDERS

Memorandum by the Secretary of State for
Trade and Industry

BACKGROUND

1. On 12 October (CM(71) 49th Conclusions, Minute 5), I was instructed to tell Mr McGarvey of the Confederation of Shipbuilding and Engineering Unions (CSEU) that the Government would not enter into negotiations with shipowners on the conditions on which they would confirm their orders except on the basis of acceptable and public assurances by Unions of co-operation with Govan Shipbuilders Ltd and meaningful negotiations on working practices and wage rates. If assurances given by Unions were repudiated by shop stewards the Government would not be prepared to go ahead. I was also asked to press Irish Shipping Ltd and the Brazilian Government to modify their demands. Ministers wished to reconsider the position before commitments were entered into.

UNION ATTITUDES

2. Following my meeting with Mr McGarvey on 12 October, a joint statement (copy annexed), accepted by both the Unions and myself, was issued in which the Unions, after reaffirming that their objective was to preserve employment in all the four yards of the Upper Clyde Shipbuilders (UCS) undertook:-

a. to give assurances as to the contribution of the work force to the timely and efficient delivery of the ships provided the Government were prepared to give the requisite guarantees to shipowners and the Liquidator was prepared to start work; and

b. that as soon as these arrangements had been made they were prepared immediately to enter into meaningful negotiations regarding working practices, wage rates, etc. with Govan Shipbuilders Ltd.

3. This statement has been approved by the shipbuilding committee of the CSEU and on the recommendation of the shop stewards it was endorsed at a mass meeting of workers on 15 October, though with some reservations that might constitute stumbling blocks in the future.

DISCUSSIONS WITH SHIPOWNERS

4. The Minister for Industry has discussed with Irish Shipping Limited the conditions they had earlier laid down for allowing work on their ships to proceed. Although pressed very hard, Irish Shipping refused to modify their conditions that obligations should be accepted for all four ships to be built at Govan at the original contract price. However, they conceded that a refund guarantee should not cover payments made to UCS from their own resources (about £800,000) before the liquidation. They also agreed to amend the penalty clauses in the contracts to apply to realistic delivery dates and to cancel the penalty provisions in the contracts in the event of the shipbuilder not completing the contract. However the company made clear that without a refund guarantee covering all payments after liquidation and the pre-liquidation payment (£320,000) covered by a bank advance, they will not proceed. I am convinced there is no prospect of obtaining any further modifications of their demands.

5. Negotiations with the Brazilian Government have begun.

WORKING CAPITAL FOR LIQUIDATOR

6. To avoid redundancies at Govan the Liquidator must be able to start work on new ships by the end of the month, and he must order the necessary materials and equipment now to ensure that it is available in time.

CONCLUSION

7. Despite some continuing uncertainty about the commitment of the shop stewards to the joint statement I invite my colleagues to agree to my entering into arrangements on the lines set out in CP(71) 109 with Irish Shipping Limited and with the Liquidator which are necessary to enable work on new ships to begin.

J D

Department of Trade and Industry

18 October 1971

CONFIDENTIAL

RECORD OF A MEETING BETWEEN MR JOHN DAVIES AND SIR JOHN EDEN
AND MR MCGARVEY AND MR SERVICE ON 12 OCTOBER 1971

1. The representatives of the Confederation of Shipbuilding and Engineering Unions made the following points:-
 - (a) Their principal objective was to seek means of preserving employment in all four yards of the UCS.
 - (b) In relation to the orders immediately needed at Govan to facilitate the establishment of Govan Shipbuilders Limited, the CSEU were prepared to give assurances as to the contribution of the work force to the timely and efficient delivery of the ships, providing the Government was prepared to give the requisite guarantees to the ship owners in question, and providing the Liquidator was prepared to set in hand work on those orders.
 - (c) As soon as the arrangements envisaged in (b) above had been made they were prepared immediately to enter meaningful negotiations regarding working practices, wage rates etc., with Govan Shipbuilders Limited. These negotiations would cover the operation of the Govan and Linthouse yards and would be extended to cover Scoutstoun as well, providing the feasibility study showed the inclusion of the last named yard to be in the economic interest of the whole project.
2. Mr Davies agreed in view of the undertakings given by the representatives of the CSEU to seek urgently to finalise negotiations with the ship owners in question with a view to reaching agreement upon the guarantees required to secure the confirmation of the orders above referred to. He welcomed Mr McGarvey's assurance that in these circumstances talks would quickly begin to secure the establishment of Govan Shipbuilders Limited.

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3. It was furthermore accepted that the Government and the CSEU would make every effort to encourage a purchaser for Clydebank Yard and that such purchaser would be eligible for substantial financial assistance under the Local Employment Acts. The CSEU considered that this would create a proper climate for the meaningful discussions with Govan Shipbuilders Ltd.

Tom Lane

Daniel McGarvey

John Brown

J. H. Service

