The Rôle of Government In the Decline of the British Shipbuilding Industry, 1945 - 1980

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Abstract

This thesis studies the interrelationship between government and the shipbuilding industry in the United Kingdom during the so-called 'Golden Age' of economic growth between 1945 and 1973. It argues that actions of government in the 1960s and 70s aimed at arresting the decline of shipbuilding as an industry instead acted first as a brake on the industry's development and second as one of the principal agents of its decline. It does this by demonstrating that the constant government led introspection into the shipbuilding industry between 1960 and 1966 delayed investment decisions by companies that were uncertain about which direction the government would take or whether it would provide funding. This thesis also demonstrates that the Wilson Labour governments' instruments of modernisation and change, the Shipbuilding Inquiry Committee and the Shipbuilding Industry Board, chose and imposed technical and organisational solutions on the industry that did not reflect the prevailing orthodoxy of shipbuilding in competitor nations such as Japan and Sweden. This fatally damaged the industry during a time of demand for newly constructed vessels; the cheap price of crude oil in the 1960s led to a very high demand for very large crude carriers, supertankers, capable of transporting between one quarter and one half a million tons of crude oil from the Middle East to the industrial nations of North American and Europe. However, as the case studies of the Harland and Wolff and Scott Lithgow companies in this thesis demonstrates, British shipyards were ill equipped and poorly prepared to take advantage of this situation and when finally the shipyards were positioned to take advantage of the situation, the 1973 Yom Kippur War and subsequent OPEC oil embargo took away the demand for supertankers. This was when the British government dealt the now nationalised shipbuilding industry a fatal blow, subsidising supertankers no longer in demand for purchase at a heavily subsidised price by shipping lines that would place the vessels into immediate and long-term storage. In short, this thesis illuminates the complex relationship between government and industry that led to the demise of the British shipbuilding industry.

Contents

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Chapter One

Introduction

The rôle of government in the decline of British shipbuilding

The history of the British shipbuilding industry is relevant to the wider debates concerning the decline of the United Kingdom's industrial base in the second half of the twentieth century. From being the largest constructor of merchant vessels in the latter half of the 1940s; by 1964 Britain had been surpassed by Japan as the nation with the largest merchant output. Indeed, British shipbuilders underwent such a stagnation that by 1974 smaller industries in Denmark and Sweden were producing more tonnage than the UK and even individual yards in Japan, such as Mitsubishi Nagasaki, were producing more vessels than the entire British shipbuilding industry.[1] Using the policy network model of Hugh Pemberton based on the work of Peter Hall and Rosemary Taylor, this thesis will show that under the guidance of the Shipbuilding Industry Board, government ministers and civil servants agreed a series of publicly funded interventions to modernise British shipyards but these did not represent either best practice or the prevailing orthodoxy found in more productive shipyards in Japan and Scandinavia. Rather, this thesis will demonstrate that a series of compromise positions were created between the wishes of government and those of the shipbuilding industry. As such, these modernisation plans hindered rather than helped the industry, with short-term gains in output and productivity wiped away, first by overseas competition for orders and second by the 1973 OPEC oil shock. This introductory chapter contextualises the argument within the theoretical and narrative strands of literature dealing with this period and sets out the core hypothesis behind this thesis.

Shipbuilding was a staple industry in the United Kingdom. Constructed in shipyards close to areas with a large workforce on the one hand, but also steel and engineering facilities on the other, British built ships were used by almost all merchant marines globally and many of the Great Power navies. For example the sea battles fought by the Japanese and the Russians in 1905 were also between vessels made in Glasgow and those made in Newcastle. By the late 1800s, Japan, the United States and Germany were also building many merchant and military vessels, but these industries were nowhere near as large as that found in the United Kingdom.[2] By 1950, after two World Wars had provided government orders for military vessels and once peace had created the demand for replacement merchant vessels for those lost during wartime, shipbuilding in the United

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[1] *Lloyds Register of Shipping: Annual Report*. (London: Lloyds, 1950-1981) and *Fairplay* (London: Fairplay International, 1970-1980).

[2] Lorenz, E.H. *Economic Decline in Britain: the shipbuilding Industry 1890-1970* (Clarendon: Oxford, 1991) pp. 1-23.

Kingdom was in the middle of a boom period, producing more tonnage than any other nation with 36% of world output.[3] However, the reconstruction of damaged industries in Western Europe combined with the reinstatement of traditional Japanese admiralty shipyards after 1952, with technical and financial assistance from American businessmen, led to increasing output in competitor yards that were producing a cheaper product than the United Kingdom and were also delivering on time. Indeed, by 1963 the United Kingdom was not only experiencing competition from overseas shipbuilders, but also stagnating production during a period of rising output with only 16% of the global merchant vessel output compared to Japan with 36%.[4]

This literature review establishes the core hypothesis of this thesis by evaluating recent work on shipbuilding and demonstrating that a number of weaknesses exist in the accounts and showing that academics have neglected shipbuilding as part of the wider debates on the relative decline of the United Kingdom. This is extraordinary as shipbuilding industry was emblematic of the decline of heavy industry after 1945 and is therefore much more significant than previously demonstrated. Evidence demonstrates that British shipbuilding suffered from poor technical infrastructure and was hindered by numerous other factors, such as fractious relations in the workplace and the price of steel. It is not the purpose of this thesis to dispute work in these areas. However, there is also ample evidence demonstrating that management and government were inclined to prevent the collapse of the industry in the face of overseas competition from 1960 onwards and create a series of action plans to arrest the industry's decline. The central contention of this thesis is that the relationships and interactions between management and government in negotiating schemes of industrial rationalisation exacerbated the conditions of competitive disadvantage into the causes of a full-blown industrial decline. This thesis, by using extensive research into government and corporate archives, will synthesize disparate themes into a cohesive theoretical structure, illuminating the rôle of government in the decline of British shipbuilding. The following chapter demonstrates that shipbuilding in this period acted as an indicator to the causes and consequences discussed in the wider 'declinist' literature that has evolved in the past 25 years and demonstrates the relevance of contemporary governance arrangements and how this thesis contributes to a much wider set of arguments than those dealing with shipbuilding alone.

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[3] Johnman, L. & Murphy, H. *British Shipbuilding and the State since 1918* (Exeter University Press: Exeter, 2002), p. 101.
[4] *Lloyds Register of Shipping: Annual Report*, 1950-1981 and *Fairplay,* 1970-1980

The literature on shipbuilding focuses on the technological, institutional and political reasons for the industry's decline. The technological view, argues that British shipyards failed to modernise and increase productivity compared to those in Japan, West Germany and Sweden.[5] The institutional view is that British institutional arrangements and relationships were fractious when compared to arrangements found in overseas competitors.[6] The political economy analysis states that governmental failures exacerbated the problems of the shipbuilding industry and did not address the industry's concerns.[7] In addition to the themes mentioned above others, such as Atkinson, Burton, Slaven and Todd, have written a number of works on the industry.[8] Additionally, shipbuilding as a subject attracts the attention of enthusiasts of maritime history and as such is the subject of a wide variety of publications dealing with the history of the industry as a whole during specific epochs and of individual yards, which were famous in their time.[9]

The contemporary analysis of the British shipbuilding industry started in the 1990s with the work of Edward Lorenz and Bo Sträth into the decline of British shipbuilding in comparison to overseas competitors. Both emphasised the slow, creeping way in which British methods of ship manufacture became technologically less advanced than competitor nations, particularly Sweden and Japan. Lorenz focussed on the rationalisation of production and manufacturing technology, which reinforces catch-up and reconstruction arguments by stating that the post-war rebirth of the West German and Japanese shipbuilders benefited from a completely new set of infrastructure replacing one that had been destroyed as a consequence of bombing in World War Two. [10] Lorenz also places emphasis on an overall low level of technical competency in the UK industry and lack of systematic planning and control by management and employees of the shipyards.[11] The crux of Lorenz's argument is that shipyard management and labour in the UK could not

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[5] Lorenz, *Economic Decline in Britain,* pp. 1-23.
[6] Sträth, B. *The Politics of De-industrialisation: The Contraction of the West European Shipbuilding Industry* (Croom Helm: London, 1987).
[7] Johnman & Murphy, *British Shipbuilding,* p. 98.
[8] Atkinson, R. *The Development and Decline of British Shipbuilding* (1999), Burton, A. *The Rise and Fall of British Shipbuilding* (1994), Slaven, A 'Marketing Opportunities and Marketing Practices: The Eclipse of British Shipbuilding 1957-1976', *From Wheel House to Counting House: Essays in Maritime Business History in Honour of Professor Peter Neville Davies* (Memorial University Press: St John's, 1992) and Todd, D. *Industrial Dislocation: The Case of Global Shipbuilding* (1991).
[9] For example, Walker, F.M *Song of the Clyde: A History of Clyde Shipbuilding* (1984), Reid, J.M. *James Lithgow, Master at Work* (1964), Pickard, T. *We Build Ships* (1989), Parker, G. *At The Sharp End! A Shipbuilding Autobiography* (Glasgow, 1992), Hollett, D. *Men of Iron: The Story of Cammell Laird Shipbuilders*, 1823-1991 (Birkenhead, 1992), Johnston, I. *Breadmore Built: The Rise and Fall of a Clyde Shipyard* (Clydebank, 1993) and finally Johnston, I. *Ships for a Nation, 1847 - 1971: John Brown & Company, Clydebank* (West Dumbartonshire, 2000).
[10] Lorenz, *Economic Decline in Britain*, p. 81.
[11] Lorenz, *Economic Decline in Britain,* pp. 82 - 83.

effectively comprehend the changing global situation and, therefore, were unable to modify production methods and planning until it was too late.[12] However, Lorenz neglects the subject of this thesis, the rôle of government as an agent of economic decline.

Sträth's work reinforces Lorenz, but has a much wider emphasis on the rôle of institutional relationships between management, government and unions. Sträth compared European tripartite bargaining systems in shipbuilding in an attempt to produce a comprehensive theory of the political and social interactions generated by the closure of an industry.[13] Sträth argues that during periods of industrial uncertainty, unions and managers take the strongest bargaining position for their interests because of a threat to their very existence.[14] However, Sträth emphasises that major differences exist between nations in their union/management relations and consequently it is these differences that created different levels of growth.[15] In terms of the UK industry, Sträth stresses that demarcation in the early period of post-war growth as restricting the development of higher productivity and the use of modern equipment.[16]

Johnman and Murphy have developed a large body of work dealing with the UK shipbuilding industry in the twentieth century.[17] In recent years, a Johnman-Murphy position has developed, namely that government failure was responsible for the decline of the British shipbuilding industry since 1945.[18] Both authors broadly agree with the views held by Lorenz and Sträth; they place heavy emphasis on management failing to guide the industry successfully since 1945 and government failing to provide the correct plan of action when intervening in the industry from the late 1960s onwards.[19] Whilst there is plentiful archival evidence to support this position, this thesis disputes the Johnman-Murphy view by arguing that it is questionable whether management or government could

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[12] Lorenz, *Economic Decline in Britain,* pp. 72 – 122.
[13] Sträth, *The Politics*, p. 220.
[14] Sträth, *The Politics*, p. 225.
[15] Sträth, *The Politics*, pp. 227 - 237.
[16] Sträth, *The Politics*, pp. 116 - 154.
[17] See Johnman, L. 'The Shipbuilding Industry', *Labour Governments and Private Industry: The Experience of 1945-51*, (Edinburgh, 1992), Johnman, L. 'Old Attitudes and New Technology: British Shipbuilding 1845-1965', *Fruitta del Mare: Evolution and Revolution in the 19th and 20th Centuries,* (Amsterdam, 1998). Johnman, L. ' Internationalisation and the Collapse of British Shipbuilding, 1945-1965', *Global Markets: The Internationalisation of the Sea Transport Industries Since 1850* (St John's, 1998). Johnman, L. *British Shipbuilding and the State* (Glasgow, 1998), Johnman, L. & Murphy, H. 'A Very British Institution! A Study in Under Capitalisation: The Role of the Ship Mortgage Finance Company in Post-Delivery Credit Financing in British Shipbuilding, 1951 - 1967', *Financial History Review*, 6 (1999), Johnman, L. & Murphy, H. 'A Triumph of Failure: The British Shipbuilding Industry and the Offshore Structures Market, 1960 - 1990' *International Journal of Maritime History* (2002).
[18] Johnman and Murphy, *British Shipbuilding*, pp 94-190.
[19] Johnman and Murphy, *British Shipbuilding*, p 190.

have developed alternative strategies at the time, or that they were aware of developments in other nations. Indeed, even if they were (contemporary trade journals suggests a cognisance of developments in shipping and shipbuilding overseas[20]), there is very little suggestion by Johnman and Murphy as to how business strategies at odds with contemporary thinking in shipbuilding industries located in Japan and Scandinavia were created.[21]

In addition to the authors mentioned above, there are a number of older and less influential studies.[22] Slaven wrote a number of works on shipbuilding in the1980s and 90s, producing two essays that analysed the failure of British shipbuilding as an industry. Slaven states that British shipyards did not relate to the market for shipping in the same way as European and Japanese yards and in effect, this led to, in his words, '...a failure of marketing'.[23] Therefore, whilst Slaven mentions the lack of industrial modernisation, standardisation and productivity increases, he also states that informal systems of relating to the market for shipping by UK yards (developed during the period of British global hegemony in shipping and shipbuilding) were inadequate for modern methods of procurement.[24] This led to overseas shipbuilders gaining the initiative, with standardised vessels offered to all clients, reducing the need for extensive negotiations concerning product development.[25]

The literature on shipbuilding highlights various factors, specifically the influence of the state, businesses and special interest groups on development of policy. All feature in the general literature on the post-war decline of the UK and the British shipbuilding industry is contextualised by this literature and the wider political decisions taken in Whitehall and Westminster between 1945 and 1979. Consequently, the historiography of shipbuilding sits alongside the literature dealing with government industrial policy in the 1960s, which is intertwined with the wider body of literature detailing the industrial decline of the United Kingdom. In the case of the United Kingdom, by the 1960s economic growth annually was at a lower rate when compared with competitor nations such as Germany and Japan and the perception that diminishing economic power would lead to the

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[20] The trade journal, *The Motorship* (Reed Business Publishing) had many reports on specific developments between 1960 & 1975.
[21] Johnman and Murphy, *British Shipbuilding*, p 191 - 215.
[22] Hogwood, B.W. *Government and Shipbuilding: The Politics of Industrial Change* (Saxon House: Farnborough, 1979).
[23] Slaven, 'Marketing Opportunity', p. 139.
[24] Ibid.
[25] MacDonald, M. Scottish Shipbuilding and the Australian Market, 1901-1971, Unpublished Masters Dissertation, University of Glasgow, 2007.

end of global influence for the United Kingdom became rife from the mid 1950s onwards.[26] Many dispute that the UK was experiencing economic decline from 1945 to 1973. Recent literature argues that although the United Kingdom had slower growth than competitor nations in this period, in no way did this represent the nation's terminal economic decline.[27] Indeed, whilst manufacturing industry was facing a relative and an absolute decline in many instances, industries based on services were growing and contributing a larger share to GDP. For example, whilst the average growth rate for GNP and industrial output in the United Kingdom per annum between 1950 and 1979 was 5.56% and 2.69% respectively, when compared to 13.75% and 11.95% for Japan and 9.78% and 6.04% for West Germany, this was a much slower level of economic growth.[28] As the following tables 1.1 and 1.2 illustrate, Britain was undergoing a relative decline as many other nations were growing much faster in this period:

[26] Supple, B. 'Fear of failing: economic history and the decline of Britain' *Economic History Review,* 47:3 (1994), pp 441 – 458 and Tomlinson, J. 'Inventing 'decline': the falling behind of the British economy in the post-war years' *Economic History Review*, 49: 4 (1996), pp 731 – 757.
[27] Booth, A. 'The Manufacturing Failure Hypothesis and the performance of British industry during the long boom', *Economic History Review*, 56:1 (2003), pp. 2-6.
[28] *Annual Abstract of Statistics* [United Kingdom], (HMSO: London, 1946-80).

Table 1.1: Annual percentage growth in Gross National Product (GNP) for selected economies, 1950-1973 (adjusted for inflation and currency fluctuations)

	UK	Japan	FDR	USA	France
1950	3.70	16.94	n/a	10.71	15.77
1951	3.00	22.27	11.89	7.29	12.45
1952	7.14	10.94	11.01	3.56	13.51
1953	6.26	10.32	6.36	4.24	2.76
1954	4.27	9.23	6.15	-0.63	4.73
1955	5.45	7.69	11.16	6.60	4.70
1956	4.43	8.35	5.87	1.90	7.21
1957	2.45	9.36	4.72	1.81	-11.03
1958	1.72	1.61	4.54	-1.03	11.16
1959	4.05	9.89	7.11	6.78	-7.50
1960	4.44	15.40	9.00	2.44	6.74
1961	6.45	18.15	17.92	2.49	7.12
1962	2.95	11.15	7.21	5.77	9.43
1963	5.28	11.70	4.78	4.35	9.95
1964	6.25	13.37	7.56	5.04	8.29
1965	6.24	8.93	6.54	6.27	5.45
1966	1.75	11.21	3.26	6.06	4.82
1967	2.37	11.88	-1.65	2.44	4.31
1968	-13.00	12.47	4.13	4.66	3.65
1969	0.28	11.11	7.60	2.80	3.65
1970	4.55	10.78	13.87	0.14	-0.55
1971	9.93	7.29	9.31	3.14	5.87
1972	8.92	20.56	12.87	5.17	15.21
1973	7.26	22.26	21.31	5.90	18.22
Mean	**4.18**	**12.73**	**8.75**	**4.26**	**6.78**

Source: United Nations Statistical Yearbook / Department of Economic and Social Affairs, Statistics Division (United Nations Statistical Office, New York, 1946-1980)

Table 1.2: Annual percentage growth in industrial output for selected economies, 1950-1973

	UK	Japan	FDR	USA	France
1950	3.83	20.51	23.68	13.51	10.08
1951	2.86	40.43	17.14	9.33	13.33
1952	-1.39	7.58	9.76	2.44	0.00
1953	5.63	21.13	6.67	7.14	1.96
1954	5.33	9.30	12.50	-3.33	9.62
1955	5.06	6.38	16.67	10.34	12.28
1956	0.00	23.08	7.94	7.29	7.81
1957	2.41	18.75	4.41	-0.97	8.70
1958	-1.18	0.00	2.82	-1.96	2.67
1959	4.76	21.05	8.22	7.00	1.30
1960	7.95	21.74	11.39	1.87	8.97
1961	1.05	21.43	5.68	3.67	5.88
1962	1.04	5.88	4.30	8.85	5.56
1963	3.09	11.11	3.09	6.50	5.26
1964	8.00	17.50	10.00	9.16	7.00
1965	3.70	4.26	5.45	10.49	1.87
1966	0.89	12.24	0.86	6.33	6.42
1967	0.88	20.00	-2.56	2.38	2.59
1968	5.26	15.15	9.65	6.98	3.36
1969	2.50	15.79	12.80	5.98	10.57
1970	0.81	13.64	6.38	-1.03	6.62
1971	0.81	3.00	2.00	6.22	6.90
1972	1.60	6.80	3.92	3.90	5.16
1973	8.66	15.45	6.92	11.74	7.36
Mean	**2.69**	**11.95**	**6.04**	**4.78**	**5.27**

Source: United Nations Statistical Yearbook/Department of Economic and Social Affairs, Statistics Division (United Nations Statistical Office, New York, 1946-1980)

The literature on the role of institutions in the decline of British manufacturing plays an important function in determining the theoretical framework for this research and the literature on the decline of British shipbuilding as well as the decline of UK industrial base shares many common interpretations and themes. Consequently, the recent academic debates on British economic and industrial performance in this period are highly relevant in developing a contextual historiography for this thesis.

The debates of the past thirty years were initiated by the work of Mancur Olson and Moses Abramovitz in the 1980s. Both Olson and Abramovitz deal with separate aspects of decline, that of industries and nations respectively. This thesis argues that there is scope for a synthesis with more contemporary declinist literature and consequently a brief discussion of both authors work is important to the literature review. Abramovitz argued that business entities adapt to changing circumstances and decline and grow at different rates at different times. On the surface this conflicts with the Olsonian view that decline (specifically applied to nation states) is absolute and intrinsically bound up with institutional arrangements. Nonetheless, in the period 1945-79 entire industries collapsed in advanced nations despite efforts to adapt to change and consequently the Abramovitz position of competitive advantage when qualified by Olson can explain much about the absolute decline of industries in the United Kingdom during this period. The current debates in this area focus upon whether the United Kingdom was in a period of economic decline, relative decline or was in fact undergoing a period of growth during the 'Golden Age' of economic development between 1945 and 1973. These debates can be traced to the work of Bacon and Eltis, who in the mid 1970s produced a book on the seemingly rapid decline of the British economy.[29] These authors saw British economic growth being limited by an ever--increasing state sector demanding a larger and larger share of national resources and income.[30] This affected the British economy in two ways, in creating an increased demand upon industry and commerce to service the state sector and removing resources away (either through nationalisation or a growing state sector) from the market sector into areas with lower productivity and output. In particular, Bacon and Eltis highlighted the affects that increasing public employment and ownership had on inflation and the balance of payments in the 1960 and 70s and argue that this created a cycle of recession leading to increased government spending.[31]

The Bacon and Eltis argument was supercharged by the publication in 1986 of a series of case studies on British industries brought together by Elbaum and Lazonick.[32] Their thesis differs from that of Bacon and Eltis in that the focus is on the nature of industrial organisation rather than the rôle of government. Elbaum and Lazonick put forward four propositions (described by Kirby as being based upon the American corporate model presented by Chandler[33]) based on a synthesis of the common themes found in the case studies.[34] These were the small size of UK companies in comparison to competitors in the US and Europe, a highly unionised workforce, an over reliance on competitive

[29] Bacon, R. & Eltis, W. *Britain's Economic Problem: Too Few Producers* (Macmillan: London, 1976).
[30] Bacon and Eltis, *Britain's Economic Problem*, pp. 28 – 31.
[31] Bacon and Eltis, *Britain's Economic Problem*, pp. 92 – 116.
[32] Elbaum, B. & Lazonick, W. *The Decline of the British Economy* (Oxford, 1986)
[33] Kirby, M.W. Institutional rigidities and economic decline: reflections on the British experience, *Economic History Review*, XLV-4 (1992), pp. 637 – 660. See also, Chandler, A. *The Visible Hand: The Managerial Revolution in American Business*, (Cambridge-MA, 1977).
[34] In particular, Lazonick's, The Cotton Industry (pp. 18-50), Lorenz, Edwards & Wilkinson's. The Shipbuilding Industry (pp. 109-134), 1880-1965, Lewchuk's, The Motor Vehicle Industry (pp. 135-161) and Peter Hall's, The State and Economic Decline (pp. 266 – 302).

practices to define corporate goals and finally a lack of vertical integration and planning.[35] Whilst critics argue that the Elbaum and Lazonick text is too focussed on an American (i.e. Chandlerian) corporate perspective, it does illustrate the detrimental effect of the government-management relationship upon industrial development.[36] In recent years there has been an ongoing debate between proponents of the declinist view, Stephen Broadberry and Nicholas Crafts, and the opinion of Alan Booth that no decline was evident in this period and that British industry was undergoing a period of growth.[37] The Broadberry-Crafts hypothesis states that the inherent characteristics of the relationship between management, labour and government (from 1945 onwards) led to low industrial productivity and as a result produced slower rates of economic growth in comparison to competitor nations by around one percent per annum Secondly, with an already developed industrial base and lacking a pool of agricultural labour to recruit into manufacturing, the UK did not have the same scope for growth that West Germany or Japan did after 1945. Finally, Broadberry and Crafts state that government efforts at increasing productivity and producing supply side improvements failed because of the poor information, analysis, planning and execution of planned schemes of economic intervention. [38] Furthermore, they argue that the post war consensus in the United Kingdom compounded a situation whereby outdated UK manufacturing plant and training were not renewed in the 1950s because of the potential for industrial strife.[39]

Alan Booth, however, has developed an alternative view.[40] In conjunction with Melling and Dartmann, Booth produced a critical analysis that builds upon Olson's thesis that, 'politically stable societies tend to accumulate collective interest groups over time' which questioned some of the wider propositions of the declinists.[41] Booth and his co-authors stated that the study of institutional arrangement alone cannot predict productivity

[35] Elbaum, B. & Lazonick, W. *The Decline of the British Economy*, An Institutional Perspective on the British decline, pp. 1-17.
[36] See Kirby, 'Institutional rigidities', pp. 17-20.
[37] Booth, A. 'The manufacturing failure hypothesis and the performance of British industry during the long boom', *Economic History Review,* 56 (2003) pp. 1-33, Broadberry, S.N. *The Productivity Race: British Manufacturing in International Perspective, 1850-1990* (CUP: Cambridge, 1997), Broadberry, S.N. & Crafts, N. 'UK Productivity Performance from 1950 to 1979: a Restatement of the Broadberry-Crafts View', *Economic History Review*, 56 (2003) pp. 718-735.
[38] Broadberry, S.N. & Crafts, N. 'British Economic Policy and Industrial Performance in the Early Post-War Period', *Business History*, 38:4, pp. 65-91.
[39]Broadberry, & Crafts. *British Economic Policy*, p 83, Broadberry, *Productivity…*, p. 408 – 414 and Broadberry, S.N. & Crafts, N. 'The Post-War Settlement: Not Such a Good Bargain After All', Business History, 40: 2 (1998), pp. 73 – 79.
[40] Booth, A., Melling, J. & Dartmann, C. 'Institutions and Economic Growth: The Politics of Productivity in West Germany, Sweden and the United Kingdom, 1945-1955', *The Journal of Economic History*, 57:2 (1997), pp. 416 – 443.
[41] Booth et al, 'Economic Growth', p. 417.

outcomes and consequently academics must take cultural, political and economic differences into account as well.[42] In recent years, Booth has challenged the Broadberry-Crafts hypothesis.[43] Booth now promotes a reinterpretation of the Broadberry-Crafts hypothesis by stating that the concept of the United Kingdom's economic decline has a long cultural and academic history.[44] Indeed, Booth cites work by Tomlinson and Supple describing an obsession with the economic decline in British academic, government and media circles since the mid 1850s, even when the United Kingdom was the dominant hegemonic power.[45] The core of Booth's argument is that whilst British manufacturing productivity could have been higher during the long boom, to argue that it could have been at the same levels as in nations undergoing heavy post-war reconstruction and that it was a symptom of unproductive small British plants in comparison to more productive large plants is false. Manufacturing was important, but it was not the only sector within the British economy and Broadberry and Crafts have paid scant attention to other sectors such as services.[46] Booth emphasised that the British economy did experience growth between 1950 and 1973 and while heavy industries were declining, other sectors were experiencing reasonable levels of growth.[47] However, most important for this thesis is the assertion by Booth that, 'No one questions the usefulness of 'flexible specialisation' and 'Fordism' to describe production processes of individual companies, but it is difficult to understand how they can be 'scaled up' to describe national production systems and the assumption that US manufacturing was characterised by large plant and British by small has no empirical foundation'.[48] This is crucial to keep in mind when comparing British shipbuilders to those in other nations.

The declinist paradigm has developed over a number of decades is critical to this thesis, but whilst the core assertions of the declinist literature are relevant to contemporary debates, in the case of shipbuilding there is an added layer of government policy making that influenced the industry's demise. Consequently, a discussion of the 'governance'

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[42] Booth et al, 'Economic Growth', pp. 435-437.
[43] Booth, A. 'Britain in the 1950s: A Keynesian Managed Economy' *History of Political Economy*, 33:2 (2001), pp. 283 -313.
[44] Booth, A. 'The Manufacturing Failure Hypothesis and the performance of British industry during the long boom', *Economic History Review*, 56:1 (2003), pp. 2-6.
[45] Supple, B. 'Fear of failing: economic history and the decline of Britain' *Economic History Review,* 47:3 (1994), pp. 441 – 458 and Tomlinson, J. 'Inventing 'decline': the falling behind of the British economy in the post-war years' *Economic History Review*, 49: 4 (1996), pp. 731 – 757.
[46] Booth, The Manufacturing failure, pp. 6 – 15. Broadberry and Crafts produced a defence of their position in response to Booth's assertions published in the fall of 2003, see Broadberry, S.N. and Crafts, N.F,R., 'UK Productivity performance from 1950 to 1979: a restatement of the Broadberry-Crafts view.' *Economic History Review*, 56:4 (2003) pp. 718 – 735.
[47] Booth, 'The Manufacturing failure', p. 23 – 26.
[48] Booth, 'The Manufacturing failure', p. 29.

literature that has evolved in the past 15 years is essential before demonstrating the rôle of specific government shipbuilding policies in the period 1945-1977. Indeed, the period from the end of the Second World War in 1945 until the election of the Conservative government in 1979 has been described as a period of consensus in the UK, and in most industrialised nations. This period was also characterised by a high level of state involvement in the economy, which took many forms, not least nationalisation, planning and the provision of a welfare state, but the level of state involvement depended on the government in power and the wider circumstances of the time. This section will show that British governments across this period were heavily involved in developing economic and industrial policies. While this varied in level and intensity depending on whether a Conservative or Labour government was in power, on more than one occasion over the course of 35 years governments intervened in the affairs of the economy and individual companies. However, there was often a gap between the intentions of governments and the impact of their policies, and consequently to assess the rôle of the state we need to consider the development of political agendas as a significant influence.

The development of an interventionist stance by the Labour party in owes as much to the policy deliberations of the Labour Party in the 1930s as to the development of centralised government machinery under Attlee. However, if the influences behind Labour's policy up to 1964 are broken down, three distinct interest groups are at the fore of decision-making, starting with the membership of the Labour party, (from general members to politicians to unions) playing its part by providing the diorama upon which certain policy themes evolved. Indeed, in the 1960s the movement away from nationalisation to the promotion of scientific management reflected the prevailing zeitgeist of the day, which was also reflected in the flirtation with planning by the Conservatives in the late 1950s and 60s (after attempting laissez faire economics under the Chancellorship of Peter Thorneycroft), which created a series of bodies to deal with problems of low industrial and productivity growth, starting with the British Productivity Council in 1957 (which grew out of the Anglo-American Council on Productivity) and culminating with the tripartite National Economic Development Council (NEDC) in 1962.[49] Following the same theme, the relationship between academia, the Labour Party and government is important in comprehending the development of a Keynesian paradigm after 1945, reflecting the influence not just of Keynes but also the influence of academics, such as Nicholas Kaldor

[49] Ringe, A. & Rollings, N. 'Responding to relative decline: the creation of the NEDC', *Economic History Review*, 53 (2000), pp. 331-353.

at Cambridge.[50] Whilst an influential formal relationship existed between government and academia, the informal environment is important in illustrating the propagation of ideas to the decision-making classes, defining the prevailing economic orthodoxy of the time. Indeed, as Hennessey has demonstrated this went hand in hand with the development of a large civil service with wide ranging powers during the Second World War that was perpetuated by Attlee and the Conservatives. In the context of developing policies that advocated and recognised the rôle of state intervention as an economic mechanism, the existence of state machinery able to enact programmes from day one of a Labour election victory is a powerful factor.[51] The relationship between the civil service and academia, on the one hand, and academia and the Labour Party, on the other acted, as an axis upon which policies of industrial intervention and scientific economic management travelled and in 1964 this came to the fore.

One way to connect the literature shipbuilding and work on the rôle of government in the economic decline of the UK is through the work of Hugh Pemberton who advocates the use of 'policy networks' as a way of understanding the interactions behind government policy in the 1960s and as an alternative to traditional models of governance based on the 'Westminster System'.[52] This thesis benefits from the use of Pemberton's ideas, not least because they provide a mechanism to analyse how the relationship between the state, shipbuilders and other interest groups shaped national policy towards shipbuilding. Pemberton argues that whilst the policy network model of Rhodes (which is described as 'sets of interacting and interdependent organisations operating within the power dependency network') has had a modicum of success in defining five sets of networks that interact with one another both formally and informally: Policy Communities; Professional;

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[50] Galbraith, J.K. Nicholas Kaldor Remembered, in Nell, E.J. & Semmler, W. (edit) *Nicholas Kaldor and Mainstream Economics: Confrontation and Convergence?* (Macmillan, London, 1991) pp.48 – 52, Dell, S. Kaldor on International Economic Policy in Nell & Semmler, *Nicholas Kaldor*, pp. 571-576, Nell, E Capitalism, Socialism and Effective Demand in Nell & Semmler, *Nicholas Kaldor,* pp. 577-612 and Thirlwall, A.P. *Grand Masters in Economics: Nicolas Kaldo*r (Wheatsheaf Books, Brighton, 1987), pp. 228-256.

[51] Hennessy, P. *Whitehall* (Secker & Warburg, London 1989), pp. 120 & 168 and Hennessy, P. 'The Whitehall Model: Career Staff support for Cabinet in Foreign Affairs', in Campbell, C.S.J and Wyszomirski, M.J. *Executive Leadership in Anglo-American Systems* (University of Pittsburgh Press, Pittsburgh, 1991), pp. 295 – 316. See also: Hennessy, P. *Cabinet* (Basil Blackwell: Oxford, 1986), Hennessy, P. Never Again: Britain 1945-1951 (Jonathan Cape: London, 1992) and Hennessy, P. *Having it so good: Britain in the 1950s* (Allen Lane: London, 2006).

[52] Pemberton, H. 'Policy Networks and Policy Learning: UK Economic Policy in the 1960s and 1970s' *Public Administration*, 78:4 (2000) pp. 771-792. See also, Marsh, D. Rhodes, R.A.W. *Policy Networks in British Government* (OUP: Oxford, 1992), Rhodes, R.A.W. 'The Hollowing out of the State', *The Political Quarterly*, 15:2 (1994), pp. 138 - 151, Rhodes, R.A.W. 'From Prime Minister to Core Executive', *Prime Minister, Cabinet and Core Executive* (Macmillan: Basingstoke, 1995), Rhodes, R.A.W, *Understanding Governance: Policy Networks, governance, reflexivity and accountability* (Buckingham, 1997) and Smith, M.J. 'Reconceptualizing the British State: Theoretical and Empirical Challenges to Central Government', *Public Administration*, 76 (1998), pp. 45 - 72.

Inter-Governmental; Producer; and Issue Networks. Rhodes' model lacks an extensive typography and has been difficult to integrate with other such models dealing with the behaviour of policy makers.[53] Pemberton therefore proposes that the Rhodes model of policy networks be integrated with work by Rosemary Taylor and Peter Hall on 'social learning', which categorised change on a series of levels.[54] To briefly summarise Hall's orders of change, first order change is the use of an existing instrument to bring about a policy change (interest rates for example). Second order change is when an existing or created function is executed either by an established or new body, transferring existing powers (interest rates from the government to the central bank) or creating new ones (environmental agencies in the 1970s and 80s). Finally, third order change is when a complete ideological paradigm shift occurs encompassing all state and non-state actors within society.[55] Consequently, the Rhodes model when modified by the Hall system would focus upon the rôle of the five policymaking networks but would make allowances for the orders of change that can occur. This thesis makes use of Pemberton's views by demonstrating the shifting rôle of actors within the policy-making process of the Wilson government upon which industrial (and therefore shipbuilding) policy was made.

Pemberton makes a number of observations concerning the essential nature of the policy-making environment in the 1950s and 1960s and how the context of policy making changed once Labour was elected in 1964.[56] For example, the economic policy regime of the Treasury in the 1950s was Keynesian in nature and reflected the influence of Robert Hall in the Economic Section of the Treasury.[57] From the late 1950s onwards, there was the development of a series of government measures not only for economic controls but also for intervention in industry, the start of the so-called 'Keynesian Plus' era.[58] However, Pemberton demonstrates that the previous regime was a reflection of policy networks existing along an academia-Whitehall axis and that the evolution of state planning as a

[53] Pemberton, 'Policy Networks', pp. 772 - 774.
[54] Pemberton, 'Policy Networks', pp. 774 - 776. See also, Hall, P.A. & Taylor, R.C.R, *Political Science* and the Three New Institutionalisms, *Political Studies*, 44(5), 1996, pp. 936-957. Hall, P. *The political power of economic ideas*, (Princeton University Press: Princeton, 1989), Hall, P. 'From Keynesianism to monetarism', *Structuring politics: Historical institutionalism in comparative analysis*, (CUP: Cambridge, 1992), Hall, P. 'Policy Paradigms, social learning and the state: the case of economic policy making in Britain', *Comparative Politics*, (April 1993) pp. 275 - 296, Hall, P. 'The role of interests, institutions and ideas in the comparative political economy of the industrialised nations', *Comparative Politics: rationality, culture and structure* (CUP: Cambridge, 1997).
[55] Pemberton, 'Policy Networks', p. 775.
[56] Pemberton, 'Policy Networks', pp. 784 – 788.
[57] Booth, 'Britain in the 1950s,' pp. 283 -313.
[58] Pemberton, H. The Keynesian-plus experiment, 1960-1966: a failed revolution. A paper given to the annual conference of the Economic History Society, University of Birmingham, 6th April 2002.

policy in the United Kingdom was part of a larger process.[59] The adoption of planning by the Conservatives in 1962, which was preceded by the creation in 1957 of the Council for Prices, Productivity and Income (CPPI) was the result of a system of feedback between government and external bodies (such as think tanks, representative institutions and the media) and is described in Hall's terms as a third order change in which the prevailing economic paradigm pursued by government shifted.[60]

Pemberton considers this situation unique to the 1960s, as in other periods of British economic history major paradigm shifts are the subject of electoral competition. The 1964 Labour manifesto, however, claimed to make a radical break with the methodologies of the previous thirteen years and whilst the Conservatives enacted economic controls, the programme proposed by Labour at the general election went much further than had been attempted previously.[61] However, recent work undertaken by Pemberton on the rôle of taxation in determining Labour's programme after 1964 has demonstrated that decision making was not well defined nor easy to trace.[62] This reflects a lack of collaboration between individuals, institutions and government and a refusal by some of these bodies to cooperate with one another (the relationship between the Treasury and the NEDC being a prime example).[63] Consequently, it is debatable whether approaches similar to those in Scandinavia and France would have been possible in the United Kingdom because the lack of defined policymaking combined with fractious relationships between separate power centres.[64] Pemberton's attempts to define decision making processes separate but coexisting with the Westminster model has demonstrated a new way of approaching the subject matter but this cannot accurately trace policy making developments during the 1950s and 60s. Indeed, the dominant view states that Attlee government implemented economic controls, but this was mostly a perpetuation of wartime controls.[65] The Labour Party manifesto for the General Election of July, 1945 pledged that the, '...whole of the national resources, in land, material and labour must be employed.' and proposed the nationalisation of what it termed the 'strategic industries' of

[59] Pemberton, 'Policy Networks', p. 785.
[60] Pemberton, 'Policy Networks', p. 788.
[61] The Labour Party, *1964 Labour Party Election Manifesto "The New Britain"* (London, 1964).
[62] Pemberton, H. 'Taxation and Labour's Modernisation Programme' *Contemporary British History*, 20:3 (2006) PP. 423 – 440.
[63] Pemberton, H. 'A Taxing Task: Combating Britain's Relative Decline in the 1960's', *Twentieth Century British History*, 12:3 (2001) pp. 354 – 375.
[64] Pemberton, 'A taxing task', pp 374 - 375.
[65] Toye, *The Labour Party*, pp 185 - 236.

coal, energy, iron and steel, and transport.[66] In addition to these measures, the government had a policy of increasing UK exports to generate foreign currency reserves.[67] Therefore, in terms of a policy network model an analysis of the rôle of the Attlee government in creating the economic framework for post-war British lends a greater understanding of the 1964 Wilson government, not least because many members of that government, served as ministers under Attlee.

Richard Toye, Neil Rollings, Jim Tomlinson, and Nick Tiratsoo have all explored the development of state intervention under Attlee, detailing the relationship between private industry and government.[68] Toye's work provides a chronological reference to the development of planning as an ideology in the Labour Party from 1918 onwards and examines the characteristics of the system of economic planning put in place by Attlee.[69] Highlighting the importance of the Keynes' *How to Pay for the War*, Toye demonstrated that the Labour Party was initially against further bureaucratic measures.[70] Nevertheless, the perpetuation of wartime controls into peacetime enabled the Attlee government to implement its aims, although whether this was the creation of a state controlled planning system is debatable. Rather, the Labour government retained wartime controls on pricing and consumption as a response to a series of economic crises in the late 1940s. The same crisis atmosphere (as well as the wider international framework of Bretton Woods) prevented Attlee from implementing a system of planning controls. Therefore, economic policy and practice in this period was in constant flux in reaction to external events.[71] Tiratsoo and Tomlinson have shown that the government was fully aware of the condition of Britain's industrial base (with outmoded equipment and a lack of capital investment), but that it lacked the powers to force improvements.[72] For the plant owners, it was simply a matter of expenditure on new capital equipment versus moderate success using existing machinery.[73] This all occurred against a background of American initiatives, loans and grants for the purposes of reconstruction and a variety of legislation aimed at improving

[66] The Labour Party, 1945 *Labour Party Election Manifesto: Let Us Face the Future: A Declaration of Labour Policy for the Consideration of the Nation* (London, 1945), p 4.
[67] ibid.
[68] Rollings, N. '"The Reichstag method of governing" The Attlee government and permanent economic controls', *Labour Governments and Private Industry: The Experience of 1945-1951* (Edinburgh, 1992) pp. 15-36, Tiratsoo, N. & Tomlinson, J. *Industrial Efficiency and State Intervention: Labour 1939-1951* (London, 1993), Toye, R. *The Labour Party and the Planned Economy, 1931-1951*, Royal Historical Society Studies in History (London, 2003).
[69] Toye, 'The Labour Party', pp. 9 -33.
[70] Toye, 'The Labour Party' p. 112.
[71] Toye, 'The Labour Party' p. 227 - 229.
[72] Tiratsoo, N. & Tomlinson, J. *Industrial Efficiency.*
[73] Tiratsoo and Tomlinson, *Industrial Efficiency*, pp 90 -110.

plant performance and productivity.[74] Both authors point out that for management and employees of industrial enterprises, productivity and production were not directly related to their day to day lives and indeed the failure of governmental efforts at improving Britain's economic performance in the 1940s was based in part on its failure to impress upon many the importance of the process.[75]

A populist counterpoint was provided by Correlli Barnett, who attributes the failure of British industry in the post-war period to measures imposed by the Attlee government. [76] His work has drawn unfavourable criticism from a number of economic historians, namely Jim Tomlinson (referring to *The Lost Victory*) and David Edgerton (on *The Audit of War*), Barnett has caused controversy not only for his view that the goals of the Attlee government to build a comprehensive welfare state whilst also continuing with global military and imperial commitments was unsustainable and has been criticised for his reliance on primary research.[77] Indeed, it is very difficult to comment upon Barnett's work without being able to refer to his detractors and this paragraph is no exception. Barnett has proposed in all his works that the policies of the post-war Labour government were the main contributory factor causing the post-war decline of the British economy. This includes state spending on the creation of a 'New Jerusalem' welfare state at the same time as preserving overseas military commitments.[78] Additionally, Barnett has criticised British industrial performance during the Second World War in comparison to that of Germany and states that without Lend-Lease Britain would have lost the war.[79] However, Barnett's work suffers from two very noticeable imbalances; it is highly polemical and based almost entirely on primary evidence. On the first count, Barnett's polemical argument that a large, centralised state machinery swallowed a disproportionate amount of resources is at odds with his criticism that the UK system lacked government controls in over areas, for example in the promotion of science or a Bismarkian system of social paternalism.[80] Secondly, whilst Barnett has more than ample archival evidence, he seldom refers to other scholars and as a result his analysis suffers from an inadequate theoretical context that hampers his interpretation of events. It is on this latter point that Barnett has received the

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[74] Tiratsoo and Tomlinson, *Industrial Efficiency*, pp 64 - 89.
[75] Tiratsoo and Tomlinson, *Industrial Efficiency*, 153 - 170.
[76] Barnett, C. *The Audit of War: The Illusion and Reality of Britain as a Great Nation*, (London, 1986), Barnett, C. *The Lost Victory: British dreams, British realities, 1945-1950*, (London, 1995), Barnett, C. *The Verdict of Peace: Britain between her yesterday and the future,* (London, 2002).
[77] Tomlinson, J. 'Correlli Barnett's History: The Case of Marshall Aid', *Twentieth Century British History*, 8:2 (1997), pp. 222 - 238, and Edgerton, D. 'The Prophet Militant and Industrial The Peculiarities of Correlli Barnett', *Twentieth Century British History,* 2:3 (1991) pp. 360-79.
[78] Barnett, *Lost Victory*, pp 167 – 228.
[79] Barnett, *Audit*, pp. 55 – 159.
[80] Barnett, *Audit*, pp. 187 – 236.

most criticism, which Tomlinson has repeatedly emphasised, particularly the extensive methodological shortcomings in *The Lost Victory* from this omission, which Edgerton is in agreement.[81] Certain assertions by Barnett, namely that investment in the UK was constrained by the need for government to spend money on infrastructure at the expense of investment does not hold up in comparison to other nations, particular West Germany, which in 1950 spent less on investment in industry and more on social provision than the UK.[82] Indeed, state expenditure on housing under Attlee, which Barnett attributes as a major drain on national resources, was cut after 1947 because of a lower than expected income for the government. Again, in 1950 the government in West Germany was spending more on housing than the UK (24% as opposed to 19% of domestic investment).[83] The discussion of Barnett's work on the Attlee governments provides a counterfactual to the argument in this thesis; whilst Barnett is critical of government and cites certain policies as playing a part in the United Kingdom's relative economic decline he does so as a lamentation of Britain's lost past, asking a number of 'what if' questions rather than studying the evidence presented. This attitude is also found in *The Audit of War*, which questions British economic performance during the Second World War in comparison to that of Germany. Edgerton has written that in many ways Barnett had merely misinterpreted much of the data concerning the UK and Germany by failing to define his terms or understand those used by others and also underestimates a number of cultural conditions and local motivations.[84] Barnett, however, is driven by polemical motivations and his work should be seen in such light.

In contrast to Barnett, many argue that policy making in the period 1945 to 1979 was constrained within the boundaries of a 'post-war consensus', which accepted a level of state regulation and control regardless of the incumbent government's political affiliation.[85] Although much of this literature focussed primarily on the Labour

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[81] Tomlinson, 'Correlli', pp. 223-227 and Edgerton, 'Peculiaritie's, p. 379. See also: Harris, J., 'Enterprise and the Welfare State: a Comparative Perspective' in O'Day, A. and Gourvish, T. (eds), *Britain Since 1945* (London, 1992), pp 39-58 and Edgerton, 'Liberal Militarism and the British State', *New Left Review,* 185 (1991), pp. 138-169.
[82] Barnett, *Lost Victory,* pp. 239 – 364, Tomlinson, 'Correlli', p. 231.
[83] Barnett, *Lost Victory*, pp. 156-163 and Tomlinson, 'Correlli', p. 231.
[84] Edgerton, Peculiarities, p. 370. Barnett's assertion fails to account for the use of slave labour by the Germans during Second World War, which allowed the German not to mobilise the female population neglects the comparative productivity of a volunteer female worker replacing a male relative in the armed forces (the British experience) with the abused, forcefully relocated and press ganged slave labourer (Barnet, Audit, pp. 143 to 158 and Edgerton, Peculiarities, p. 373). The author of this thesis was related to a number of former and murdered slave labourers during the Second World War and finds the limited view of Barnett as inaccurate as it is offensive.
[85] Kavanagh, D. 'The Post-war Concensus', *Twentieth Century British History*, 3 (1992), p. 190, Pimlott, B. 'The Myth of Census' *The Making of Britain: Echoes of Greatness,* (Basingstoke, 1988), Addison, P. *The Road to 1945* (London, 1975) and Addison, P. 'Consensus Revisited', *Twentieth Century British History*, 4 (1993) pp. 91-4.

government of 1964 to 1970, Neil Rollings provides an overview of the Conservative governments from the 1950s to the election of Labour in 1964.[86] Rollings has demonstrated that the broad use of the term 'Keynesian' to describe government fiscal and macro economic policy is mistaken and has argued that neither Labour nor the Conservatives in the period could be described as full-blooded Keynesians and both used a number of different economic approaches.[87] Indeed, whereas the Labour Party favoured the use of a number of direct and indirect economic controls and a limited use of nationalisation, the Conservatives favoured the removal of subsidies, price controls and de-nationalised the steel industry.[88] However, this did not mean that Labour intervened and the Conservatives did not; there was as much use of budgetary controls and macro-economic fine-tuning under the Conservatives as under Labour and the Conservatives also flirted with the notion of state planning with the creation of the National Economic Development Council (NEDC).[89] NEDC is of direct relevance to this work, as the body was heavily involved in laying the foundations for what became the Geddes Committee. Created in 1962 (although the idea of at least government and industry collaborating in a corporatist body was touted by the FBI in the late 1950s) it remained in place until 1992.[90] The primary purpose of the council was to develop policies to encourage economic growth, a reflection of the rôle of indicative planning in the faster growing French economy at the time. However, Ringe and Rollings demonstrate that the body had few actual powers and merely reflected the institutions represented in its composition, a continuation of the status quo ante rather than a corporatist body in the Eichengreen model.[91] This was a by-product of its birth; none of the constituent bodies entered into arrangements with the same intentions as those who proposed the body; the TUC did not want to be held responsible for government actions, government ministers did not want to have powers removed from themselves to an outside body and the Treasury lacked the initiative to make the most of the opportunity presented. Therefore, the resulting body launched that was in 1961 was much weaker than the one originally envisioned.[92]

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[86] See Rollings, R. 'British Budgetary policy 1945 - 1954: a Keynesian Revolution' *Economic History Review*, 41:2 (1988), pp. 283 - 298, Rollings, R. 'Poor Mr Butskell: A short life wrecked by Schizophrenia' *Twentieth Century British History,* 5:2 (1994) pp. 183-205.
[87] Rollings, 'Poor Mr Butskell', p 203.
[88] Rollings, 'Poor Mr Butskell', p 195 and 202.
[89] Ringe, A. & Rollings, N. 'Responding to relative decline: the creation of the NEDC', *Economic History Review*, 53 (2000), pp. 331-353,
[90] When the government of John Major disbanded it.
[91] Ringe and Rollings, Responding to relative decline, p. 348. See also, Eichengreen, B Institutions and economic growth after World War II, in Crafts, N. & Toniolo (ed) *Economic Growth in Europe since 1945* (Cambridge University Press, Cambridge, 1986).
[92] Ringe and Rollings, 'Responding to relative decline', p. 338, p. 341, p. 344 and p. 347.

It is important to note that accounts of the period after 1951 stress the retention of some economic controls by the Conservatives and the retention of most nationalised industries. The systems put in place by Labour did not remain unaltered, rather, the Conservatives attempted a programme of liberalisation but retained an underlying belief in the rôle of the state in the economy; be it through macro economic adjustments or subsidies. Indeed, from 1961 onwards the same government flirted with a form of centralised planning and centralised policy making that comprised of all the main economic actors. Ringe and Rollings demonstrate this differed from the earlier Labour policies and had taken a distinct Conservative form. This point is of vital importance when discussing the literature concerning the Conservative government of the 1950s and its relationship with industry, and has formed the basis for additional work on this subject.[93] Tomlinson and Tiratsoo also demonstrate that the government had an active rôle in developing the economy in the 1950s.[94] Despite the Treasury's flirting with restricting expenditure and an 'acceptable' level of unemployment under Thorneycroft between 1957 and 1958, the Conservative party favoured state sponsored solutions to growing economic problems.[95] These covered a number of areas, not least employment, training, R & D and regional development, despite concerns about unsustainable government expenditure, particularly for defence and agriculture.[96] However, Tomlinson points out that the Conservative party lacked coherence and direction in the 1950s and did not understand the political and economic benefits of improved housing, healthcare and education for economic growth (preferring to see these as 'social benefits').[97] Consequently, due to the TUC, FBI and Whitehall creating institutional barriers to economic 'modernisation' and a lack of a coherent strategy, the economic agenda of Conservative governments in the 1950s and early 1960s did not go to the same lengths in enlarging state participation as either the Attlee or Wilson governments.[98]

The Labour Party manifesto for the 1964 general election, under the banner of a 'New Britain' promised to introduce reforms aimed at modernising Britain's industrial

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[93] Wood, S. 'Why 'Indicative Planning' Failed: British industry and the formation of the National Economic Development Council (1960-64)', *Twentieth Century British History*, 11:4 (2000), pp. 431-459.
[94] Tomlinson, J. Tiratsoo, N. *The Conservatives and Industrial Efficiency 1951 - 1964: Thirteen wasted years*, (London, 2002) and Tomlinson, J 'Conservative modernisation, 1960-1964: Too little, too late?' *Contemporary British History*, 11:3 (1997), pp 18 - 38. See also, Booth, A. 'Inflation, Expectations and the political economy of Conservative Britain, 1951 - 1964', *The Historical Journal*, 43:3 (2000) pp. 827 - 847.
[95] Tomlinson, 'Conservative Modernisation', pp. 19 - 21.
[96] Tomlinson, 'Conservative Modernisation', p. 26.
[97] Tomlinson, 'Conservative Modernisation', p. 27.
[98] Tomlinson, 'Conservative Modernisation',, p. 34.

base through the use of new technology.[99] The primary intention of the Labour Party was to introduce a series of planning measures, setting goals for industry and creating economic growth based on a programme of industrial expansion.[100] Recent work by Tomlinson on the economic policy of this government illustrates many of the underlying themes of this research, in particular the continued development of a manufacturing policy by the Labour party to solve the United Kingdom's balance of trade problems.[101] This thesis shows that Labour attempted to use planning, industrial intervention and state funding to deal with the low capital investment and productivity in British industry. Results were mixed because of the failure of the government to adjust economic reality and the effect of continual external crises on the British economy.[102] For example, the Wilson government intended to use planning techniques and intervention to improve the productivity, output and growth rate of the British economy. The stated goal of the Department of Economic Affairs under George Brown was for a 25% rise in GDP between 1965 and 1970 utilising the National Plan, which represented a mixture of indicative and state planning.[103] However, the actual growth rate was 21%. Tomlinson demonstrates, the plan had two major flaws from its conception. First, the plan demanded certain outcomes without providing any details as to how to do this and second, the five-year time frame of its existence was susceptible to changing circumstances. By the time of the fiscal belt-tightening of 1966 and the subsequent devaluation of 1967, the plan, and the DEA were ignored by government and industry.[104] Nevertheless, despite the failure of a nationwide economic plan the rôle of regional planning as a policy of the Wilson government should not be discounted as it became more central to economic life than either the DEA or the National Plan. The efforts by government to preserve industrial infrastructure in peripheral areas, such as the North East, Scotland and Wales, and to create investment in new plants away from traditional areas created many projects, which were funded by subsidies that had a profound effect on capital investment in certain areas.[105]

Productivity was another recurrent theme for governments after 1945 and particularly for the Wilson government, which intended to address the low productivity rate of the United Kingdom in comparison with competitors.[106] The favoured solution was

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[99] Labour Party, 'General Election Manifesto 1964', p. 1.
[100] Labour Party, 'General Election Manifesto 1964', p. 2-5.
[101] Tomlinson, J. *The Labour Governments 1964-1970: Economic Policy* (Manchester, 2002).
[102] Tomlinson, J. 'The Labour Party and the Capitalist Firm, c. *1950 – 1970', The Historical Journal*, 47:3 (2004) pp. 685 - 708.
[103] The National Plan, Cmnd 2764 (HMSO, 1965)
[104] Tomlinson, *The Labour Governments*, pp. 75 - 85.
[105] Tomlinson, *The Labour Governments*, pp. 85 – 89.
[106] Tomlinson, *The Labour Governments*, pp. 173 - 188.

for an expanding use of technology within the economy, modernising traditional industries and promoting newer industrial sectors, such as computing. This created a symbiotic relationship between the government's policies on modernisation and productivity growth with the consequence that institutions and plans for one invariably had an effect on the other.[107] The institutional arrangements favoured by Wilson followed a two-strand approach, that of the all-encompassing ministry and the government body mandated to perform a specific task, the examples in this thesis being the Ministry of Technology and the Shipbuilding Industry Board. Nevertheless, it must be emphasised that the relationship between agencies and ministries was loosely defined and there were examples of overlapping responsibilities or even ministries overriding and marginalising the delegated body.[108] Indeed, this made the stated goal of bodies such as the Industrial Reorganisation Committee harder. Whilst mandated to rationalise disparate companies into larger entities, its work suffered from protracted negotiations that more often than not left the same industrial structure as before in place under a new corporate identity.[109] Tomlinson states that, whilst a number of Wilson's ideas reflected best practice and the soundest possible policy for industry, the government itself was constrained in its actions by intransigence from labour, management and the City, but also an internal lack of coordination and cooperation between competing government departments.[110]

The view that the economic policies of the Wilson government were a cause of the United Kingdom's economic problems in the 1960s is contested by the work of O'Hara, which contradicts many of the positions put forward by Tomlinson (although O'Hara is in agreement with Tomlinson on many points).[111] O'Hara states that the 'stop-go' cycles of growth were of concern to companies in the United Kingdom that desired stability but that these were a global reality for all companies. In the case of a country like Japan (which was highly dependent on the flow of imported resources and exported products), the swings from growth to recession were much sharper than those felt by the UK. O'Hara points out that the measures used by the UK government up to 1964 had some success in mitigating the effects of changes in the global economic environment.[112] What is important

[107] ibid.
[108] Tomlinson, *The Labour Governments*, pp. 101 - 112.
[109] Tomlinson, *The Labour Governments*, pp. 109 - 112. See also, Hague, D. & Wilkinson, G., *and 'The IRC - An Experiment in Industrial Intervention'* (London, 1983).
[110] Tomlinson*, The Labour Governments*, pp. 219 - 233.
[111] O'Hara, G. ' The Limits of US Power: Transatlantic Financial Diplomacy Under the Johnson and Wilson administrations, October 1964 - November 1968', *Contemporary European History*, 12 (2003), 'A Journey Without Maps: The Regional Policies of the 1964 - 70 British Labour Government' *Regional Studies*, 39:9 (2005) pp. 1183 - 1195.
[112] O'Hara, G, 'Dynamic, Exciting, Thrilling', p. 384.

for the study of the Wilson Labour governments is O'Hara's notion that the desire to impose methods of scientific control over the economy replaced the previous Labour Party commitment to nationalisation. Indeed, Wilson was influenced by the notion of 'technostructure' put forward by J.K. Galbraith in which the interests of capital no longer mattered in modern corporations as they grew and evolved under the aegis of an impartial and scientific management class, which made 'atomistic' companies competing between themselves irrelevant and consequently government would be in a position to direct and plan commercial efforts.[113] Therefore, the conversion to planning and central control by government from the early 1960s onwards owes less to party ideology and more to the zeitgeist of the day. Nevertheless, the failure of planning and state control in this period is not attributed by O'Hara to the measures and institutions set up by the government, rather the Wilson government's lack of comprehension about the underlying global economy and its affects on the United Kingdom.[114] O'Hara and Tomlinson agree about external economic constraints placed on the UK by changes in the terms of trade, the weakening US dollar and a policy commitment to preserve the Sterling zone. Therefore, the economic plans of the government were overwhelmed by external events.[115] O'Hara states that productivity and GDP growth had grown in the late 1960s faster than in any other period in British history and therefore the first two Wilson governments did not fail; rather both were constrained by the global economic context of the 1960s.[116] O'Hara's argument is persuasive; the narrative of the international economy in the 1960s is one of predicament followed by crisis combined with failed initiatives to remedy the causes of economic strife.[117]

Tomlinson and O'Hara's accounts are complemented by Edgerton's work on the technology policies of the Wilson government and the United Kingdom in general.[118] Edgerton's work on the Ministry of Technology, complements articles by Richard Coopey in the early 1990s dealing with the effects of Wilson's 'White Heat of Technology' and therefore a discussion of his work must occur before examining Edgerton's in more

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113 ibid, p. 385. See also Galbraith, J.K. *The New Industrial State*, (Macmillan, London, 2003), which itself is based upon Burnham, J. *The Managerial Revolution: What is Happening in the World* (John Day, 1941) Jeffersonian would be a better term to use than atomistic.
114 ibid, pp. 386 - 391.
115 ibid. pp. 391 - 395 and Tomlinson, *The Labour Governments*, pp. 49-67.
116 O'Hara, 'Dynamic, Exciting, Thrilling', p.397.
117 O'Hara, 'The Limits of US Power', pp. 260 - 268
118 Edgerton, D. 'The 'White Heat' revisited: the British government and technology in the 1960's', *Twentieth Century British History*, 7 (1996) pp. 53-82 and Edgerton, D. *Science, Technology and the British Industrial 'Decline', 1870-1970* (Cambridge, 1996).

depth.[119] Starting from an introductory piece for *Contemporary Record* in 1991, Coopey developed a series of articles dealing with the Ministry of Technology (Mintech) from 1966 onwards. Coopey focused on the structure of Mintech, the split between research and industrial functions and how these developed under the aegis of Tony Benn as Minister for Technology from 1966 onwards. The work starts by tracing the development of Mintech from 1966 rather than 1964, as the Ministry was smaller under Cousins as minister, who had to create a Ministry from scratch whilst undertaking reviews of industrial sectors.[120] From 1966 onwards Mintech started to absorb a number of other ministries and by 1970 had encompassed responsibility for almost all the nationalised industries, government assistance for private industry, research and development and the diffusion of technology from research establishments to commercial uses.[121] However, Mintech also inherited many large industrial projects of unknown commercial potential, such as the Concorde airliner (commenced under the previous Conservative government) and the Advanced Gas Cooled Reactor (AGR), which swallowed up large amounts of government funding and took up all of the Ministry's time. Coopey emphasises these projects as a causal factor in the failure of government industrial policy in the 1960s, but within a context of an obsession with creating larger firms and industrial units to compete with those in the United States, even as developments in Japan and West Germany suggested that plants smaller than the 'American Standard' were coming to the fore.[122]

Edgerton promotes the notion that Mintech made matters worse for British industry, and research and development (R&D) in the 1960s when compared to the previous decade. Indeed, in Edgerton view, 'Great Britain was, without doubt, the scientific and technological powerhouse of Western Europe: research and development spending, whether industrially funded, or government funded, was significantly higher than in any capitalist country other than the USA.'[123] As Edgerton demonstrates, Labour cut expenditure when coming into office, cancelling military programmes and whilst civilian research and development increased, military R&D spending decreased by a much larger amount.[124] The rationale behind these decisions was a belief that state spending on

[119] Coopey, R. 'The White Heat of Scientific Revolution' *Contemporary Record,* 5 (1991) pp. 115-127 and Coopey, R. 'Industrial Policy in the white heat of scientific revolution' *The Wilson Governments 1964-1970* (London, 1993) pp 102-2 and Coopey, R. 'Restructuring Civil and Military Science and Technology: The Ministry of Technology in the 1960s', *Defence Science and Technology: Adjusting to change* (London, 1993).
[120] Coopey, 'The White Heat', p. 119.
[121] Coopey, 'The White Heat', p. 122 – 123.
[122] Coopey, 'The White Heat,' p 123 – 127.
[123] Edgerton, 'The 'White Heat' Revisited', p. 53.
[124] Edgerton, 'The 'White Heat' Revisited'. pp. 59 – 65.

technology and industry should be moved into the civilian rather than military sector of the economy (which was one of the main tenets of the famous ‘White Heat of Technology’ speech) to improve Britain’s industrial base, balance of payments and terms of trade[125] However, a recurrent theme of Edgerton’s work is the rôle of the state as an agent of change in the technical development of British industry from before the Second World War up to the early 1970s. Indeed, two of his main texts emphasise that the state played an important part in the development of new technologies, specifically the aviation and computer industries. The main contention of these works is that, whilst Britain had a much larger expenditure on defence procurement and development in the 1950s and 1960s compared to France, West Germany and Japan, this military industrial spending also contributed to the wider economy and helped develop new civilian technologies.[126] In his recent book, Edgerton had re-evaluated the notion that all encompassing ministries were created during the Second World War and instead emphasises the creation of a number of British research laboratories after the First War and during the 1930s as part of the development of state-guided military industrial research. He also takes aim at the common perception that the Senior Civil Service was populated by classically trained generalists and presents evidence suggesting that most of the government-led research establishments were populated by highly trained scientific specialists.[127] Edgerton therefore states that there was a symbiotic relationship between government departments such as the Ministry of Supply and Aviation and the wider economy in the 1950s, which was poorly understood by the incoming Wilson government in 1964.[128] Whilst a number of military projects continued, defence spending was cut and although some money was channelled into civilian projects (such as Concorde), spending on civilian projects (whilst three times higher in 1970 than it was in 1964) was nowhere near the same as the amount lost on military projects. Moreover, the UK now purchased many munitions from the United States despite efforts to develop a European defence infrastructure in response to those who lamented the American domination of high technology manufacture. [129] The work of Jon Agar both reinforces Edgerton’s work whilst also providing a counterpoint to some of his points; Agar in much of his work still promotes the idea of the civil service generalist at

[125] Edgerton, ‘The ‘White Heat’ Revisited’, pp. 55 – 58.
[126] See, Edgerton, D. *England and the aeroplane: an essay on a militant and technological nation* (Macmillan, London, 1991).
[127] Edgerton, D. *Warfare State: Britain, 1920-1970* (Cambridge University Press, Cambridge, 2006).
[128] Edgerton, ‘The ‘White Heat’ Revisited’, pp. 65 - 69.
[129] Servan-Schreiber, J.J. *The American Challenge* (Hamish Hamilton, London 1968) and Layton, C. *European Advanced Technology: A programme for integration* (George Allen, London, 1969).

the heart of the bureaucracy, to whom Edgerton scientific specialist refers was ultimately subordinate.[130]

However, where Edgerton's work is of importance to this thesis, however, is not just the government intervention in research and development or defence and aviation, but in the wider industrial economy. This is best emphasised by the Industrial Expansion Act (1968), which gave government extensive powers to finance industrial schemes using government funding and was the Ministry of Technology's major contribution to legislation.[131] This Act represented a shift in the government attitude towards state funding of industry, moving away from promoting research and development in preference to expanding industrial output. Edgerton promotes the idea of the 'misallocation model' to sum up the attitude of the Wilson government towards science and industry. In short, Wilson believed that far too many resources were channelled into defence and pure scientific research to the detriment of overall economic and industrial performance. However, even with a massive increase in government spending on civilian R&D and the promotion of individual projects by Mintech, there was no guarantee that this would have any effect on industrial performance. Edgerton sums up his view by stating that whilst Wilson may have came to power using the rhetoric of Britain as a nation undergoing industrial and technological decline, the opposite was actually true. The United Kingdom was second only to the United States in research and development expenditure in 1960 and had a higher GDP than either West Germany or Japan. However, by 1970 those nations not only out-produced the UK but also spent more on R&D.[132] This is not to attribute blame to Wilson's administration, but rather to demonstrate that the image presented in 1964 of a technically backward United Kingdom is and was misleading and that the use of technology to arrest Britain's decline was not the panacea it promised to be.

Labour lost the 1970 election to the Conservatives under Edward Heath and then won again in 1974 under Wilson. However, this thesis primarily deals with policy developments under the guidance of the two Wilson governments of the 1960s. In both case studies in the thesis (Scott Lithgow in Scotland and Harland and Wolff in Northern Ireland) the events overlap with the Conservative and Labour governments of the early to mid 1970s. This section will only have a brief discussion of both governments for two

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[130] Agar, J. *The Government machine: A Revolutionary History of the Computer* (The MIT Press, Cambridge, Mass), pp. 45- 74. See also, *Agar, J. Turing and the Universal Machine: The Making of the Modern Computer* (Icon: Cambridge, 2001) and Agar, J. 'What happened in the sixties?' *British Journal for the History of Science*, (2008)41(4), pp.567-600.
[131] Edgerton, 'The 'White Heat' Revisited', pp. 69 – 73.
[132] Edgerton, 'The 'White Heat' Revisited', pp. 76 – 82.

reasons; as yet there has not been the same level of scholarly enquiry into the subject as the governments of the 1960s and secondly, because the study of these governments are only a small component of the overall thesis. The following will briefly outline the developments of the period 1970 to 1975 and explain the motivations behind both governments, relying not only upon scholarly texts, but also first hand accounts of the period.[133]

In June 1970 Heath won the general election and ended up as Prime Minister with a 31-seat majority.[134] The 1970 manifesto (known as the Selsdon Park manifesto after the hotel in which its designers met in 1969) proposed a programme of liberalisation and once in government, Heath promised less government intervention, more efficient government, tax reform, a reduction of trade union influence and joining the European Economic Community (EEC) to boost Britain's trade.[135] In the October budget of 1970, Heath's government had proposed reviewing subsidies, winding up the Shipbuilding Industries Board, the Industrial Reorganisation Committee and the Land Commission, and ending the planning controls implemented by the previous Labour government. However, as with the preceding Labour government of the 1960s, Heath's administration was plagued by a series of external events and constraints starting with inflation caused by the demise of the Bretton Woods system in 1971, which was following by the 1973 OPEC oil shock and ending with the miner's strikes of 1974.[136] The switch from promoting a laissez faire system of capitalism to state intervention along corporatist lines became apparent after a year in government. Upon their election, the Conservatives championed deregulation and the end of planning controls, proposing the return of companies such as Lunn-Poly, Thomas Cook and Carlisle Breweries to the private sector, and refused a bridging loan to the Mersey docks & Harbours Board (a private company) that was agreed with the previous government.[137] Within a year, however, the potential failure of a number of large industrial companies forced the government to intervene directly into the economy, nationalising Upper Clyde Shipbuilders and Rolls Royce aero engines after they had

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[133] In particular, a number of political biographies and diaries have been helpful. Namely: Heath, E. *The Course of My Life: My Autobiography* (Hodder & Staughton, London, 1998), Callaghan, J. *Time and Chance*. (Collins, London, 1987), Morgan, K.O. *Callaghan: A Life*. (Oxford University Press, Oxford, 1997), Healey, D. *The Time of My Life* (Penguin, London, 1989), Benn, A.W. *Against the Tide: Diaries, 1973-77*, (Arrow Books, London, 1990), Benn, A.W. *Conflicts of Interest: Diaries, 1977-80*, (Arrow Books, London, 1991) to name but only a small sample.

[134] Craig, F. W. S. *British electoral facts, 1832-1987* (Macmillan, London, 1989).

[135] Cairncross, A. 'The Heath Government and the British Economy', in *The Heath Government: A Reappraisal,* ed. by Ball, S and Seldon, A. (Longman: London, 1996), p. 107.

[136] Cairncross, 'British Economy', p. 131 and Holmes, M. *The Failure of the Heath Government*, (Macmillian, London, 1987 -2nd edit 1997) pp. 102 – 126.

[137] Taylor, R. The Heath Government industrial policy and the new capitalism, in *The Heath Government: A Reappraisal,* ed. by Ball, S and Seldon, A. (Longman: London, 1996), pp. 139-160.

become bankrupt.[138] A more notable u-turn came with the Industry Act of 1972, which promoted the rôle of government in funding industry through loans and shareholdings on a case-by-case basis and completely contradicted the earlier aims of the Heath Government, which justified its actions on the grounds of 'national interest'.[139] Many of these actions can be attributed to the particular characteristics of Heath's prime ministership; he was known to exercise rigid control over his cabinet and was wont to change his mind often. In the view of Martin Holmes, it is the combination of these factors that created the Conservatives fluxing policy environment of the early 1970s.[140] Many also attributed a certain petulant character to Heath, who after experiencing continued problems in Northern Ireland decided to hold an early election in the spring of 1974 (after less than 4 years in office) asking the question, 'Who Governs?'[141] The answer given by the British public was, 'not you, Mr. Heath' and the Labour party under Harold Wilson returned to office, albeit as a minority government.[142]

During its period of opposition, the Labour party had shifted dramatically to the left. However, there was not uniformity between the party's politicians and membership, the shift to the left was driven more by the agitation of the party's membership by senior politicians at conference. At the forefront of these efforts was Tony Benn (the aforementioned Anthony Wedgwood Benn - formerly 2nd Viscount Stansgate - announced on the BBC in October that he wished to be simply called Tony Benn) who was elected Labour Party chairman in 1972 and at the 1973 party conference proposed a motion calling for the wholesale nationalisation of Britain's industrial base, which was subsequently passed by the delegates.[143] Indeed, Benn had spent his time in opposition developing a number of socialist industrial policies through the aegis of his personal think tank, the Institute for Workers' Control, that recommended the creation of a system of Soviet style five-year-plans, joint worker management control in factories and nationalisation.[144] Once back in power, however, the realities of being a minority government during a time of industrial and economic strife hit home and, whilst the manifesto commitments put forward by Labour were not as extreme as those proposed by Benn, the government could

[138] Taylor, Industrial Policy, p. 156 and Heath, *The Course of My Life,* pp. 339 – 42 & pp. 346 – 8.
[139] Taylor, Industrial Policy, p. 152 & p. 158 and Holmes, *The failure*, pp. 48 – 55.
[140] Holmes, *The Failure*, pp. 127 – 133.
[141] Campbell, J. *Edward Heath: A Biography* (1994), pp 598 – 622 and Holmes, *The Failure*, pp. 102 – 126.
[142] Craig, *British electoral facts,* p. 72.
[143] Lewis, R. *Tony Benn: A Critical Biography* (Associated Business Pres: London, 1978), p. 113 & pp 121 – 122.
[144] These include: Benn, A.W., Greensdale, W. & Others. *Workers' Control: How far can the structure meet our demands*? (Institute of Workers' Control: Nottingham, 1973) Benn, A.W. & Morrett, A. *A Ten Year Industrial Plan for Britain*, (Institute of Workers Control: Nottingham, 1973).

not impose non-consensus policies nor ideology because of its initial lack of a majority (and after October 1974) a wafer thin one.[145] The Wilson government continued in a crisis atmosphere until 1976. During this time, whilst the government had made peace with the miners and had some success in reducing the number of stoppages, the economy still faced a substantial number of industrial bankruptcies.[146] At the same time Wilson did not have the mandate nor the political will to cut out or reform the poorly performing sections of the economy as he feared not only the consequences of mass unemployment but also the realistic potential for a backbench rebellion in his own party.[147] Wilson achieved little during his second term as Prime Minister and retired just after his sixtieth birthday. In the ensuing leadership contest, Benn came ran a high profile campaign promoting an even further move to left, but after a short election campaign Jim Callaghan, Chancellor of the Exchequer, became the next Prime Minister.[148]

Callaghan did not represent a great change from Wilson; the government still having to deal with a series of economic crises and its small majority in parliament. In terms of the first problem, Callaghan was a prominent member of the Fabian Society and was committed to nationalisation, but the government only managed one large-scale nationalisation (the aircraft and shipbuilding industries in 1977) and was hindered by having to borrow money from the IMF in 1976 to deal with balance of payments problems.[149] The aforementioned nationalisation was controversial even within the Labour Party and therefore was very difficult to get though Parliament; once the legislation had passed the House of Commons the House of Lords invariably refused to vote in its favour and the government had to use the Parliament Acts (1911 & 1949) to have the measure placed on the statute book. To attempt a measure of stability in Parliament, Callaghan curried favour with nationalist parties from Scotland and Wales and entered into an agreement in 1977 with Liberal MPs for their support in Parliament during a no-confidence

[145] Donoughue, B. *Prime Minister: The conduct of policy under Harold Wilson and James Callaghan*, (Jonathan Cape: London, 1987), p. 54.
[146] The list of companies included: Alfred Herbert Ltd, Burmah Oil, Ferranti, Aston Martin, Harland and Wolff, Chrysler UK and British Leyland. Donoughue, *Prime Minister*, p. 53.
[147] Donoughue, *Prime Minister*, p. 54.
[148] During the election, Benn campaigned for the restriction of imports, centralised industrial planning and investment, the nationalisation of the whole of British industry, joint decision making between management and labour in the workplace and an extension of MPs powers at the expense of the executive. See also, Benn, A.W. *A New Course for Labour*, (Institute of Workers' Control: Nottingham, 1976), and Benn, A.W *The Industrial Context, in The New Workers Co-operatives* ed. by Coates, K. (Institute of Workers Control: Nottingham, 1976).
[149] Callaghan, J. *Challenges and Opportunities for British Foreign Policy* (Fabian Society: London, 1976).

vote.[150] Callaghan did have some success with inflation, Northern Ireland and foreign policy, but overall his majority was such that the task of governing was undermined by the need to retain control of Parliament and avoid an election, something that Callaghan managed to do well as the Labour government served the full five years of its parliamentary term until its demise in 1979.

The historiography of post-war government in the United Kingdom up to 1979 describes a series of administrations that had reforming goals but were thwarted by the realities of declining imperial power faced with the steady erosion of its industrial and economic base in the face of overseas competition. From Attlee through to Callaghan all governments had to deal with current account problems and changing terms of trade, which limited their ability to implement manifesto pledges and produced an environment that was conducive to the continuation of the post-war status quo. Governments proposed and attempted economic reforms, not least the Wilson governments of the late 1960s with the implementation of strategic planning and the attempted economic liberalisation of the Heath government in the early 1970s, but these attempts failed for a multitude of reasons, not least the global environment of the late 1960s and early 1970s and the repeated opposition sectional interests in the UK. However, the national diorama was not the only arena in which policy developments were played in this period and accounts reviewed thus far have only focused on the rôle of central government. Therefore, as this thesis shows with the case studies of Harland and Wolff in Belfast and Scott Lithgow in Scotland, the rôle of regional and devolved government in Scotland and Northern Ireland deserves fuller attention, particularly as the policy network approach extends beyond centralised decision making. This provides an important comparison with the political context of Northern Ireland and its devolved legislative process, illustrating the central argument of this thesis that the context of government decision-making acted as an agent of decline in the shipbuilding industry. The following details developments in Scotland and Northern Ireland from the creation of devolved administrations in the 1880s through to the widening of local powers from 1945 onwards to the major development of democratic movements and change in the 1970s.

During the 1940s and 1950s, the Gross Domestic Product of Scotland declined as a proportion of the United Kingdom total from 9.3 percent of the UK total in 1951, to 8.7

[150] The Lib-Lab pact led to the adoption of some Liberal policies and the need for SNP and Plaid Cymru support led to the Kilbrandon Commission and referendums on devolved government in those nations. See Conroy, H. Jim Callaghan (Haus: London, 2006).

percent in 1960.[151] The situation had improved from the middle of the 1960s onwards but by 1979 Scottish per capita GDP had fallen to 82.3 percent of the UK figure and unemployment and de-industrialisation disproportionately affected Scotland more during the 1970s than the rest of the UK.[152] Correspondingly, the number of unemployed in Scotland rose from 3.6 percent to 8.0 percent in 1979, compared to a rise from 1.7 percent to 5.8 percent for the UK overall.[153] Between 1950 and 1979 the Scottish economy mostly lagged behind the United Kingdom, but manufacturing remained an important employer and contracted slower than in the rest of the UK. Nevertheless, by 1979 the service industry was the largest employer in Scotland, employing 59 percent of the workforce and in proportion with the rest of the UK.[154]

As a counterweight to the real (and perceived) inequality between Scotland and the rest of the United Kingdom, per capita government spending was higher in Scotland. From the foundation of the Scottish Office in 1885 until 1945, the formula used to calculate the block allocation of government resources to Scotland was called the 'Goschen Formula' (after the Chancellor of the Exchequer at time who calculated Scotland's share of United Kingdom GDP as in 11 percent 1885).[155] However, as the economic fortunes of Scotland waned during the 1920s and 1930s this figure no longer represented the true relationship between Scotland and the United Kingdom. In 1948 the Attlee Labour government introduced a system of negotiation between the Scottish Office and central government to determine the size of Scotland's annual block allocation of resources. Scotland still received a larger allocation than the rest of the UK and the incumbent Secretary of State for Scotland tended to bargain over Scotland's share of large national infrastructure projects.[156] Consequently, the government approved a series of controversially large Scottish budgets and so in (to avert further criticism) Westminster introduced the Barnett formula in 1978 (named after the Chief Secretary of the Treasury), which allocated resources to Scotland, England and Wales on a ratio of 10/85/5 respectively.[157] Northern Ireland, being still technically (although not in actuality) self-governing, received income

[151] Buxton, N 'The Scottish Economy, 1945 - 79: Performance, Structure and Problems' in *The Economic Development of Modern Scotland*, Saville, R. (Edinburgh: John Donald Publishers Ltd, 1985) p. 52.
[152] MacKenzie, N and Ross, D, 'Administrative Leadership in Post-War Economic Policy in Scotland', Conference Paper, University of Athens, Athens 2007 and Peat, J. & Boyle, S. *An Illustrated Guide to the Scottish Economy*, (London, 1999), p. 11.
[153] MacKenzie & Ross, Administrative Leadership, Peat & Boyle, *Guide to the Scottish Economy*, p. 11. and Buxton, 'The Scottish Economy', p. 58.
[154] Buxton, 'The Scottish Economy', p. 62.
[155] Lee, C.H *Scotland and the United Kingdom: The Economy and the Union in the Twentieth Century*, (Manchester, Manchester University Press, 1995) p. 161 and Mitchell, J. *Governing Scotland: The Invention of Administrative Devolution*, (Basingstoke, 2003) pp. 149 – 181.
[156] Lee, *Scotland and the United Kingdom*, p. 161 and Mitchell, *Governing Scotland*, pp. 149 – 181.
[157] Lee, *Scotland and the United Kingdom*, p. 135.

in direction proportion to the tax collected in the province, minus obligations to the UK government.[158]

From the Treaty of Union in 1707, the political context of the Scottish remained different from that of England and Wales, but since the creation of the Scottish Office in 1885 the country had undergone a process of ever increasing administrative devolution.[159] From its inception under Gladstone, the primary responsibility of the Scottish Office was public education and appointed boards ran the majority of the remaining government functions.[160] Reflecting the separate judicial system north of the border, the Scottish Office assumed control of law and order in 1887 and over the course of the following 4 decades the office gained responsibility over more areas until 1939, when it took over the appointed boards' responsibilities. At this point, the Scottish Office had four departments dealing with agriculture, health, education and home affairs.[161] In 1945, the Attlee government gave the Scottish Office additional responsibilities for planning and certain economic functions.[162]

During the 1950s the economic focus was on both foreign direct investment (FDI) and the development of industry, based upon a number of Scottish Council (Development and Industry) reports.[163] From 1957 under the aegis of Jack Maclay, the Scottish Office was instrumental in developing many new industries (such as electronics and vehicle manufacture), which were not traditionally part of the Scottish industrial base.[164] Notable examples were the location of large nuclear power-plants at Chapelcross and Dounreay, automobile plants based in Bathgate and Linwood, a strip steel mill in Ravenscraig, and finally a large paper-mill near the Highland city of Fort William.[165] However, because of this focus on foreign direct investment and new industry, the Scottish Officer all but ignored older industries, particularly the subject of this thesis, shipbuilding. In 1963, building upon the recommendations of the Toothill Report, the creation of the Scottish Development Department (SDD) introduced both indicative and centralised planning to

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[158] Ibid.
[159] Finlay, R.J., *A Partnership for Good: Scottish Politics and the Union since 1880*, (Edinburgh, 1997), pp. 44 - 45 and Mitchell, *Governing Scotland*, pp. 11 – 28.
[160] Lee, *Scotland and the United Kingdom*, p. 158.
[161] Lee, *Scotland and the United Kingdom,* p.159.
[162] P. Abercrombie and R.H.Mathew, *The Clyde Valley Plan 1946,* (Edinburgh, 1949).
[163] Scottish Council (Development and Industry*)*, *Report of the Panel on the Export Trade of Scotland*, (Edinburgh, 1948) and *Local Development in Scotlan*d (Edinburgh, 1952).
[164] Randall, J.N. 'New Towns and New Industries', in *The Economic Development of Modern Scotland 1950 - 1980* ed. by Saville, R (Edinburgh, 1985), pp. 254 – 258.
[165] MacKenzie, N. Chucking Buns Across The Fence? Governmental Planning and Regeneration Projects in the Scottish Highland Economy, 1945-82, unpublished PhD Thesis, University of Glasgow, 2007.

coordinate the economic development of separate industries in Scotland.[166] With the election of a Labour administration in 1964, the SDD further enhanced its responsibilities with the creation of the Scottish Economic Planning Board and in 1965 developed a wider corporatist body encompassing all government departments, the Scottish Economic Planning Council (SEPC).[167] This reflected government policy found in the Industrial Development Act (1966) to promote Development Areas in impoverished regions, which applied to most of Scotland during its rapid industrial decline.[168] The appointment of Willie Ross as the Secretary of State for Scotland led to an increased advocacy rôle for the Scottish Office and he succeeded in persuading the national government to base large scale projects in Scotland.[169] In the 1960s, FDI increased by almost 70 percent as a number of large North American multinationals opened their European factories and offices in Scotland.[170] However, some argue that the methods of Ross, whilst promoting of Scottish interests at a national level, hindered the survival of established industries and lead to a focus on large industrial schemes rather than developing existing companies.[171]

In 1973, an important change occurred under the Heath Conservative government. In the context of the exponential growth of the North Sea oil industry and the high profile failure of companies in 1971 (such as Upper Clyde Shipbuilders and Rolls Royce Aero Engines) the government created a fifth branch of Scottish Office, the Scottish Economic Planning Department, to promote growth and inward investment.[172] Empowered by the Industry Act (1972), the new department had a wide range of responsibilities and used grants and tax allowances to promote industrial investment.[173] Indeed, the government could have gone further. In 1968 Heath expressed publicly in a speech in Perth the desire

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[166] McCrone, G. 'The Role of Government', in *The Economic Development of Modern Scotland 1950 - 1980* ed. by Saville, R. (Edinburgh, 1985) p. 203, Scottish Council (Development and Industry), *Inquiry into the Scottish Economy: Report of a committee appointed by the Scottish Council (Development and Industry) under the chairmanship of J.N. Toothill Esq C.B.E*, (Edinburgh, 1963) and Levitt, I. The Origins of the Scottish Development Department, *Scottish Affairs*, 14 (Winter, 1996).
[167] McCrone, 'The Role of Government', pp. 203 - 205.
[168] Buxton, N 'The Scottish Economy, 1945 - 79: Performance, Structure and Problems' in *The Economic Development of Modern Scotland*, ed. by Saville, R. (Edinburgh, 1985) p. 69.
[169] MacKenzie, N. 'Chucking buns across the fence': Government sponsored industry development in the Scottish Highlands, 1945-81.' Conference Paper, European Business History Association, Copenhagen, September 2006.
[170] Knox, W. & McKinlay, A. 'Working for the Yankee Dollar: American Inward Investment and Scottish Labour, 1945 - 70', *Historical Studies in Industrial Relations*, (1999), pp. 3 - 9 and Hargrave, A. *Silicon Glen: Reality or Illusion: A global view of high technology in Scotland*, (Edinburgh, 1985) pp. 22 – 43.
[171] Pottinger, G. *The Secretaries of State for Scotland 1926 - 76*. (Edinburgh, 1979) p. 167 & 175 and Finlay, *A Partnership for Good*, p. 147.
[172] Lee, *Scotland and the United Kingdom*, p. 161 and Harvie, C. *No Gods and Precious Few Heroes,* (London, 1981) pp. 168 – 160.
[173] MacCrone, Role of Government, pp. 206 - 207. The act allowed for a 100% tax allowance for the renewal of plant and machinery and grants for direct investment in developed and special developed areas of 20 and 22 percent of the project cost respectively, with the overall aim of increasing industrial growth and investment.

for Scottish devolution, and appointing the Kilbrandon Commission that recommended in 1973 the creation of a Scottish assembly. [174] However, the OPEC oil crisis and coal miners' strikes of late 1973 and early 1974 followed by the loss of a general election by Heath superseded any plans for devolution in Scotland.

The Labour governments of 1974 to1979 also had a devolution policy, but the main development in Scotland in this period rested in the economic sphere with a massive increase in powers for the newly created Scottish Planning Department. Yet again the official policy was to promote foreign direct investment to counter the demise of traditional industries by promoting labour intensive modern factories.[175] As a result of this emphasis on Scotland's economic problems and related social conditions, the Labour government founded the Scottish Development Agency (SDA), which assumed all responsibility for inward investment, industrial governance, urban renewal, and the development of North Sea oil.[176] By 1979, the Scottish Economic Planning Department had responsibility for nearly all economic functions, from industry and the Scottish Office had increased its powers to include a planning and coordinating function, playing a pre-eminent rôle in developing new industries and managing the decline of the old. Nevertheless, despite the development of wide-ranging planning and economic powers, very rarely did the Scottish Office influence the development of shipbuilding policy or indeed the shipbuilding industry. This was down to two important reasons: a prevailing paradigm within the Scottish Office of replacing older, established industries with newer high tech ones overshadowed legacy industries, with the result that the government spent many millions of pounds on new industrial projects with dubious longevity and secondly when individual shipyards failed (such as Fairfields in 1965 and UCS in 1971) the rescue and development of the industry invariably happened on a national level, from the Geddes Report and Shipbuilding Industry Board to the eventual nationalisation of the industry in 1977.[177] The Scottish Office was involved in national decisions, but the main interface between Whitehall and Edinburgh was at a political level in the form of Willie Ross in cabinet and numerous Scottish ministers and members of parliament at a lower legislative level.

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[174] Finlay, *A Partnership for Good*, p. 149.
[175] Scottish Council (Industry and Development), *The Changing Pattern of Industry and Employment - Scotland's Future: Proceeds of the international forum of the Scottish Council meeting in Aviemore*, 19th & 20th October 1972, (Edinburgh, 1972) and Scottish Council (Industry and Development), *Review of the Industrial Situation in Scotland*, (Edinburgh, 1977).
[176] Lee, *Scotland and the United Kingdom*, p. 172.
[177] Johnman, L. & Murphy, H. *British Shipbuilding and the State since 1918: A Political Economy of Decline,* (Exeter, 2002).

This contrasts sharply with developments in Northern Ireland, where the devolved local parliament and government assisted the local shipyard, Harland and Wolff. Indeed, in the late 1960s local politicians in Northern Ireland worked actively with the Shipbuilding Industry Board in developing a reconstruction programme for the shipyard. This was not the case for Scott Lithgow in Scotland, whilst the country had a devolved administrative structure politically controlled from London, the Secretary of State for Scotland held powers akin to a colonial Viceroy, able to use the prerogative organs of state to enact policy. Whilst the Scottish Office was rarely directly involved with Scott Lithgow in this period, it is relevant in light of the local political context, particularly in comparison with the later chapters in this thesis concerning Harland and Wolff and the Northern Irish Government.

Northern Ireland was created in 1921 as a bastion of pro-union Protestants carved into the northern corner of Ireland. For the first thirty years of its existence the population was predominately Unionist in opinion and pro-British in outlook but was never homogenous, with Roman Catholics a substantial minority and the Protestant community split along Presbyterian and Episcopal lines. Indeed, it is important to emphasise that the religious composition of Northern Ireland, whilst following a crude Catholic/Protestant split, is actually more complex than the dichotomy suggests. In the 1961 census, Roman Catholics comprised 34.9 percent of the population of Northern Ireland, with members of the Anglican Church of Ireland, Presbyterian Church and Methodist denomination making up a further 29, 24.2 and 4 percent respectively and minor protestant groups or non-Christian religions comprising the final 2 percent of the population.[178] Therefore, whilst conventional political wisdom states that the Roman Catholic population of Northern Ireland should be the predominant group, the majority protestant population is heterogeneous and only came together in the 1920s through a shared allegiance to the United Kingdom and opposition to a unified Irish state. In 1921 they formed the Ulster Unionist Party, which dominated Northern Irish politics from the inception of Stormont in 1921 to its eventual demise in 1972.[179]

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[178] *Census 1961: Great Britain. General report,* (HMSO, 1968) and Cunningham, M.J. *British Government Policy in Northern Ireland 1969 - 89: Its nature and execution, (Manchester, 1991) pp. 1 - 22 and Wallace, M. Northern Ireland: 50 years of Self-Government* (Newton Abbot, 1970), pp. 27 – 61.

[179] Walker, G. *A History of the Ulster Unionist Party: Protest, pragmatism and pessimism* (Manchester, 2004), pp. 87 – 138.

From Northern Ireland's inception, the Ulster Unionist Party forced an intense programme of entrenchment, (labelled by the majority of commentators as 'Protestant Triumphalism') onto Northern Irish political landscape to guarantee Protestant hegemony. This happened by basing Northern Ireland on the six counties in the north of Ireland with the largest Protestant population (65 percent Protestant as opposed to the nine counties of the traditional province of Ulster that had a smaller Protestant majority of 55 percent) and progressively excluded the Roman Catholic population from local government and Stormont by changing the electoral system and franchise. From the foundation of Northern Ireland, a rolling programme replaced proportional representation and Single Transferable Vote (STV) with First Past The Post (FPTP), and electoral boundaries were gerrymandered to favour the Protestant population and guarantee a Unionist majority in Stormont.[180] Despite substantial differences existing between the Presbyterian, industrial working class and the Church of Ireland 'Anglo-Irish' establishment, the common cause of unionism and protestant entrenchment worked to unite these two groups in excluding the Catholic population from economic and political life.[181]

This was the natural conclusion of economic and demographic developments since the early 1800s. The industrialisation of Ulster was the start of the differentiation between the Catholic southern provinces of Ireland and the Protestant north and by the early part of the twentieth century over 95 percent of the employees in engineering and manufacturing in Belfast, (particular shipbuilding) were from a Presbyterian protestant background.[182] Indeed, the rapid creation of a linen industry in Ulster from 1820 boosted industrial economy of Northern Ireland and led to a rapid development of other types of manufacturing. At first Belfast appeared to be an unlikely candidate for rapid industrial expansion; there were no local deposits of coal or ore required for modern manufacturing. However, cheap labour with the advantage of being able to import raw materials (other than coal which had to come from the UK) from the cheapest source boosted the creation of the linen industry throughout the course of the 1800s.[183] Diversification came in the form of engineering and food processing (particularly in the field of brewing and distillation) and with a corresponding development of an advanced banking sector.[184]

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[180] Buckland, P. *A History of Northern Ireland* (Dublin, 1981) and Lyons, F.S.L *Ireland since the Famine* (London, 1972) p. 756.
[181] Wilson, T. *Ulster: Conflict and Consent* (OUP: Oxford, 1989).
[182] Tonge, J. *Northern Ireland: Conflict and Change* (Harlow, 2002) p. 9 and Farrell, M. *Northern Ireland: The Orange State* (Macmillan: London, 1980).
[183] Ollerenshaw, P. 'Industry, 1820 - 1914', in *An Economic History of Ulster, 1820 - 1940,* ed. by Kennedy, L. & Ollerenshaw, P. (Manchester University Press: Manchester, 1985), pp. 66 – 85.
[184] Ibid. pp. 86 – 101.

However, up until the end of the First World War, the economy of Northern Ireland remained strong but due to the disruption of the Irish economy after partition in 1921, the economic prospects of Northern Ireland waned and diverged greatly from the rest of the United Kingdom.[185] With an average unemployment rate of 23 percent between 1920 to 1939 and reliance upon a few large industries employing thousands, the economic downturn of the 1930s hit Northern Ireland harder than either the rest of the United Kingdom and the palliative care of government intervention (being the responsibility of Stormont as opposed to Westminster) was unforthcoming.[186]

Northern Ireland experienced the post-war economic boom and between 1950 and 1973 the economy grew at an average rate of 3.43 percent compared to a UK average rate of 3.13 percent. This became pronounced during the 1960s; the economy of Northern Ireland grew at a rate of 4.2 percent compared to a UK average of 3.5 percent and, superficially at least, the Northern Irish economy was recouping the losses of the 1920s and 1930s.[187] However, two factors are very important in explaining this growth. First, between 1950 and 1965 Harland and Wolff and Shorts Aviation Limited (the two major employers in Belfast and employing over 15 percent of Northern Ireland's working population) were heavily dependent on military expenditure and suffered losses because of the cuts in defence procurement, research and development enacted by the Labour government after 1964. Second, a series of regional development programmes initiated by Stormont between 1930 and the 1960s brought forth an influx of government grants, loan and tax breaks to encourage industrial development. For example, the New Industries Development (Northern Ireland) Act 1932 and Industries Development (Northern Ireland) Act 1945 created a variety of ways that a company based (or wishing to relocate to) Northern Ireland could claim government funds and assistance.[188] Nevertheless, public spending in Northern Ireland for the duration of the 1960s was marginally less than 98.2 percent of the UK average, although there was an exponential rise in public spending in Northern Ireland during the 1960s, rising from 88 percent of the UK figure in 1959/60 to 109 percent in 1968/1969.[189]

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[185] Johnson, D.S. 'The Northern Irish Economy, 1914 - 1939', in *An Economic History of Ulster, 1820 - 1940,* ed. by Kennedy, L. & Ollerenshaw, P. (Manchester, 1985), pp. 188 – 190.
[186] ibid. pp. 184 – 223.
[187] Brownlow, G 'Rent Seeking in Northern Ireland', *The Economic History Review*, 60:1 (2007) p. 73.
[188] Harrison, R.T. 'Industrial Development Policy' in Harris, R.I.D., Jefferson, C.W. & Spencer, J.E. (edit) *The Northern Ireland Economy: A Comparative Study in the Economic Development of a Peripheral Region*, (Harlow, 1990) pp. 87 – 88.
[189] Hewitt, V.N. 'The Public Sector', in *The Northern Ireland Economy: A Comparative Study in the Economic Development of a Peripheral Region*, ed, by Harris, R.I.D., Jefferson, C.W. & Spencer, J.E. (Harlow, 1990) p. 368.

The primary instrument of government industrial policy in Northern Ireland during the 1950s and 1960s was the Ministry of Commerce.[190] The Ministry dominated many aspects of economic life in Northern Ireland, and in the 1960s and after social security, received the second largest allocation of NI government expenditure.[191] Recent work only highlighted the close relationship between the Ulster Unionist Party and the business elite, showing that a substantial proportion of the Stormont cabinet held substantial business interests. Indeed, in a recent article, Brownlow has stated that the close relationship business, the UUP and Stormont, combined with the government policy of financial support to preserve the industry base, created a system of rent seeking in the Northern Irish economy, which guaranteed, '...that politically well-connected enterprises received grants rather than more efficient firms'.[192] The autobiography of Terrance O'Neil, Northern Irish Prime Minister from 1963 to 1969, supports Brownlow's hypothesis, as he states that he was, 'in the fortunate position of being the only member of the cabinet who had no business interests...'[193] Indeed, from 1921, the economic and business elite of Northern Ireland sitting in Stormont, (with 35.76 percent of Ulster Unionist MPs between 1921 and 1969 either owning or having directorships in large companies) were complicit in a Gramscian hegemony whereby the Anglican elite guaranteed the position of the industrial Presbyterian workforce in exchange for their support in preserving the status quo.[194] With the umbrella organisation of the Orange Order, (whose membership represented the majority of the adult male Protestant population of Northern Ireland) by the mid 1960s any challenge the unionist hegemony in Northern Ireland was unthinkable. However, a number of economic and political changes that culminated in the late 1960s threatened not only the status quo within Northern Ireland, but also the very nature of its existence. [195]

By the middle of the 1960s, with rising Protestant migration to the United Kingdom and a high Roman Catholic birth rate, pressure increased on the Northern Irish Parliament at Stormont castle to bring about the inclusion of the Roman Catholic community. Indeed, the Premiership of Terry O'Neill heralded a change in thinking about Northern Ireland's Roman Catholic population, at least within the very highest echelons of the statelet. Before

[190] Culow, R. & Teague, P. 'Governance Structures and Economic Performance' in *The Economy of Northern Ireland: Perspectives for Structural Change* ed. by Teague, P. (London, 1993) pp. 60 - 120
[191] Hewitt, 'The Public Sector', p. 368.
[192] Brownlow, 'Rent-seeking in Northern Ireland', p. 73.
[193] O'Neill, T. *The Autobiography of Terrance O'Neill*, (London, 1972) p. 50.
[194] Brownlow, G 'Rent Seeking in Northern Ireland',p. 76, see also Gramsci, A. *Selections from the Prison Notebooks of Antonio Gramsci,* edited and translated by Quintin Hoare and Geoffrey Nowell Smith, (London, 1971), p. 443.
[195] Tonge, *Conflict and Change*, pp. 101 – 103.

the appointment of O'Neill as Prime Minister in 1963, the previous incumbent (Sir Basil Brooke) remained as Prime Minister for twenty years and symbolised a period when Protestant rule in Northern Ireland was normalised and entrenched.[196] From the outset, O'Neill followed a steady programme of reforms and reconciliation with Eire to the south and with the Catholic Nationalist community in Northern Ireland. The first indication of O'Neill's intentions came with a message of condolence to Archbishop Cardinal Conway (who was based in Armagh, the traditional seat of the Roman Catholic Church in Ireland) on the death of Pope John I in June of 1963, an event which made frontline news in Northern Ireland. O'Neill also met with the Taoiseach na Eire (Prime Minister of The Republic of Ireland), Sean Lomass, who made an unannounced visited to Stormont in January 1965.[197] Many within Northern Ireland found the latter a provocative act and it signalled the rise of the firebrand Free Presbyterian Minister Ian Paisley as a political force, who staged a number of protests during the Taoiseach's visit.[198]

O'Neill believed that it was the responsibility of Stormont to ensure that the Roman Catholic population of Northern Ireland was no longer marginalised, although by believing that if Catholics were treated, '...with due consideration and kindness, they will live like Protestants'. His attitude was not entirely enlightened.[199] However, the premiership of O'Neil coincided with the rise of the civil rights movement in Northern Ireland. Discrimination stemmed from the restriction of the electoral franchise, with prejudice in private sector employment stemming from a preference for industrial investment to be in Protestant locales in eastern urban areas at the expense of the predominately western and rural Catholic population.[200] With employment in the state sector there was further discrimination, the security services actively discouraged Roman Catholic applicants, (who were seen as disloyal) and unionist controlled local authorities generally only employed Protestants. For example, in Derry in the mid 1960s, despite have a majority Roman Catholic population only, 32 of the 177 council workers came from Catholic backgrounds.[201] Furthermore, the Northern Irish Senior Civil Service employed only 46 Catholics out of a workforce of 694 that was 94 percent Protestant in its composition.[202] Unfortunately for O'Neill, his premiership coincided with a rising awareness of injustice in the Nationalist community. This led to the creation of institutions promoting civil and

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[196] Walker, G. *A History of the Ulster Unionist Party*, pp. 87 – 138.
[197] O'Neill, *Autobiography*, pp. 50 – 53.
[198] Cooke, D. *Persecuting Zeal: A Portrait of Ian Paisley (*Dingle, 1996) pp. 143 – 145.
[199] *Belfast Telegraph*, 10th May 1969.
[200] Tonge, *Conflict and Change*, p. 23.
[201] ibid.
[202] Barritt, D.P. & Carter, C.F., *The Northern Ireland Problem, (*Oxford, 1962) p. 96.

human rights for Roman Catholics, starting with the Campaign for Social Justice (CSJ) in 1964 and culminating with the creation in 1967 of an umbrella organisation for the civil rights movement, the Northern Ireland Civil Rights Association (NICRA). As Northern Ireland was created as the homeland for a radicalised Protestant minority in Ireland, many considered lobbying to improve Catholic circumstances a highly provocative act.[203]

In 1968, NICRA issued a series of demands for fair treatment that requested the full integration of the Catholic minority in the affairs of Northern Ireland. In response to the unofficial priority given to Protestants over Catholics in the allocation of public housing, NICRA organised a series of civil rights marches in August 1968. However, with increasing Protestant opposition to the civil rights movement and the threat of civil disturbance, the Stormont Home Affairs minister, William Craig used the dormant Special Powers Act (1922) to reroute and cancel marches, which the Catholic population noticed never prevented the annual Orange parades in Catholic areas.[204] NICRA and the wider Catholic community continued to oppose these measures throughout the winter of 1968 and 1969, despite a number of civil rights marches coming under attack from loyalist elements, the majority of which appeared to be off-duty members of the police reserve, the 'B' specials, which had an almost entirely Protestant membership.[205] By August 1969, and the traditional Orange marching season, the level of sectarian violence between the two communities increased to such a level that the British government ordered the Army into Northern Ireland to restore order.[206] However, misjudgements by Reginald Maudling, who took over as Conservative Home Secretary in 1970 (and who saw Northern Ireland as a part of the United Kingdom and therefore the Nationalist complaints as a security problem), led to an escalation of sectarian violence by January 1972, which is represented best in the public consciousness by the Bloody Sunday massacre in Derry during the same month.[207] London paid scant attention to the situation in Northern Ireland when these pressures were contained across the Irish Sea. However, when the social and economic problems of Northern Ireland erupted into sectarian violence that had the potential to affect the United Kingdom as a whole, the politicians in Westminster took notice. In the second half of the 1960s the situation in Northern Ireland was developing and it was not until the final years of the decade that the potential for an eruption of civil violence on an unprecedented scale influenced government economic policy in new directions.

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[203] Tonge, *Conflict and Change*, pp. 38 – 39.
[204] Special Powers (Northern Ireland) Act 1922 and Tonge, *Conflict and Change*, pp. 38 – 39.
[205] Tonge, *Conflict and Change*, pp. 38 – 39.
[206] Cunningham, *British Government Policy*, pp. 24 – 30.
[207] Boyle, K. & Hadden, T. *Northern Ireland: The Choice* (London, 1994) p. 83 and McCann, E. *Bloody Sunday in Derry: What Really Happened* (Dingle, 1992) pp. 15 – 22.

After a series of reports into the failures of the security forces in dealing with the sectarian violence (considered a whitewash by the Catholic community), London was of the opinion that the statelet was unable to govern its own affairs. As a result, on the 24th March 1972 (using a clause designed for such an eventuality in the Ireland Act 1949) the government suspended Stormont for a period of one year. To undertake the work of Stormont, the government in London established a Northern Ireland Office with a Secretary of State and a small team of ministers based in London and Belfast to oversee the administration.[208] Needless to say, the move was met with widespread Protestant condemnation, particularly as radical political parties (such as the Protestant Unionist Party, Vanguard and the Democratic Unionist Party) were gaining electoral advantage over the Ulster Unionist Party. These parties proposed a series of measures from the disenfranchisement of the Catholic population with its citizenship transferred wholesale to Eire to the independence of Northern Ireland from the United Kingdom.[209] However, the British government, unprepared to return to the old Stormont regime and institutionalise the differences between the Protestant and Catholic populations, proposed Northern Irish devolution in a 1973 white paper that emphasised the continuing sovereignty of the United Kingdom (unless Northern Ireland demanded otherwise) but stating that any devolved legislature would share executive functions between the Unionist and Nationalist communities.[210] Despite such efforts, the failure of the 1974 power-sharing executive and legislature created by the Sunningdale Agreement of 1973, (because of the non participation and intransigence of political parties from the extremes of both communities), led to London exercising two and a half decades of direct authority.[211]

The economic focus for Conservative and Labour governments in the 1970s, was to prevent the wholesale collapse of the Northern Irish economy, in the face of growing civil disturbances and an obsolete industrial infrastructure.[212] Certainly, without immediate intervention the manufacturing economy of Northern Ireland faced a sudden demise. Between 1970 and 1975, for the 52 government-supported factories that opened, 39 of a similar size shut down.[213] The Conservatives (at the time loath to recommend direct intervention in the economy) promoted a continuation of the policies of Stormont as a way of alleviating Northern Ireland's problems. This government supported the continuation

[208] Cunningham, *British Government Policy*, pp. 45 – 50.
[209] Walker, *A History of the Ulster Unionist Party*, pp. 139 -211.
[210] Cunningham, *British Government Policy*, pp. 50 – 56.
[211] Ibid.
[212] Brownlow, 'Rent-seeking in Northern Ireland', pp. 94 – 95.
[213] Cunningham, *British Government Policy*, p. 75.

and expansion of Stormont's industrial development policy led by the Local Economic Development Unit, (LEDU) by creating of the Northern Ireland Finance Corporation (NIFC), which lent support to new industries starting up in Northern Ireland and created a major programme of retraining workers for these industries.[214] By 1975 the number of training places available in Northern Ireland was ten times the amount per person found in the rest of the United Kingdom, but unemployment and closures remained high and as a result, the government increased the number employed by the state to compensate.[215]

After its election in 1974, Labour pursued a fundamentally different policy to that of the Conservatives, preferring direct intervention and for the state to perform an active economic rôle. The development of economic policy concerning Northern Ireland by the 1974 to 1979 Labour government overlaps the case study of the Harland and Wolff shipyard (which covers developments within the shipyard over a nine-year period between 1966 to 1975) and therefore it is important at this stage to focus on two Labour party manifesto commitments made in 1974. First, in both the February and October manifestos of that year the party committed itself to nationalising the entire UK shipbuilding industry and, second, to a United Ireland by consensual, democratic and non-violent means. Both had wide implications for Harland and Wolff and influenced the judgement of politicians and civil servants working in Whitehall. However, with the lack of a functioning devolved government in Northern Ireland, governing the province was undertaken using executive orders from the Secretary of State for Northern Ireland and as a result the government in London imposed policies on Northern Ireland without recourse to a democratically elected assembly.

This introduction has linked this thesis with the literature on the rôle of government in creating an environment leading to economic decline. The very different nature of government (and governance) in Northern Ireland and Scotland during the twentieth century is part of this argument, both areas had extensively devolved government powers but only one, Northern Ireland, had (admittedly flawed) local democratic accountability and the other, Scotland had wide ranging powers but without any explicit process of local accountability. Both had local authority, but this thesis will demonstrate that whilst the Northern Irish parliament at Stormont Castle was intrinsically bound up with the workings of Harland and Wolff for political reasons based on demography and religious allegiance, the Scottish Office had very little involvement with the shipbuilding industry in Scotland,

[214] Cunningham, *British Government Policy*, p. 76.
[215] Cunningham, *British Government Policy,* p. 81.

as its focus was on developing newer, higher technology industries using Foreign Direct Investment. This thesis illustrates the importance of government bodies in both Scotland and Northern Ireland in the 1960s and 1970s and demonstrates that regional systems of government, whether devolved or otherwise, have distinct local institutions and interest groups. However, despite these differences, it must be emphasised that an interrelationship also existed between the local and national policy networks.

It has also shown that discussions of the decline of the shipbuilding industry in the United Kingdom is bound up with the arguments concerning post war economic decline and the British government's responses. Shipbuilding was only one of a experienced increased overseas competition and were unable to adapt to changing circumstances. From the start of the Second World War, central government, (regardless of political affiliation) incrementally increased its influence of the national economy and introduced a series of measures designed to influence both the supply and demand sides of the economy. However, with the election of Howard Wilson's Labour administration in 1964 the government promoted economic planning as a panacea to cure the nation's ills. Two ministries were set up by Labour in 1964, the Department of Economic Affairs (DEA) and the Ministry of Technology (Mintech) which were at the forefront of efforts to improve the fortunes of the British economy. Designed to coordinate the economy, the DEA replaced (in reality competed with) the Treasury in many areas that were it's traditional responsibility and produced a series of documents setting out economic goals, the National Plan being most prominent example.[216] The Mintech initially did not have an all-encompassing remit but it soon turned into a large economic ministry. Through subsuming responsibility for industrial strategy and reorganisation, military research, development and procurement, civilian research and by 1969 the economic planning responsibilities of the DEA, the Mintech became a 'super-ministry' with a wide ranging set of responsibilities and powers. For the purposes of this thesis, the rôle of Mintech in promoting and organising industrial restructuring and rationalisation is important, as it had direct bearing on the fate of the British shipbuilding industry and acted as the final decision maker for many of the decision made in the 1960s concerning the industry.

Heavy industry in the United Kingdom was the subject of government intervention and review in the late 1960s. The 1964 manifesto committed the Labour party once in

[216] *The National Plan. Presented to Parliament by the First Secretary of State for Economic Affairs by Command of Her Majesty*, *September, 1965,* Cmnd 2764. (HMSO, 1965).

government to instigate reviews of major industries to improve their commercial prospects.[217] Two prominent examples were the Plowden Committee on Aviation and the Geddes Committee on Shipbuilding set up in Labour's first year in office.[218] Indeed, many bodies were set up to instigate change, the most prominent of which was the Industrial Reorganisation Committee, mandated to bring about productivity improvements and to merge smaller companies into larger, more efficient entities.[219] As will be discussed in chapter two, the Geddes Committee took over a year to produce a report into shipbuilding and recommended the creation of the Shipbuilding Industry Board (SIB) to bring about the rationalisation and modernisation of the industry through mergers and government financed capital expenditure. In its report published in 1966, the committee proposed that individual shipyards merge into large regional groupings and that the government provide grants and loans for shipyards to pay for the modernisation of infrastructure. Despite mentioning developments in Japan or Sweden in the report, Geddes discounted any advantage these countries had in terms of better construction methods and preferred to focus instead on practices (such as cheap government loans for shipping), which Geddes considered unfair or biased towards local industry. Consequently, the SIB was not aiming to bring about a wholesale reconstruction and create modern yards analogous to those found in Japan, but rather to combine smaller shipyards into larger companies. In theory at least this was a simple process, but each and every decision to assist a shipyard during the five-year lifespan of the SIB was subject to intense negotiation and with the political ramifications of reduced naval expenditure and increased regional assistance, these negotiations involved a number of ministers of state as well. In effect, whilst the Mintech had the final say over the fate of individual shipyards, the Shipbuilding Industry Board was at the centre of the policy network created by the Labour government and developed by Geddes.

This should have been a successful time for British shipbuilders. Bolstered by a boom in demand for crude oil tankers of over 250,000 tons capacity, shipyards in the United Kingdom received numerous orders after 1967 and received substantial grants and loans from the SIB to facilitate these orders. Despite this, a number of shipyards continued experiencing financial difficulties as industrial disputes, expensive supplies of steel and

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[217] *Labour Party Manifesto, 1964* and, *1966 Labour Party Election Manifesto: Time for Decision* (London, 1966).
[218] Shipbuilding Inquiry Committee, 1965-1966. *Report,* Cmnd 2937, (HMSO, 1966) and Committee of Inquiry into the Aircraft Industry, *Report of the Committee of Inquiry into the Aircraft Industry appointed by the Minister of Aviation under the Chairmanship of Lord Plowden, 1964-65,* cmnd 2853 (Parliamentary Papers, 1965).
[219] Hague, D. *The IRC - an experiment in industrial intervention* (Allen & Unwin, London, 1983).

energy and an unfavourable foreign exchange regime conspired to prevent many shipyards turning a profit. Even after the mandate of the SIB ended in 1971, the Heath government still had to intervene in a number of shipyards to prevent mass unemployment and in response to political pressure in the case of Northern Ireland.[220] With the 1973 OPEC crude oil price rises and embargo in response to the Yom Kippur war between the Arab states and Israel, the bottom fell out of the market for large tankers and the corresponding fall in global trade depressed demand for conventional vessel types for the rest of the decade. Shipyards globally faced financial ruin, but in the United Kingdom shipyards were saddled with speculative contracts for tankers no longer in demand. Nationalised by the Callaghan government in 1977 as British Shipbuilders, shipbuilding in Britain never returned to its previous levels and the following decade led to the closure of so many companies that today, excluding a small of military work, shipbuilding in the United Kingdom is no longer an important industry.[221]

This thesis demonstrates that intervention in the shipbuilding industry by the Wilson government and the Shipbuilding Industry Board rather than being a panacea was a cause of terminal decline. The hypothesis is a simple one, from being mandated to execute the provisions of the report of the Geddes committee, the Shipbuilding Industry Board actually created a policy network that resulted in a compromise based upon the conflicting desires of management and politicians rather than best practice and the prevailing orthodoxy found in shipyards across the world. With these negotiations lasting in some instances almost four years as managers sought exemptions from the provisions of Geddes that they believed did not apply to their particular case, the commercial imperative was lost as shipyards remained in uneconomic limbo oblivious to developments in competitor nations. However, the SIB and the Mintech were fully aware of developments overseas and an increasing sense of exasperation was felt as the anticipated modernisation failed to occur. From the first attempts to address the problems of shipbuilding in 1962 until the foundation of the SIB in 1967 to the final implementation of development schemes at large shipyards, a period of eight years elapsed. The following figures illustrate the failure of Geddes and the SIB in achieving their aims: Japanese shipbuilding had increased its output by 341% percent compared to the United Kingdom's 20% over this period of 8 years.[222]

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[220] Culow, R. & Teague, P. 'Governance Structures and Economic Performance' in *The Economy of Northern Ireland: Perspectives for Structural Change* ed. by Teague, P. (London, 1993) pp. 60 - 120.
[221] Johnman & Murphy, British Shipbuilding, pp. 216 – 243.
[222] *Lloyds Register of Shipping: Annual Report.* (Lloyds, London, 1950-1981) and *Fairplay* (Fairplay International, London, 1970-1980).

This thesis will unfold in the following way. Chapter two outlines the development of government policy and intervention in the shipbuilding industry from 1962, providing a contextual narrative of policy developments on how the recommendations of the Geddes committee came about and how government created the Shipbuilding Industry Board. Chapters three and four present a case study of the Scott Lithgow shipyard in Greenock, Scotland. The case study will not only describe the relationship between the shipyard, SIB and government but it will also illuminate the particular circumstances of the shipyard's hinterland, a de-industrialising Scotland which was the focus of government regional development policies and an important electoral battleground for the Labour Party. Chapter five, six and seven discuss the redevelopment of the Harland and Wolff shipyard in Belfast during the 1960s, which was under the aegis not only of the Westminster government in Whitehall but the devolved Northern Irish government at Stormont Castle. Harland and Wolff was also at the centre of rising sectarian civil strife in Northern Ireland and with the shipyard being the state-let's largest employer, the fear of mass disturbance and de facto civil war was very real in the imagination of civil servants and politicians in both London and Belfast. Chapter eight concludes the thesis by discussing the rôle of government in the decline of shipbuilding as an industry and demonstrating that the intervention by the state itself acted as a brake on the industry's commercial development.

Chapter Two

45

Shipbuilding
Inquiry Committee
1965-1966
Report

Chairman: Mr. R. M. Geddes, OBE

Presented to Parliament by the President of the Board of Trade
by Command of Her Majesty
March 1966

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HER MAJESTY'S STATIONERY OFFICE
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Cmnd. 2937

Source: Shipbuilding Inquiry Committee, 1965-1966, Report, Cmnd 2937 (HMSO, 1966)

Introduction

As the hypothesis stated in chapter one, it is suggested that the relationship between government and shipyards in the period 1964-1970 was a cause of, rather than, a reaction to, the decline of shipbuilding as an industry in the United Kingdom. Split into two interwoven components, the hypothesis presented the rôle of government intervention as an agency of an industry's decline in this period. Firstly, it was contextualised within the many declinist arguments, which states that post-war institutional arrangements created the environment whereby factional concerns hindered industrial modernisation and consequently performance. Secondly, it placed emphasis on government responses constrained within policies based upon negotiated compromises between these opposing factions. This hypothesis is intrinsically linked to policy developments within government at the time that were a reflection not only of party political concerns, and also a wider set of relationships between government, industrialists and organised labour, with additional input from academia and civil service departments responsible for expenditure and commerce.

This chapter will outline the development of the relationship between shipbuilding and government in the period 1960 - 1966 prior to the creation of the Shipbuilding Industry Board (SIB) and its involvement with the Scott Lithgow shipyard, Greenock, (Scotland) and the Harland and Wolff shipyard in Belfast, (Northern Ireland). Part one will discuss the increasing efforts of the Macmillan and Douglas-Home Conservative administrations at inquiry and intervention in the industry, from a number of inquiries under the aegis of the British Productivity Council (BPC) and National Economic Development Office (NEDO) to the direct intervention of a credit financing scheme. Part two will discuss the development of a shipbuilding policy under the auspices of the newly elected Wilson government of 1964 and will show the motivations behind not only the setting up of the Shipbuilding Inquiry Committee (Geddes Committee) under the chairmanship of Reay Geddes, but also the research methodology of the committee and its relationship with politicians and civil servants in Whitehall. Part three will outline and discuss the conclusions, provisions and recommendations of the Geddes Committee in the context not only of government opinions, but the views of the shipyard management, trade journals and the wider print media. Part four will weave the separate strands of the chapter together and provide an account of the government's efforts at first assisting and then reforming the shipbuilding industry.

The Conservatives and shipbuilding: 1960- 1964

The development of state planning in the economy was not an innovation attributable solely to the election of a Labour government in 1964, but had undergone a piecemeal evolution under the guidance of the preceding Conservative government from the creation of the British Productivity Council in 1957 onwards.[223] This is not to state, however, that the government put a coherent set of prescriptive policies in place. Rather, this section will demonstrate that, whilst a series of reports commissioned by government and trade associations for the shipbuilding industry argued that the industry was hindered by outmoded equipment and practices, the end result was that the government preferred to make cheap finance available, creating a short-term competitive gain for the industry at the cost of its long-term development and future.

During the 20th century, ministerial responsibility for shipbuilding had traditionally been with the Admiralty and in general government policy towards shipbuilding focussed upon military rather than commercial needs.[224] While the Royal Navy was still a major customer of shipyards in the United Kingdom this was not an issue. Nevertheless, with a surplus of vessels left over from the Second World War and with a requirement for fewer modern vessels, the military focus of shipbuilding in the United Kingdom placed most shipyards at a disadvantage when compared to overseas yards building simple merchant vessels for export. In 1959, in an attempt to focus more on civilian matters and merchant shipbuilding, the industry came under the patronage of the Ministry of Transport and the Shipbuilding Advisory Committee (SAC).[225] However, the Ministry of Transport saw shipbuilding within the context of serving the strategic transportation needs of the United Kingdom, rather than an export industry and was therefore unaware of many of the problems the industry was facing.[226] Indeed, as was demonstrated in the previous chapter, the perennial problem for any government that attempted to address and rectify the failings of the industry were the relationships between the management of shipyards, unions and the government. Whilst competition from Japan was gaining the attention of the government and shipbuilding industry, leading to concern in some (but far from all) corners, the management of British shipyards did not see overseas competition as a serious

[223] O'Hara, G. *From Dreams to Disillusionment: Economic and Social Planning in 1960s Britain* (Basingstoke: Palgrave, 2007).
[224] Lorenz, E.H. *Economic Decline in Britain,* p. 28.
[225] The Shipbuilding Advisory Committee was founded in 1946 to promote the export of British built vessels.
[226] Stråth, B. *The Politics of De-Industrialisation,* pp. 152 – 154.

threat. Rather, they believed that they were developing shipyards to an improved standard and that any competition was the result of an unfair advantage on the part of the Japanese.[227]

Despite this failure of the management in British shipyards to comprehend the new reality of shipbuilding, from 1960 onwards the Shipbuilding Advisory Committee slowly started the process of government inquiry, but it was difficult for the SAC to persuade the Ministry of Transport that such a process was necessary and the ministry insisted upon the participation of the shipyards. In most cases, this was not forthcoming; many shipyards saw commercial matters as no one else's business but their own.[228] However, after attempting to introduce cooperation between shipbuilders and in response to their reticence to address their own problems, in February 1960 the chairman of the SAC, Sir Graham Cunningham, resigned in disgust.[229] As a result of this event the government initiated a series of reviews into specific aspects of shipbuilding with the hope that any recommendations would be taken onboard by the shipyards to improve the prospects of the industry.[230] Whilst the eventual reports did not represent a comprehensive view of the industry in the same way as the Geddes Report in 1966 or the Booz Allen and Hamilton report of 1972, each provided a comprehensive view of a particular aspect of the industry in 1960 - 61 and were in some respects more perceptive in addressing the problems of the industry than the later reviews.

The first report released in December 1960, *Research and Development Requirements of the Shipbuilding Industries*, was written by the Department of Scientific and Industrial Research. It addressed the underlying level of technical competence in the industry.[231] The report's conclusions were wide ranging and addressed many of the causes of technical backwardness in the industry, namely that the UK industry had no technical or economic advantage over competitor nations and had very little organised research into shipbuilding methods and technology. As a consequence, the report recommended that government and industry should work hard to improve the overall level of technology within the industry, but in particular with regards to improving production techniques as a

[227] See 'Reorganization of Sunderland Shipyard', *The Motor Ship*, June 1960, p. 107, 'Wear Shipyard Modernized and Capacity Increased', *The Motor Ship*, November 1960, pp. 347 - 346 and 'Britain's Most Extensive Shipyard development Scheme', *The Motor Ship*, April 1960, pp. 6 - 9.
[228] Lorenz, *Economic Decline in Britain,* pp. 82 – 83.
[229] Johnman and Murphy, *British Shipbuilding*, pp. 124-134.
[230] Hogwood, *Government and Shipbuilding,* pp. 42 – 49.
Johnman and Murphy, *British Shipbuilding*, p. 124.
[231] Department of Scientific and Industrial Research, *Research and Development Requirements of the Shipbuilding and Marine Industries,* (HMSO, 1960).

way of reducing costs and improving productivity. A report on conditions in Swedish shipyards reinforced this by reporting a higher level of technology when compared to the United Kingdom, with the use of prefabrication and standardisation, a 45-hour working week and no government subsidies.[232] Another report into orders placed overseas for new vessels by British ship-owners stated that better (i.e. cheaper) prices, guaranteed delivery dates and credit facilities made ordering from foreign shipyards attractive and as a result, these yards were taking an ever increasing proportion of work that was traditionally undertaken in British shipyards. The SAC decided to act by collating all the reports into a larger document released in April 1961 in an attempt to bring shipbuilders together to address the industry's problems.[233] Consequently, the main trade associations involved in shipbuilding created the Joint Industry Committee to investigate further the issues presented by the government reports and to address the issue of poor productivity within the industry.[234]

The government and the Joint Industry Committee issued a further, and final report towards the tail end of 1961, which presented a full and detailed audit of the industry, rather than merely reiterating the previous government reports. The picture, presented in comparison with shipyards in Europe was poor, with criticism of the outdated equipment and working practices found in the shipyards, particularly in terms of cutting, welding and fabrication, but also in the areas of planning, budgeting and design.[235] Shipyards in Western Europe, however, not only had modern equipment and methodologies that created a higher level of productivity than found in the UK, but also engaged in detailed and advanced planning, managing every aspect of a vessel's construction to time and on budget. Moreover, whereas shipyards in the United Kingdom relied on slipways to launch a ship into the water, an increasing number of European yards floated vessels out of a dry dock, a less time consuming and safer process.[236] The report's recommendations were quite simple; British shipyards needed to adopt not only modern construction technology and equipment, but also to create an environment whereby through the use of better

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[232] British Productivity Council, *Shipbuilding in Sweden: Report of a British Productivity Team*, (HMSO, 1960).
[233] Ministry of Transport, *Shipbuilding orders placed abroad by British ship-owners: Report to Minister of Transport by Messrs Peat, Marwick, Mitchell and Company*, (HMSO, 1961) Shipbuilding Advisory Committee, *Report of a subcommittee on prospects*, , (HMSO, 1961).
[234] The Joint Industry Committee was comprised of the Shipbuilding Conference, The Shipbuilders Employers' Federation, The British Shipbuilding Research Association, The Dry Dock Owners' and Repairers' Central Council, National Association of Martine and Engine-builders, with the chairman from the Productivity and Research Organisation.
[235] Joint Industry Committee, *Productivity in Shipbuilding: Report of the main committee under the chairmanship of James Patton, O.B.E. to the Joint Industry Committee*, (London, 1961), pp. 7 - 25.
[236] *Productivity in Shipbuilding*, pp. 26 - 37.

planning and management the shipyards could undertake tasks with less effort and fewer impediments than was currently done in 1960.[237]

Despite the reports from civil servants and the umbrella bodies for the shipbuilding industry mentioned above, the government rejected a number of proposed intervention schemes, namely fixed government orders and subsidising a 'scrap and build' scheme to replace existing vessels.[238] By 1963, however, with numerous media reports stating that unless urgent intervention was taken shipbuilding in the United Kingdom would no longer exist by the end of the decade, the government took action.[239] The response by government was to provide cheap credit for the shipbuilding industry; the Minister for Transport announced the Shipbuilding Credit Scheme in May 1963.[240] The scheme was initially to run for a year and provide £30 million for ten-year loans to ship-owners to cover eighty percent of the cost of a newly built vessel, but due to the ever-desperate condition of the industry the government actually provided a total of £75 million through this scheme, which contributed to the construction of 67 vessels representing 892,000 gross tonnes.[241]

How, therefore, can the policy of the Conservative government towards shipbuilding in be summarised? In two distinct ways, firstly by stating that prior to 1960 ample orders and an adequate performance fuelled the complacency of government and shipbuilders and secondly, by reiterating that even after government and industry mandated bodies had conclusively demonstrated that the industry was not only losing orders in 1959 - 61 because of overseas competition, the sector was unable to regain lost ground because of the entrenched disadvantages of obsolete equipment and outmoded working practices in British shipyards. With no prospect of change mandated by either the shipbuilding industry or government, the future prospects of shipbuilding in the United Kingdom were bleak. In the first instance, British shipbuilding, whilst in a dominant position globally from the early 19th century was in an even stronger position after the end of the Second World War in 1945, as competing industries in Germany, Japan, France and

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[237] *Productivity in Shipbuilding*, pp. 37 - 48.
[238] Hogwood, *Government and Shipbuilding*, pp. 54 - 56.
[239] 'Have ships a future? I- An overcrowded industry' *The Financial Times*, 14th March 1962, and 'Have ships a future? II - The problem of flag discrimination', *The Financial Times*, 15th March 1962, 'The dwindling export-shipbuilding market' *The Motorship*, February 1961, p. E., 'British Ships Ordered Abroad - The Reasons' *The Motorship*, November 1961, p. 332., 'Should Rationalisation be enforced?' *The Motorship*, April 1962, p. 2., 'Japan's Remarkable Position in Shipbuilding' *The Motorship*, August 1962, p. 6.
[240] Hogwood, *Government and shipbuilding*, p. 61.
[241] Hogwood, *Government and shipbuilding*, p. 61 & Johnman, L. & Murphy, H. 'A Very British institution! A study in under-capitalisation: the role of the Ship Mortgage Finance Company in post-delivery credit financing with shipbuilding, 1951 - 67.' *Financial History Review*, 6 (1999), pp. 203 - 221.

Italy were severely damaged and the newly developed merchant shipyards of the United States were hindered by an overvalued dollar. Consequently, during the period 1945 to 1955, whilst shipyards faced a severe drop in the number of warship contracts (based on a surplus of vessels left over from the war) and lost orders for small vessels because of a glut of 'Liberty Ship' merchant vessels on the market, the demand for raw materials in growing economies, particularly crude oil and iron ore gave an impetus to British merchant shipyards. However during this period of steady output in the shipbuilding industry, incentives for shipyards to improve working methods, renew equipment and change working practices was rarely present in the minds of shipyard managers or workers on the shop-floor. Indeed, the potential for disruption to a model that was known to work during a period with steady growth acted as a disincentive to shipyards when it came to improving productivity and production, it was only when increased overseas competition affected the performance of shipyards in the United Kingdom, that questions were raised about the performance of the industry.[242] However, as the following tables demonstrate, British shipbuilding had faced a slow decline over the course of the 1950s, some of which can be explained by the re-emergence of traditional competitors after end of the Second World War:

[242] Lorenz, *Economic Decline in Britain,* p. 85.

Table 2.1: The difference in growth rates between the UK and World shipbuilding output in gross tons, 1947 to 1963

Year	World	UK	Difference in % Growth Rates	UK as % of the world
1947	100	100	0%	57
1948	110	100	-10	51
1949	148	108	-30	41
1950	167	108	-19	38
1951	171	108	-5	37
1952	210	108	-38	30
1953	243	108	-33	26
1954	252	117	-1	27
1955	252	117	0	28
1956	319	108	-75	21
1957	405	117	-77	17
1958	443	117	-38	15
1959	414	108	20	16
1960	400	108	14	16
1961	376	108	24	15
1962	395	92	-36	13

Source: Lloyds Register of Shipping and Johnman & Murphy, British *Shipbuilding*, p. 101.

Table 2.2: Percentage share of world export market for shipping, 1948 – 1960

	UK	Japan	West Germany	Sweden	France	Netherlands	Others (incl. USA & USSR)
1948-1950	35%	2%	0%	18%	0%	6%	38%
1951-1955	22%	11%	15%	13%	2%	9%	29%
1956-1960	7%	32%	21%	12%	6%	6%	17%

Source: Johnman & Murphy, British *Shipbuilding*, p. 103.

To conclude, the response of the government between 1959 and 1961, a period of concern for shipbuilding, speaks volumes about attitudes towards the industry in this period. First, shipbuilding was not under the supervision of a ministry dealing with either production or exports until 1964 and the election of the Wilson Labour government. Prior to this, shipbuilding had traditionally been under the remit of the Admiralty, which saw shipbuilding capacity in the United Kingdom as serving a mainly military purpose. In 1959, responsibility for shipbuilding moved to the Ministry of Transport and whilst this was a ministry with a primary (if not exclusively) civilian purpose, it had only a minor economic and export function. Secondly, despite a wealth of reports from both the industry and government departments in the early 1960s, the government chose to implement a scheme of cheap credit for the sale of vessels rather than providing similar aid or finance for shipyards to improve their facilities. Whilst the cheap credit for the consumers of merchant vessels did create a short lived boom in shipbuilding output, what it did not address were the underlying causes of the relative decline of British shipbuilding. Indeed, to all extents and purposes the Shipbuilding Credit Scheme prolonged the period of time the industry continued with outmoded and uncompetitive equipment and techniques. As Lorenz states, the intervention of the British government in the shipbuilding industry was, ‘comparatively tardy’, certainly when compared to the rôle of the state in industries in Europe and Japan.[243]

[243] Lorenz, *Economic Decline in Britain,* p. 87.

The election of a Labour government and shipbuilding, 1964 - 1966

The election of a Labour government in 1964 ushered in a new age of state intervention in the economy. From a promise to, '…energise and modernise our industries - including their methods of promotion and training - to achieve the sustained economic expansion we need' the reality was one in which the first two years of the government were taken up by a series of high profile inquiries into large industries.[244] This section will focus on the development of the Shipbuilding Industry Committee (SIC) and the subsequent relationship between this body and government departments, ministries and agencies as the government developed the Shipbuilding Industry Board. Although this precludes a detailed study of the machinations of the committee as it moved from research to publishing its report, it will illuminate the rôle of government in the decision making process for shipbuilding. Specifically, this section will demonstrate that whilst a cognitive awareness of the industry's problems and developments overseas existed within Whitehall and Westminster, a combination of official indifference and sectional interests influenced the SIC to recommend a set of proposals at odds with the prevailing trends of the industry worldwide. However, only three ministries presented detailed evidence, the Ministry of Labour, the Board of Trade and the Ministry of Defence, while the Department of Economic Affairs and the Ministry of Technology were uncertain as to what contribution they could make to the inquiry.

After being the responsibility of the Ministry of Transport for the previous five years, responsibility for shipbuilding moved to the Board of Trade in 1964 under the guidance of Roy Mason, the recently installed Minister of State for shipping and shipbuilding. Mason was involved with the industry at a high level and early in 1965 visited modern shipyards in Japan. The subsequent report, *Japanese Shipyards*, released in the middle of 1965 was an important document in providing the impetus to the government in creating a board of inquiry into shipbuilding.[245] However, it also demonstrates that the minister responsible for shipbuilding was aware of developments overseas. This document allows for the extrapolation of two points; First, that the minister and therefore anyone who read the subsequent report was fully aware of the new fabrication techniques employed in

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[244] *"The New Britain"*, Labour Party Election Manifesto 1964, (London: Labour Party) and Tomlinson, J. *The Labour Governments 1964-1970: Economic Policy* (Manchester University Press: Manchester, 2002).
[245] Board of Trade, *Japanese Shipyards: A report on the visit of the Minister of State (Shipping) in January 1965*, (HMSO, 1965).

Japan and secondly, that many Japanese shipyards were already operating at a higher level of productivity than their British equivalents, as the following table demonstrates.[246]

Table 2.3: Comparative productivity of selected Japanese supertanker constructing shipyards compared to Harland and Wolff and Scott Lithgow in the United Kingdom, 1964

Yard	Employees	Dwt Launched	No of Ships	dwt ton per employee
Aioi	4240	770,000	11	182
Sasebo	2100	290,000	6	138
Nagasaki	5370	770,000	12	143
Tsurumi	2500	274,000	11	110
Kobe	4160	201,000	5	48
Harland & Wolff	11681	123,000	4	11
Scott Lithgow*	17700	95000	6	5.4

Source: Board of Trade. *Japanese Shipyards: A report on the visit of the Minister of State (Shipping) in January 1965*, p. 24 and *Lloyds List* (1964). *This is the combined output of the separate Scotts and Lithgows shipyards, prior to merger.

However, despite a series of high profile reports over the space of half a decade and with a dedicated minister for the industry, the relationship between the Shipbuilding Inquiry Committee and the government was such that once the report was released, the SIC put forward a set of proposals at odds with the prevailing shipbuilding orthodoxy found in Japan and Europe.

On the 20th November 1964 a committee of inquiry into the shipbuilding industry was announced.[247] The terms of reference for the committee were simple; it had to establish the adverse factors affecting the performance of the industry and then prescribe a series of measures to remedy these problems. However, the proposed composition of the committee was notable for the expressed desire not to have any individual representing, or having worked within, the shipbuilding sector or indeed trade union officials, as it was felt that this would inhibit shipyard owners and management from releasing confidential information.[248] The proposed membership, as outlined with the terms of reference for the

[246]Board of Trade *Japanese Shipyards*, pp. 25 – 26.
[247] TNA MT 73/405 briefing paper circulated 24th November 1964 from K.W. McQueen, Principal, Shipbuilding and Ship Repair Division, Ministry of Transport to C.W. Sanders, Under Secretary, Industries and Manufactures Department, Board of Trade, entitled, 'The Shipbuilding Inquiry Committee'.
[248] Ibid. p. 17.

committee, was a retired industrialist as chairman who could give 75% of his time to the committee, a vice chairman with experience of industrial engineering, an economist, an accountant, a ship-owner and a scientist, all of whom would give around 85 days service to the committee over the course of 1965.[249] In reality, as announced to Parliament on the 2nd of February 1965, the chairman was a serving industrialist and chairman of the Dunlop tyre company, Reay Geddes, and the remaining members comprised one accountant, two managing directors of medium sized industrial firms, two academics and a trade unionist, Charles Smith, the General Secretary of the Post Office Engineering Union.[250] Consequently the committee had no members who had previously worked within the shipbuilding industry and its membership did not exactly meet the criteria set by the terms of reference. Indeed, the board member who was employed as a trade union official was not a representative of a shipbuilding trade union, and having a union member as part of the committee certainly went against its terms of reference.

After its official foundation early in spring 1965, the Shipbuilding Inquiry Committee sent letters to all government departments asking whether they wished to give evidence during the course of the inquiry.[251] However, government departments responded in many ways. The Department of Economic Affairs (DEA) and the Ministry of Technology had a distant relationship with the committee, despite the government heralding the rôle of these bodies in the management of the economy. Indeed, despite having a remit to deal with all the strategic aspects of economic planning within the UK, the DEA declined to give evidence to the committee, because in its view, 'We are not in a position to offer useful guidance to this Committee which is engaged on a factual inquiry into changes needed to make the Shipbuilding Industry more competitive.'[252] Nevertheless, this was not the end of the relationship. Geddes felt strongly that shipbuilding was an important industry in terms of generating foreign exchange and therefore should be included in the national plan.[253] The letters were discussed much within the DEA, many were of the opinion that as the development of the national plan was by this stage in its

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[249] ibid. pp. 17 - 20.

[250] Hansard, 2nd February 1965, col. 277 and 12 February 1965, col. 139. The membership of the committee was: Anthony Reay Geddes (Chairman), Anthony George Burney, David Fraser. Prof Michael Lighthill, Bowman Scott, Charles Smith and Prof Thomas Wilson.

[251] TNA EW 27/82 letter dated 17th March 1965 from V.I. Chapman, SIC, to The Permanent Secretary, DEA.

[252] TNA EW 27/82 memo dated 30th March 1965 from P.E. Thornton to Eric Roll, DEA, entitled, 'Shipbuilding Inquiry Committee' and TNA EW 27/82 letter dated 31st March 1965 from Eric Roll, DEA to The Secretary, SIC.

[253] TNA EW 27/82 letter dated 7th July 1965 from Reay Geddes, chairman SIC to Sir Eric Roll, Permanent Under Secretary of State, DEA.

final phase it would be difficult to include further references concerning shipbuilding.[254] Intriguingly, there was an undercurrent of opinion within the DEA that shipbuilding as an industry was in dire straights. Certainly in July 1965, the Director General of Economic Planning at the DEA, J.A. Jukes, stated that he considered the position of shipbuilding in the United Kingdom, 'depressing', in comparison to the growth of competitor industries in Japan and Germany.[255] In the end, the DEA remained with its original wording concerning shipbuilding as part of the chapter on engineering and allied industries. A larger section was not developed and the request for greater participation of the DEA by Geddes was seen as a minor irritant to the overall business of the department, with Jukes stating in a memo that, 'It would, however, be quite wrong to give the impression to Mr. Reay Geddes that we could add anything that would create much impact'.[256]

The Ministry of Technology (Mintech) did not share the Department of Economic Affair's reluctance towards its involvement with the Shipbuilding Inquiry Committee and gave extensive evidence to the committee in December 1965. However, this was not the all encompassing Ministry of Technology of the late 1960s under Tony Benn, but rather the smaller 'Frank Cousins' incarnation that focussed on industrial innovation. The evidence of the Ministry of Technology, presented in document and oral form on 8th December 1965, focussed on the industry's competency and discussed the scale and pace of modernisation.[257] Commencing with a description of the Department of Scientific and Industrial Research (DSIR) reports from the early 1960s, Mintech stated that its interests in shipbuilding rested with the research and development function entrusted to it by the Science and Technology Act (1965). This was through national bodies such as the National Physical Laboratory's Ship Division and British Ship Research Association (BSRA), which spent £2.9 million in grants supporting R&D in shipbuilding, although this was mostly on ship technology rather than shipbuilding methodologies. The ministry presented a similar narrative to that of the DSIR and shipbuilding industry reports of the 1960s discussing the lack of rational construction methods, modern equipment and trained staff prevalent in British shipyards during this period. It is with the last point, however, that Mintech made a sharp distinction between practices in the United Kingdom and shipyards

[254] TNA EW 27/82 letter dated 13th July 1965 from Sir Eric Roll, DEA to Sir Richard Powell, DEA.
[255] TNA EW27/82 memo dated 14th July 1965 from J.A Jukes, Deputy Director General, Economic Planning, DEA, to Mr, Wiggins, DEA, entitled, 'shipbuilding'.
[256] TNA EW 27/82 memo dated 19th July 1965 from O.L. Williams, DEA to P.E. Thornton, DEA, with an attachment entitled, 'Extract from Chapter 11 of the Draft Plan P.C.(65) 52 (Revise)', Shipbuilding and marine engineering' and letter dated 23rd July 1965 from J.A. Jukes to Wiggins, DEA entitled, 'Shipbuilding'.
[257] TNA BT 186/21 document, undated but presented to SIC on 8th December 1965 from Ministry of Technology, entitled, 'Evidence to the Shipbuilding Inquiry Committee'.

in other countries. Indeed, the tradition in UK shipyards was for the management to be sourced from the shop-floor, with only those in specific trades, such as engineering or accountancy receiving formal higher education, whilst in continental European and Japanese shipyards the management were usually educated to degree standard in the subject of shipbuilding or at the very least industrial management. Combined with a lack of qualified engineers and scientifically trained staff members, Mintech considered the education level within UK shipyards stifled creativity and restricted the development of the industry. [258]

There was, however, a dissenting view from the Ministry of Technology in the form of a supplementary memorandum from Miss P.K. Piercy, (Under Secretary in the Economic and Statistics Division) and E. Tyrrell, (Senior Principal Scientific Officer, Research and Developments Contracts Branch), which Mintech emphasised did not represent its official view.[259] In their submission, the two officials stated that the main problem with shipbuilding in the United Kingdom was the large number of small shipyards. Whilst this offered the production flexibility to meet the demands of ship-owners, it was inflexible when predicting the future direction of the market for new vessels. Both stated that British shipyards were good at building what the customer wanted now rather than predicting what might be needed in ten or twenty years time.[260] Furthermore, the large numbers of small shipyards in the UK were unable to reap the benefits of modernisation, as even when re-equipped with modern plant they were too small to see improved economies of scale. Therefore, in the view of Piercy and Tyrrell, the entire industry in the United Kingdom had to undergo some form of all encompassing rationalisation, not only creating larger shipyards able to compete effectively with those in Sweden and Japan but also developing a series of coordinated national bodies to pursue ship design, market research and purchasing on a larger scale, to prevent the replication of intensive and time consuming ship designs in response to a tender by shipyards.[261] Effectively, this memo mirrors many of the conclusions of the eventual Geddes Report.

In addition to the DEA and Mintech, the Shipbuilding Inquiry Committee had an intense relationship with the Ministry of Labour concerning working conditions in the British shipyards and how improved working practices could increase the overall

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[258] ibid.
[259] TNA BT 186/21/ memo dated 13th October 1965 from Miss P.K. Piercy, Under Secretary, Economic and Statistics Division and E. Tyrrell, Senior Principal Scientific Officer, Research and Developments Contracts Branch, 'Evidence to the Shipbuilding Inquiry Committee'.
[260] ibid, p. 2.
[261] ibid, pp. 3-6.

competitiveness of the industry. After receiving a statement of interest in response to the letter sent requesting information, the SIC wrote to the Ministry of Labour requesting information concerning labour conditions in British shipyards, specifically, the labour structure, earnings and wage rates, fringe benefits, negotiating procedures and working conditions.[262] This heralded the start of a productive relationship between the SIC and the Ministry of Labour, with the latter engaging in an in-house process of information gathering and dissemination.[263] Both the committee and the Ministry of Labour had mutual concerns over the fractious relationships between labour and management found in shipyards and the effect this had on productivity and output. Certainly, before the creation of the SIC, the Ministry of Labour had already set up a working party in 1961 to look into labour practices within the shipbuilding industry, to break what the ministry described as the 'vicious circle' affecting labour relations in the industry.[264] Therefore, whilst the cost of labour was only about 20% of expenditure in a shipbuilding company, the potential for improvements in output from improved working practices leading to higher productivity were such that the SIC and the Ministry of Labour took the subject very seriously. As a result, the Ministry of Labour presented both oral and written evidence to the committee on 17th December 1965.[265]

Whilst the discussions with the Ministry of Labour focussed about industrial relations and the conditions of the workforce, the evidence of the Board of Trade, (which was the ministry that the Shipbuilding Inquiry Committee operated under) focussed firstly on reducing the industry's capacity to reflect changing market conditions and secondly on shipbuilding as an export industry. In the first instance, it was the view of both the Shipbuilding Conference and the Shipbuilding Advisory Committee that a number of shipyards were in existence that, in the face of increasing productivity and foreign competition, would end up being closed. As a consequence of this position, the Board of Trade was considering a scheme whereby the state financed a controlled run down of the

[262] TNA LAB 10/2632 letter dated 5th August 1965 from A.J. Suich, Secretary, Shipbuilding Industry Board to D.B. Smith, Principal, Industrial Relations Department II, Ministry of Labour.
[263] See TNA LAB 10/2632 for detailed correspondence between sections and departments within the Ministry of Labour, TNA LAB 8/3115 for detailed account of the evidence of the Ministry of Labour and BT 186/43 for the views of the Board of Trade on the SIC.
[264] TNA LAB 10/2476 Minutes of meeting dated 26th April 1965 between V.I. Chapman & A.J. Suich, Board of Trade and Mr. Z.T. Claro & D.B. Smith,, entitled 'Note of a meeting held in Mr. Claro's room on 26th April, 1965'.
[265] TNA LAB 8/3115 minutes of meeting dated 17th February 1965 between Shipbuilding Industry Board and the Ministry of Labour, entitled, 'Shipbuilding Inquiry Committee: Extract from revised minutes of a meeting of the committee held at the Board of Trade, 1 Victoria Street, London, S.W.1 on Friday, 17th December, 1965' and BT186/24 Shipbuilding Inquiry Committee: Papers in series, SIC (Evidence), Ministry of Labour.

industry.[266] The main argument was whether such a scheme was compatible with legislation that gave tax relief to an industry for the closure of redundant plant leading to optimal operating conditions, as the proposed redundancy scheme would significantly reduce the size, scope and output of the industry.[267] Secondary to this argument was the role of state funding to cover costs and provide compensation to those who would have to either lose their businesses or lose their employment, although this was a subject given far less attention than that of the tax rebates. Nevertheless, this was a minor debate compared to the role of shipbuilding as an exporting industry.

The Board of Trade was concerned with the inability of the shipbuilding industry not only to increase tonnage output in line with global trends since 1955, but also by the large number of vessels imported by shipping companies that traditionally purchased vessels within the UK.[268] Certainly shipbuilding in the United Kingdom had undergone an absolute as opposed to a relative decline when compared to competitor nations. In 1963 the output of British shipyards was only 70% of that produced in 1953, despite an increase in global production of 67%.[269] With the percentage of British registered vessel sourced from overseas increasing from a negligible amount in 1953 to around 178% of those exported from UK shipyards by 1963, concerns increased as to how to halt this decline. However, the question asked by the Board of Trade was whether the production of ships was the best use of resources; could another industry with a better export record use the resources to improve the balance of payments?[270] The argument presented was simple; whilst exporting ships contributed to the balance of payments, with much lower levels of productivity compared to other industries, shipbuilding was a poor way of adding value to a completed product. Effectively, the Board of Trade's evidence stated that even during a period of high demand in the 1950s, shipbuilding grew at a slower rate than industry in general and the growth in profits and output in the early 1960s was influenced by the Shipbuilding Credit

[266] TNA BT 186/20 evidence paper to Shipbuilding Inquiry Committee from Board of Trade, dated 21st June 1965, entitled, 'Statement by Board of Trade on application by British shipbuilding industry for a certificate under section 463 of the Income Tax Act 1952', pp. 1 - 15. See also, Income Tax Act 1952, section 463.
[267] ibid, p. 14.
[268] TNA BT 186/25 evidence paper to the Shipbuilding Enquiry Committee from Board of Trade, dated 26th November 1965, entitled, 'Evidence by Board of Trade - Shipbuilding and the Balance of Payments', p. 1.
[269] TNA BT 186/25 evidence paper to the Shipbuilding Enquiry Committee from Board of Trade, dated 26th November 1965, entitled, 'Evidence by Board of Trade - Shipbuilding and the Balance of Payments', Appendix, table II.
[270]TNA BT 186/25 evidence paper to the Shipbuilding Enquiry Committee from Board of Trade, dated 26th November 1965, entitled, 'Evidence by Board of Trade - Shipbuilding and the Balance of Payments', 'The Use of Resources' p. 2.

Scheme, rather than structural improvements.[271] When it came to the subject of whether resources were best employed in shipbuilding or another industry, the Board of Trade's evidence stated that whilst a rundown of the industry would inevitably lead to higher unemployment in the areas where most shipbuilding companies were based, the fact that the majority of shipyard workers were trained, skilled labourers suggested that eventually they would find employment in other industries.[272] Therefore, the evidence of the Board of Trade, rather than focussing upon ways to increase the industry's output, outlined concerns about whether or not the industry should survive in its current form and if not, how would the government plan the process of reducing spare capacity and reallocating resources.

As previously stated, government responsibility for the industry traditionally rested with the Admiralty. However, since 1959 responsibility had passed between Whitehall departments, culminating with the Ministry of Technology in 1966. Shipbuilding had become a predominately commercial activity since the end of the Second World War and, with a diminishing imperial presence and technical changes in the very nature of naval warfare, from the late 1950s the Royal Navy underwent radical changes in its composition and size. In terms of the size of the Royal Navy, a surplus of vessels constructed during the second world war provided the backbone of the fleet up until the mid 1960s, with many cruisers and aircraft carriers serving up until the 1980s with modern weapon systems. Rendered obsolete by the early 1960s because of guided missile technology and nuclear powered submarines, the Royal Navy replaced the majority of its frigates and destroyers with smaller vessels incorporating new technologies.[273] These changes had a profound effect on the relationship between shipbuilders and the Royal Navy; whilst there was always a demand for a number of general fighting vessels, the uncertainty over new orders for replacement aircraft carriers, landing ships and cruisers after the election of the Wilson government combined with the increasingly high technology used in frigates and destroyers, limited the number of shipyards able to tender for Royal Navy orders. The evidence from the Navy Department at the Ministry of Defence to the Shipbuilding Inquiry Committee reflected these trends and as such was not only realistic about the prospects of shipbuilding in the United Kingdom, but also provided comprehensive evidence to the

[271] TNA BT 186/25 evidence paper to the Shipbuilding Enquiry Committee from Board of Trade, dated 26th November 1965, entitled, 'Evidence by Board of Trade - Shipbuilding and the Balance of Payments', 'The relative productivity of the shipbuilding industry' p. 3.
[272] TNA BT 186/25 evidence paper to the Shipbuilding Enquiry Committee from Board of Trade, dated 26th November 1965, entitled, 'Evidence by Board of Trade - Shipbuilding and the Balance of Payments', p. 4.
[273] Arthur, M. *The Navy: 1939 to the present day* (Hodder and Stoughton: London, 1997), pp 342 - 352 and Watts, A. *The Royal Navy: An illustrated history* (Arms and Armour: London, 1994), pp 209 - 232.

committee concerning all its requirements and desires. In comparison to the submissions from other government ministries, this evidence is unique in its scope.

The Navy Department of the Ministry of Defence submitted written evidence to the committee on the 26th April 1965 in the form of an internal Whitehall memo (concerns over confidentiality within the ministry made the submission of a formal document extremely time consuming and difficult).[274] The evidence stated directly that as the very nature of modern warship construction was more complicated than even ten years previously and as the Royal Navy required fewer but more advanced vessels, it was important to reduce the number of shipyards designated as warship builders from thirteen to around three, maybe four, shipyards.[275] Because of these developments the Navy Department stated that shipyards involved in the construction of warships had to have higher standards than merchant yards, as even though in tonnage terms the number of vessels was very small, the complexity was such that a single frigate would require as many man hours to build as a large oil tanker and those man hours would be for complex engineering as opposed to assembly tasks. Consequently, it was in the Navy's interests to have a small number of highly specialist shipyards with higher standards of technology, management and construction techniques designated as warship building shipyards rather than a system of competitive tendering to a larger number of generalised shipyards for the cheapest possible price.[276] With the value of naval orders put at £275 million since 1955 and with a further £45 million from overseas navies, the Navy Department made a balance of payments case as well, promoting specialist naval yards as export earners. However, despite advocating a small number of specialist naval shipyards, in an oral submission to the SIC on the 3rd June 1965 the Naval Department stated that the Royal Navy wanted to keep the same number of Royal Dockyards, which were advanced ship repair centres set up as de-facto shipbuilders in time of war. This was a contradictory stance; developing a small number of specialist shipyards was an economical use of resources, but the retention of four specialist navy run shipyards of a high technological standard serving a very small client base, was not.[277]

[274] TNA BT 186/20 evidence paper to the Shipbuilding Inquiry Committee from The Ministry of Defence, Naval Department dated 26th April 1965, entitled, 'The Shipbuilding Inquiry Committee: Memorandum by the Ministry of Defence (Naval Department)'.
[275] ibid, p. 1.
[276] ibid. p. 2 -3.
[277] TNA BT 186/20 evidence paper to the Shipbuilding Inquiry Committee from The Ministry of Defence, Naval Department dated 26th April 1965, entitled, 'The Royal Dockyards' and TNA DEFE 69/327 minutes dated 17th June 1965 from A.A. Pritchard, Head of Materials Division, Navy Department, Ministry of Defence to numerous recipients.

The majority of evidence given by government departments to the SIC was from the ministries mentioned above, but additional evidence was also received from the Treasury in conjunction with the Board of Trade. This evidence is significant; the Treasury in this period was intensely concerned with the balance of payments and promoted increased exports as a source of foreign currency.[278] The Treasury did not contribute much to the inquiry and was therefore somewhat conspicuous by its absence, but in its one contribution the Treasury did presented data relating to the different state guaranteed export loan systems for newly built vessels in competitor nations, in particular the interest rates and duration of funding.[279] However, this was a pyrrhic exercise, as nearly all the countries provided guaranteed export loans of 8 to 10 years duration (barring exceptional cases involving national interests) and even though some nations had lower bank rates than the UK, the guaranteed export rates were very close at an average of 6.1 percent:

[278] Edgerton. D, *Warfare State: Britain, 1920 - 1970*. (Cambridge, 2006), p. 245.
[279] The competitor nations were: Japan, France, Germany, Italy, The Netherlands, Denmark, Norway, Sweden and Spain.

Table 2.4: Comparison of export interest rates for selected countries, 1966

	Bank Rate %	Medium Term % up to five Years	Long Term % over 5 years
UK	6.0	5.5	5.5
Japan	5.8	5.4	6.5
France	3.5	4.8	5.6
Germany	4.0	7.3	6.3
Italy	3.5	5.9	5.9
Netherlands	4.5	7.0	6.5
Denmark	6.5	7.5	7.5
Norway	3.5	6.5	6.5
Sweden	5.5	6.8	6.8
Spain	4.6	4.5	4.5
Mean Average	**4.7**	**6.1**	**6.2**

Source: TNA BT 186/26 SIC/Evidance/78 'Supplementary Evidence by the BoT and the Treasury', Annex, dated 9th February 1966

Therefore, the Treasury concluded that the UK state guaranteed credit facilities were competitive in comparison with competitor nations and that there was very little scope for improvement.[280] This was the extent of the dedicated evidence from the Treasury. Its contribution was tied up with that of the Board of Trade and whilst increasing exports was a Treasury theme in this period, when it came to SIC this view was bound up with the evidence of other ministries.

Almost as narrow in its extent was the evidence from the Scottish Office, which despite the concentration of shipyards in Scotland claimed that it only had a limited rôle to play in the industry. It stated that it had no direct authority in the affairs of shipbuilding; it was interested in the continued success and development of the industry and could develop strategies for the improvement of essential infrastructure such as roads, housing, education and social provision.[281] Effectively, the Scottish Office focussed upon improving the support for shipbuilding in Scotland and not on the particular problems of shipbuilding as an industry. However, it must be noted that economic functions were not transferred from Whitehall to the Scottish Office until 1975 and therefore it did not have the industrial problems of shipbuilding within its remit. Additional evidence was given by the Church of Scotland Home Board, which focussed upon the socially corrosive effect of working

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280 Source: TNA BT 186/26 SIC/Evidance/78 'Supplementary Evidence by the BoT and the Treasury', Annex, dated 9th February 1966, p. 3.
281 TNA BT 186/25 SIC/Evidence/64 ‘Some general reflections on the industry, its image and its environment’, note by the Regional Development Division of the Scottish Office, 9th Dec 1975, pp. 1-2.

conditions in the shipyards as well as the lack of adequate management and skills development in the workforce.[282]

One interesting facet of the evidence presented to the SIC was that few individual shipyards submitted documents to the committee, certainly neither Harland & Wolff, Scotts or Lithgows submitted any.[283] Instead, a body, the Shipbuilding Conference, represented the shipbuilding industry to the committee and gave evidence concerning the overall technical and commercial nature of shipbuilding.[284] The information presented by the Conference reinforced much of the evidence given by government ministries, that British shipbuilders were beset by problems concerning productivity, labour and raw material costs, to name but a few. Additionally, the conference discussed the future of large vessel construction, namely that of crude oil tankers over 150,000 tons deadweight, but only 5 shipyards responded to the Conference's inquiry and none believed that a vessel over 150,000 tons would be built within the next decade. Barring the John Brown shipyard at Clydebank, none of the shipyards could see the benefit of constructing a building dock, which most had considered, but had discounted because in their view the benefits were outweighed by the construction costs.[285] Indeed, John Brown's gave additional evidence separately to the SIC that proposed a brand new shipyard on the Clyde on Newshot Island, which would be created by straightening the river into a single larger seaway and building a causeway upon which a shipyard capable of building three vessels of over 500,000 tons simultaneously would be built. However, Brown's understood that the eventual fate of the shipyard would rest upon the outcome and recommendations of the committee.[286]

The Shipbuilding Conference evidence also cast doubt upon the recommendations and stipulations of the Ministry of Defence, particularly the plan to reduce the number of

[282] TNA BT 186/25 SIC/Evidence/72, letter to the secretary SIB from George D. Wilkie, Church of Scotland Home Board, dated 29 Dec 1965.
[283] TNA BT 186/20 IM/SBR/6 Ra, 'List of SIC/Evidence Papers'.
[284] The Shipbuilding Conference was founded in 1928 as an umbrella commercial organisation representing the views.
of shipyards. It presented the following ten pieces of evidence; 1) Industry schemes for reduction of shipyard capacity, 2) Some aspects of marketing, 3) Shipbuilding industry information office, 4) shipbuilding Conference statistical department, 5) Warship group, 6) Steel supplies and prices, 7) Ships – costs of production, 8) Research in the marine industries (Shipbuilding, marine engine building, shipping), 9) Labour relations, 10) Developments in the world merchant fleets.
[285] TNA BT 186/22 SIC/Evidence/50, Supplementary evidence by the Shipbuilding Conference, 'Facilities for building very large tankers', 15 Nov 1965.
[286] TNA BT 186/22 SIC/Evidene/53, 'Newshot Isle Project: John Brown and co (John Brown Limited) proposal for shipbuilding at Clydebank pp. 1 – 6. See also BT 291/34, 'John Brown's proposal for diverting the Clyde to facilitate the creation of one large yard' and Mackinstry, S. 'The Rise and Progress of John Brown Engineering, 1966-97:US Technology, Scottish Expertise and English Capital' *Business History*, 39:3, pp. 105 — 134.

warship yards from twelve to three. Data presented by the conference on the size of the order book in British shipyards demonstrated conclusively that the industry relied upon government orders for a substantial part of its work:

Table 2.5: The value of orders in UK shipyards in March 1965 (£ millions)

Type of Vessel	Non Warship Group £ millions	Warship Group £ millions	Industry total £ millions
Merchant	143	154	297
Government auxiliary	2	40	42
Warships for the Royal Navy	1	147	148
Warships for export	4	15	19
Total	**150**	**356**	**506**

Source: TNA BT 186/20, SIC/Evidence/7, 'Value of ships on order and under construction in UK Yards, March 1965' 31st March 1965

Indeed, the warship group was responsible for (in monetary terms at least) over 70 percent of the orders in UK shipyards, of which roughly 57 percent were vessels ordered for the Royal Navy, overseas navies and auxiliary vessels. Overall, military and government construction accounted for 41 percent of the outstanding orders in UK shipyards in 1965. Consequently, the concentration of military work into three designated shipyards potentially removed a vital source of income from the remaining nine yards and as a result, the shipyards would have to develop products for merchant customers which they had little experience of building.

To summarise the evidence presented to the Shipbuilding Inquiry Committee by the government departments was varied in detail and content, but did it influence its eventual decision? Even before the government instituted the Geddes committee, a variety of reports provided a context upon which the board could base its decisions, not least the report of the visit by Roy Mason to Japan that outlined in detail why that country was achieving success as a major shipbuilder. However, this is not to state that government ministries influenced the board in a coherent fashion; even with the Wilson Labour government encouraging inter-departmental coordination, civil servants and politicians gave a wide range of divergent and conflicting views to the board. Two factors were important in influencing the provisions of the Geddes Report, both of which were at the heart of the problems experienced by shipbuilders in the late 1960s. First, the Royal Navy had provided shipbuilders with a steady number of orders for many years, in effect giving shipyards regular work that evened out the peaks and troughs of the global market for shipping. Therefore, when the Navy Department requested that military shipbuilding be limited to three shipyards (capable of building the high technology vessels the navy required) it was cutting off the hand that regularly fed the order books of British shipbuilders. Second, the relationship between management and labour within shipbuilding companies, (being of a highly fractious nature) was brought to the attention of the committee by the Ministry of Labour and much of the eventual report focussed on reducing the friction between these two groups. Both issues were a distraction for the committee and even with the context of previous government and industry reports (and a surplus of available evidence concerning technical developments in other nations) the committee went onto to make recommendations that did not reflect the prevailing orthodoxy of modern shipbuilding. The following section will discuss the details of these recommendations.

The Geddes Report

In the opening statement of the Geddes Report, the members of the Shipbuilding Industry Committee admitted that (despite an in-depth analysis of data, evidence and statistics during the lifetime of the body) ‘much of our work has been done informally by discussions with groups and individuals’.[287] Continuing into the preamble, the members adopted a philosophical tone; questioning the very nature of the industry and asking whether there was any genuine reason that the United Kingdom should continue to have a large shipbuilding industry. This was discussed from the view of two camps, those who saw shipbuilding as an important part of British economic power (the demise of which would emasculate the nation state) and those who saw any ocean going vessel as an uncomplicated piece of machinery on a par with an agricultural tractor and therefore fit only for construction in the economies with the cheapest possible labour.[288] The committee took neither view at face value and pronounced that regardless of any reasons for the continued existence of an entire industry, if shipbuilding was competitive, profitable and did not end up a drain on national resources, then its continued existence was perfectly justifiable. If this ceased to be the case, however, then ‘it might well be better to let the industry decline’.[289] Nevertheless, the panel saw the shipbuilding industry in the United Kingdom as a test case because the construction of merchant ships (or vessels for the Royal Navy) involved a wide range of industries, from steel for the construction of hull to precision engineering equipment. Sold and exported on an open unprotected world market for vessels, vessels completed in UK shipyards had to reflect global prices and trends. Consequently, the committee saw the industry as a pit shaft canary, indicating the real health of the British economy, for if shipbuilding was profitable and competitive then so would be the industries feeding into the shipyards.[290] This statement, however, was tempered by the fact that if the industries feeding into shipbuilding remained uncompetitive, then it would be foolhardy to attempt to improve the prospects of an industry that had no single ‘natural’ comparative advantage in comparison to the same industry’s competitor nations.

[287] *Shipbuilding Inquiry Committee 1965 - 1966, Report* (HMSO, 1966), p. 7.
[288] *Shipbuilding Inquiry Committee 1965 - 1966*, p. 8.
[289] ibid.
[290] *Shipbuilding Inquiry Committee 1965 - 1966*, p. 11.

The first chapter of the report covered the familiar territory found in previous reports (such as the Joint Industry Committee report of 1962), of a failing industry using outmoded production and suffering from endemic poor industrial relations. The difference between the focus of Geddes and previous reports was the emphasis on the commercial prospects of the industry and in this an important point was made concerning the true significance of shipbuilding in comparison not only with other industrial sectors, but individual companies as well. Indeed, out of a total output of £25,576 million for British manufacturing industry in 1963, shipbuilding and repairing industry was valued at £412 million, or 1.61 percent of the total. Moreover, the mandate of the Shipbuilding Industry Committee (SIC) covered only those shipyards that built vessels over 5000 deadweight tons, whose total output in 1963 was valued at £159 million, or 0.62 percent of the United Kingdom's industrial output. This paled in comparison to the performance of even the top 300 companies in Britain; well known large corporations such as Distillers, Courtaulds, ICI and the British Motor Corporation recorded higher turnovers than the combined output of the shipyards selected for review by the SIC and in the case of some large industrial conglomerates, more than the entire British shipbuilding and repairing industry.[291] The report continued by stating that within the context of a growing demand for newly built vessels globally and with an ever increasing demand for large vessels to transport crude oil, the British shipbuilding industry was missing out on a growth market to nations that could provide vessels at a lower cost and to time. [292] Contrary to the views of many, therefore, the Shipbuilding Inquiry Committee saw the industry as having no distinct national or patriotic reasons for its continued existence and could only justify the industry and government intervention in its affairs through commercial (rather than geo-political) reasoning.

The report, therefore, advised shipyards to reduce costs through a fundamental change in the structure of businesses, although the committee also admitted that solutions within the shipyard would only contribute a part of the planned reductions and that the industry was beholden to the economic and industrial fortunes of the British economy.[293] Indeed, the report stated firmly that as steel made up twenty percent of the cost of a vessel, a reduction (estimated by the report's authors at ten percent) in the price paid by shipyards was essential to the survival of the shipbuilding industry and also of the steel industry that

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[291] *Shipbuilding Inquiry Committee 1965 - 1966*, p. 14. For Courtaulds, Distillers, BMC and ICI the respective turnovers in 1965 were £227.7 m, £303.0 m, £444.1 million and £720.2 million.
[292] *Shipbuilding Inquiry Committee*, 'The Future Market for merchant ships', and 'World capacity and the British industry' pp. 34 – 48.
[293] *Shipbuilding Inquiry Committee 1965 - 1966*, 'The Scope for Improvement', pp. 48 - 50.

had a symbiotic relationship with shipbuilders.[294] Nevertheless, the primary remit of the SIC was to recommend a programme of reorganisation to improve the industry's prospects and this was achieved with a prescriptive set of recommendations concerning the corporate structure of the industry. However, before outlining these recommendations, it is important to note that the report discounted many developments and trends in competitor nations as being unworkable, irrelevant or too complicated and expensive for the needs of British shipyards. For example, the committee stated that a reduction in hull construction costs depended upon a faster throughput of steel in a controlled and tightly scheduled environment and yet also discounted large 'green-field' or extensively redeveloped shipyards constructed around a building dock.[295] The reasoning was based on realistic estimates of future orders held against the cost of building large docks; the committee was deeply critical of the cost of such docks, seeing the improved utilisation of current equipment and techniques as a better use of resources.[296] This view was justified by the committee on the grounds that even with a number of new, modern shipyards built in Sweden and Japan there still remained a majority of older yards analogous to those in the United Kingdom, a reasoning contradicted by the older (but heavily modernised) shipyards such as Stord in Norway, or Mitsubishi Nagasaki in Japan, which in the 1960s centralised production facilities around building docks.[297]

The recommendations of the SIC focussed around creating large regional conglomerates, comprised of a number of shipyards specialising in a multitude of fields and different vessel types, a process labelled 'grouping' by the SIC.[298] The intellectual impetus behind the idea of grouping was the notion that a number of shipyards within a group would specialise in particular vessel types, S ('sophisticated') yards building advanced warships, M ('merchant' or 'multi-deck') yards building general cargo liners and B yards ('bulk carriers and tankers') building larger vessels. The group would share a single central management and other similar institutions and as a result reduce overheads.[299] The regional basis of such groups reflected, firstly, a view that a wide geographic separation between the management, administration and design side of the business would lead to inefficiencies and separate management centres, and secondly that

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[294] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Steel', pp. 57 - 61.
[295] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Yard Resource and Production' pp. 74 - 76.
[296] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Yard Resources and Production' pp. 73-74
[297] 'Japanese Shipbuilding in 1960', *The Motorship*, January 1961 p486-489, 'Trends in tanker ordering', *The Motorship*, October 1961, p. 286 and 'British Ships Ordered Abroad - The Reasons', *The Motorship,* November 1961, p. 332.
[298] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Control', pp. 77 - 80 , 'Finance', pp. 81-82 , 'Direct and general management', pp. 33 - 85 .
[299] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Shipbuilding Groups', p. 88.

the existing regional basis of the industry lent itself to the creation of regional conglomerates. Once the mergers were completed, or at least once the process of merger was underway, a process of rationalisation and re-equipping shipyards under the aegis of a government body would bring about an improvement in productivity and working practices.[300] This was a single option strategy; the committee gave no genuine alternative to grouping, as, in its opinion, for shipbuilding to continue in its current guise would lead to the eventual demise of the industry in the space of a few years.[301]

The proposals for government action contained within the Geddes Report focussed upon the state as agent of change. In short, the recommendations were simple, if the industry or even an individual shipyard was not willing to change its ways, then the government must not provide assistance and should only do so if there was consensus within the industry that the government proposals were the way of the future.[302] To bring about these changes, the committee proposed the establishment of a government body to manage reorganisation and fund infrastructure improvements, the Shipbuilding Industry Board (SIB). The remit given to the board by the SIC was to control government financial assistance to shipyards as they entered into a grouping arrangement and use its resultant powers to merge the industry in Geddes' image. Three main aims were set out. Consultant services for the planning and creation of a newly merged group, capital assistance through loans and grants for modernisation and development, and finally working capital to cover the costs of any disturbance to production that a process of redevelopment might create.[303] With a planned lifespan of five years, the intention was for the board to complete its work and allow a reorganised and developed industry to continue towards a more successful future, the SIB was not intended to be a long-term arrangement and was not a precursor to nationalisation.[304] Additionally, whilst the intention behind the report was to create a series of large shipbuilding groups, it also allowed shipyards outside a grouping scheme to apply for assistance, if it were unlikely that the shipyards in question would join a merged entity. The Geddes report the inspiration behind the creation of the SIB and government plans in the 1960s, but it must be emphasised that this was tempered by a lack of clear direction as to the correct course of action.

[300] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Shipbuilding Groups', pp. 89 - 92
[301] *Shipbuilding Inquiry Committee 1965 - 1966*, 'The Alternatives to Grouping'. pp. 93 - 96.
[302] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Government policy towards shipbuilding', pp 132- 135 and 'General government action', pp. 140 - 144
[303] *Shipbuilding Inquiry Committee 1965 - 1966*, 'A Shipbuilding Industry Board' pp. 146 - 148
[304] *Shipbuilding Inquiry Committee 1965 - 1966*, 'A Shipbuilding Industry Board' p. 150

The task fell to civil servants and politicians to develop the report into a concrete plan of action. Initially, the Department of Economic Affairs and the Ministry of Technology promoted the idea that the Industrial Reorganisation Committee (IRC) was to act as the government's agent for executing shipbuilding policy rather than the Shipbuilding Industry Board, but the industry was resistant to such views. Nevertheless, the biggest advocate for the reorganisation rôle going to the IRC was George Brown at the Department for Economic Affairs, who undertook a heated debate in a series of letters in the spring of 1966 with Douglas Jay, the President of the Board of Trade. However, Brown finally conceded that the creation of a separate board for shipbuilding (working closely with the IRC) was the best route for government intervention in the industry. The discussions were brought to an end in an interdepartmental meeting held immediately after the announcement on 16 June 1966 that government responsibility for the shipbuilding industry would change from the Board of Trade to the Ministry of Technology.[305] Rather than engaging in a further process of debate (as some members of the government wanted) civil servants decided to implement the proposals given to them by the Geddes Report, a view encouraged two months later by the Prime Minister's office.[306] The consequence of this decision was that the resulting legislation implemented the recommendations of the Geddes Report verbatim and any revisions were the result of fine-tuning the report's proposals as opposed to radical changes.[307] Indeed, the view of the Treasury Solicitors Department was that the legislation could be rushed through in haste as the prescriptions of the Geddes Report left very little undefined and although there were some minor doubts about the financial provisions, these could be dealt with as a statutory instrument under the aegis of the Shipbuilding Industry Board and not as primary legislation.[308]

To conclude, the report of the Shipbuilding Inquiry Committee produced little controversy or public interest and as a result, Parliament passed the subsequent legislation with little fuss in a short period of time. Indeed, attempts by the Board of Trade to gauge

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[305] TNA HF 12/5 letter dated 18 May 1966 from Douglas Jay, President of the Board of Trade to George Brown, Secretary of State, Department of Economic Affairs, entitled 'Geddes Report', letter dated 26 May 1966 from Austin Albu, DEA to Jay, BoT entitled 'Geddes Report', letter dated 27 May 1966 from D. Dawson, Ministry of Technology, to J.C. Burgh, DEA, letter dated 9 June 1966 from Jay, BoT to Brown, DEA, entitled 'DEA' and letter dated 16 June 1966, from Brown, DEA to Jay, BoT, entitled 'Geddes Report'.

[306] TNA HF 12/5 Note of a meeting dated 17 June 1966 between civil servants from DEA, BoT, Mintech and Treasury from P.K. Pieroy, Mintech to Herzig Mintech, entitled, 'Shipbuilding' and CAB 147/116 Memo dated 3rd August from Douglas Jay, to T. (C(66) 126).

[307] TNA HF 12/5 Memo dated 4th October 1966 from J. Leckie, Mintech to Secretary, Mintech, entitled, 'The Geddes Report Legislation'.

[308] TNA HF 12/6 Letter dated 26th October 1966 from D. Rippengal, Treasury Solicitor's Department, entitled, 'Geddes Bill' and letter dated 27th February 1967 from L. Pliatzky, Treasury Chambers, to A.J. Suich, Mintech, entitled, 'Shipbuilding Industry Bill, Brief for Second Reading'.

the reaction in overseas markets demonstrated the lack of interest globally, the research produced no information of note and was a failure with the report barely mentioned in the media of major European shipbuilding competitor nations and the Japanese were distinctly uninterested. Certainly efforts by the President of the Board of Trade to gauge the reaction in Norway during an interview with Norwegian journalists concerning a separate topic in March 1966 ended in acrimony, as the latter felt their time in the meeting was wasted talking about Geddes.[309] However, although the report presented a number of ideas that did produce an increase in productivity when enacted, these did not reflect the prevailing orthodoxy of ship manufacture in countries with larger shipbuilding industries than the United Kingdom. Combined with the proviso that measures to save the industry could only be enacted in tandem with a commitment by the shipyards to support radical structural change, the stipulations of the report became law without opposition or criticism by either the shipbuilding industry or within government. The process that began in 1961 with the many reports on productivity that culminated in 1966 with the Geddes Report was contextualised against an international background of an ever-increasing demand for crude oil fuelling the demand for large vessels to carry the oil and therefore creating the need for large modern shipyards in countries such as Japan and Sweden. Nevertheless, the British shipbuilding industry was outside of this boom for most of the 1960s and the Geddes Report discounted many of the developments that were producing exponential increases in output in Japan with the result that even after the Geddes process ended, the industry would not have a guaranteed future.

[309] TNA BT 291/153 Note of a meeting dated 30th March 1966, entitled, 'President's interview with Norwegian Journalists, 30th March 1966', Board of Trade internal document, undated and un-attributed, entitled, ' Foreign reactions to Geddes Report' and telegram dated 18 April 1966 from British Embassy, Tokyo to V.I. Chapman and others, Board of Trade, entitled, 'For Chapman I M4'.

Conclusion

This thesis hypothesises that the relationship between the British government and the shipbuilding companies in the period 1964 - 1970 was a cause of (rather than a response to) that industry's decline. Whilst this argument is contextualised by the declinist theories of the past three decades, the previous chapter emphasised that government policy was dependent upon negotiated compromises between opposing factions. This chapter has presented a detailed narrative of the development of government shipbuilding policy during the first Wilson Labour government of 1964 - 1966 and demonstrated how the administration's work in this area was built upon previous reports and inquiries into the industry under the aegis of the Macmillan and Douglas-Home Conservative governments of the early 1960s. An increasing cognisance of the impending failure of an entire industry by trade unions, the civil service and the economic media was not found within the management of shipbuilding companies nor the higher echelons of the government (be it Conservative before 1964 or Labour afterwards) and as a result, the belated efforts by the state to save shipbuilding industry were detached from the industrial reality of shipbuilding, particularly in competitor nations.

The Conservative regime of 1951 inherited an increased role for the state (and indeed the nationalised industries) from the Attlee Labour government but was averse to using direct industrial controls. Nevertheless, as Edgerton and Agar demonstrate in many industrial sectors (such as in aviation, computers and power generation), and indeed particularly in relation to the procurement of military or civil technology, the government played a full and pivotal rôle as customer and developer. However, the government focussed upon macro economic, infrastructural and technological concerns and the development of new industries, with the result that there was a lack of intervention in established and mature industries. Even after the publication a series of reports detailing the structural failings of the shipbuilding industry, the government ignored the growing problems of the industry and only provided cheap finance when the situation demanded a response, which merely deferred the industry's failure for a few years.

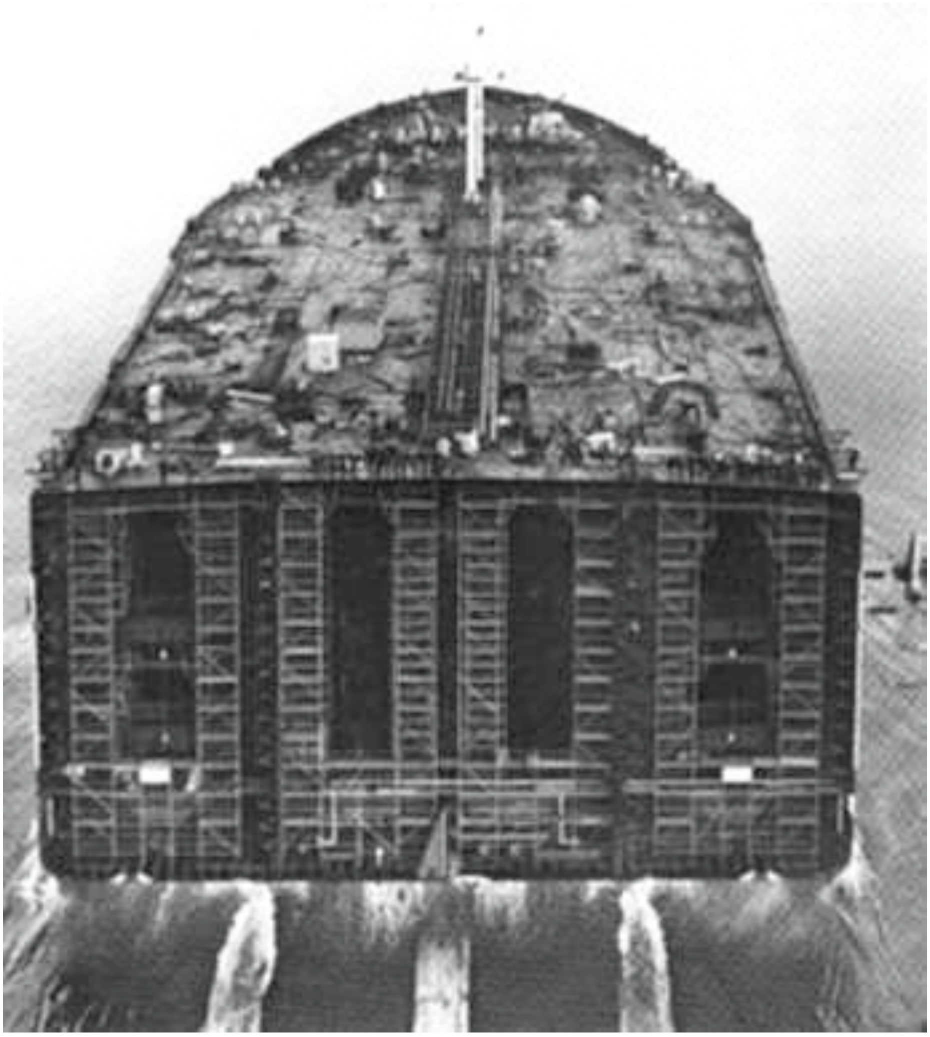
The Labour government elected in 1964 rode to victory upon a rhetoric infused zeitgeist condemning the failure of a reactionary and backward Conservative administration to modernise Britain, promising to bring the nation into line with other, advancing or more advanced, nations. Although the manifesto commitments of 1964 promised an immediate change to the fortunes of the economy under the aegis of the Department of Economic Affairs and the Ministry of Technology, the actuality was inquiry and introspection for the first two years of the government. For the shipbuilding industry, despite a number of conclusive and detailed reports from a couple of years earlier, this meant enduring the two-year duration of the Shipbuilding Inquiry Board under the chairmanship of Reay Geddes. The board, from its proposed composition to the way it undertook research, acted with a casual manner (and admitted as much in its report), with the consequence that government ministries and departments gave as much evidence as they saw fit rather than being required to do so.[310] Indeed, the committee's members focussed upon evidence concerning military and labour concerns when it was the case that these areas, (while important to some extent) were not the major causes of the industry's decline. As a result, the Department of Economic Affairs decided shipbuilding was not part of its remit and the Ministry of Technology focussed solely on the development of maritime technology, despite dissenting views from within its ranks concerned about the industry's future prospects.

Therefore, the relationship between the committee and the institutions that gave evidence coloured the recommendations of the eventual report of the Shipbuilding Industry Committee, (known as the Geddes Report). Uncontroversial and able to improve the economic viability of the industry to some extent when implemented, the report's recommendations did not reflect the prevailing orthodoxy of ship construction found, for example, in Japan and consequently could not create the same levels of productivity, constraining the potential of shipbuilding in the United Kingdom. This, however, was not the whole story, for the committee's off-spring, the Shipbuilding Industry Board, created in 1967 to bring about the recommendation of the Geddes Report, was constrained by the same report, which was taken further by the government's desire to bring about mergers, and modernisation through a process of negotiation rather than compulsion. As the following two case studies, of the Scott Lithgow shipyard in Greenock (Scotland) and Harland and Wolff in Belfast (Northern Ireland), demonstrate the flawed proposals and views of the Geddes report and the Shipbuilding Inquiry Committee were soon submerged beneath the changing desires of shipyard managers and politicians, as government failed to bring about a positive change in the fortunes of an entire industrial sector but instead succeeded in speeding up its eventual demise.

[310] Geddes, '*To the Right Honourable Douglas Jay*, MP, *President of the Board of Trade'*, p. 7.

Chapter Three

Two large Scottish shipyards become one: The creation of Scott Lithgow and the Supertanker, 1966 – 1973



Source: www.scran.ac.uk

Introduction

This thesis argues that the relationship between government and shipyards in the period 1964-1970 was one of the major causes of the decline of shipbuilding as an industry in the United Kingdom. However, the hypothesis is intrinsically linked to policy developments within government at the time that were a reflection not only of party political concerns, but also of a wider set of relationships mainly between government, industrialists and organised labour, with additional input from academia and civil service departments responsible for expenditure and commerce. The previous chapter demonstrated these relationships existed on a multitude of levels in cabinet, parliament and the civil service, and as a result contextualised and influenced the creation and development of bodies set up to remedy the ills of the shipbuilding industry. For example, the relationship between the Shipbuilding Inquiry Committee and the institutions that gave evidence influenced its eventual recommendations, which did not reflect the prevailing orthodoxy of ship construction found in competitor nations. Indeed, the Shipbuilding Industry Board was constrained by the recommendations and was further compromised by the government's desire to negotiate rather than compel individual companies to merge.

To show this process in action, this chapter utilises a case study of the Scott Lithgow shipyard in Greenock (a town in the West of Scotland situated on the lower reaches of the River Clyde), to demonstrate the core hypothesis that the uncertainty created by the extended process of consultation under the aegis of the Labour government (from the public inquiries of its early years to the negotiations with companies concerning state aid from 1966 onwards) discouraged capital investment, restricting efforts at introducing modern working practices and equipment into British shipyards. Scott Lithgow exemplifies this process, from being the first two companies to propose a merger, Scotts Shipbuilding and Engineering Company Limited and Lithgows Limited entered into a protracted process of negotiation, using a variety of tactics to gain concessions that either were not in the powers of the Shipbuilding Industry Board to give or on offer from the government. Whilst a wider context of industrial strife, demarcation, obsolete manufacturing techniques and equipment plagued the shipbuilding industry across the United Kingdom and particularly on the Clyde, this chapter will demonstrate that the agency of management when dealing with central government firstly hindered and then effectively nullified attempts by central government to rescue the industry from an oft predicted demise. Scott Lithgow was a Scottish shipyard, but this chapter will show that its main political relationship was with the government in London and that the influence of the Scottish body politic came from the shipyard's relationship with the local Members of Parliament and the Scottish trade union movement, not from any formal relationship with the Scottish Office. Finally, the main body of this chapter details the negotiations between Scott Lithgow and the Shipbuilding Industry Board, and government bodies between 1967 and 1971, illuminating the subsequent relationship that the company had with both until 1973. The focus is on the merger of the two shipyards and the subsequent efforts to become a major player in the supertanker market, but as ever this is contextualised by the negotiations between Scott Lithgow and the government in London.

Scotts, Lithgows and the creation of Scott Lithgow, 1966 – 1973

The Scott Lithgow Company that was created in the 1960s was the result of a bid by the Greenock based shipyards of Scotts and Lithgows to create a second grouping on the river Clyde separate from the yards based on the Upper Clyde in Glasgow. Although the Geddes report made no specific mention of the need for two separate groupings on the Clyde, the Shipbuilding Industry Board (SIB) reacted positively to the proposal, realising that Greenock and Glasgow had different wage structures and proximities to suppliers. However, the creation of Scott Lithgow and its subsequent failure as a shipbuilding company is not a reflection of a lack of ambition on the part of either the shipyards or government, but rather a lack of cohesive management and ambition.

Both shipyards were successful in the mid 1960s, with Scotts building conventional submarines for the Royal Navy and export customers and Lithgows large bulk and crude oil carriers. Both yards had re-equipmed to use more modern methods of steel handling and construction and both were modern yards that could compete in a global market place.[311] Therefore, when a merger was proposed at the very beginning of the 5 year existence of the SIB in 1967, the subsequent government enthusiasm lent a great deal of attention to the opinions of the yards' management, specifically the appointed Managing Director of Scott Lithgow, Ross Belch and its chairman, Sir William Lithgow. However, the intentions of the SIB and of Scotts and Lithgows were highly divergent, the negotiating techniques employed by both Belch and Lithgow hindered the attempts at formulating a government funded plan within the 5-year lifetime of the SIB. Although a company entitled Scott Lithgow was set up in 1967 and changes made to the structure of both Scotts and Lithgows reflecting the intention to merge, these remained little more than token companies, Scott Lithgow (1967) had a notional value of £100 shared 50:50 between Scotts and Lithgows. The actual creation of a merged entity would take much longer.

Scotts and Lithgows merged in actuality on the last day of 1969 four years after merger was first proposed and it was only then that the company received funds to modernise the shipyard and deliver on Ross Belch's proposal to produce large VLCC

[311] 'A Rebuilt British Shipyard' Completion of a £3-million Reconstruction Scheme on Lithgows' Kingston Yard at Port Glasgow, *The Motorship*, June 1961 pp 154-155 & '250 Years of Progressive Building: The Growth and Development of Scotts' Shipbuilding and Eng. Co. A modernised Shipyard for Ships up to 40,000 tons d.w. Scotts' Contribution to Marine Engineering' *The Motorship*, October 1961, pp 312-314

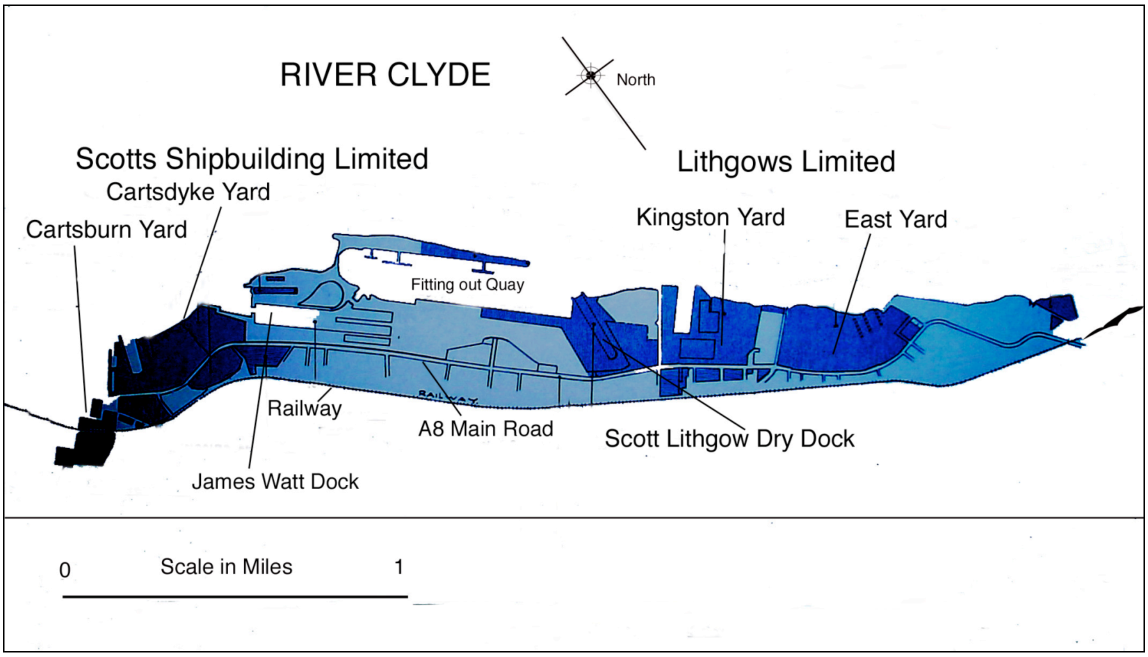
supertankers for the burgeoning market created by the exponential rise in the demand for crude oil by industrial nations after 1945. However, whereas in the Far Eastern and European shipyards that specialised in such vessels building docks and taylorised production methods were the norm, Belch proposed using the existing facilities of the Scott Lithgow shipyard in updated form to build these large vessels in two halves. These methodologies appeared to be successful, Scott Lithgow received many orders for such vessels and by 1973 had already delivered two vessels and had two more in the latter stages of construction and slowly the company was decreasing its losses and returning to profitability. The following section details the negotiations between Scott Lithgow and the Shipbuilding Industry Board and government bodies between 1967 and 1971 and the subsequent relationship that the company had with central government up until 1973. The focus is on the merger between the two shipyards and the subsequent efforts to implement the shipyard's stated goal of being a major player in the supertanker market, in line with the Geddes Report proposed merger of existing shipyards into larger regional entities that would be extensively modernised with new equipment, funded in the main by central government.[312] However, in reality, the corporations created by the mergers were little more than financial holding companies; the pre-merger shipyards remained as separate entities. In the case of Scott Lithgow, despite the physical proximity of Scott's of Greenock to the yard of Lithgows, the two yards remained distinct entities throughout the life of Scott Lithgow.

The discussions between Scotts' and Lithgows commenced almost immediately after the publication of the Geddes report. Scotts' was the oldest modern shipyard in existence in the UK; it dated back to 1711 and produced a full range of vessels, but by 1962 it was specialising in submarines and small passenger ferries, with an annual production capacity of 45,000 tons. Lithgows specialised in large merchant vessels of around 80,000 tons and had already undertaken a programme of modernisation giving it an annual capacity of 125,000 tons by the early 1960s.[313] As noted above, the physical proximity of the two yards in Greenock encouraged a merger, with all major facilities concentrated in a one-mile radius of the James Watt dock, alongside the route of the A8 trunk road. Moreover, being on the south west tip of the Clyde and in close proximity to the steel producing centres to the south of Greenock, the two yards shared many common

[312] *Shipbuilding Industries Committee Report 1966,* Cmnd 2937, (London, 1966)
[313] Shipbuilding Conference, *British Shipbuilding Facilities & Services 1962,* (London, 1962)

suppliers.[314] Therefore, the agreement to merge signed on 12th September 1967 (which was at the beginning of the Shipbuilding Industry Board's lifetime), was an apparent sign of the two shipyards' already close relationship.[315]

Image 3.1: The Physical Proximity of Scotts and Lithgows in Greenock, 1967



Source: GUAS GD 320/3/25 'Interim Report on the Possible Redevelopments of Scott-Lithgow Facilities', Lithgows Limited, September 1968, Appendix.

However, the correspondence between the SIB and Scott Lithgow suggests a different story. Firstly, Scotts and Lithgows did not actually merge into a single entity in 1967, they created a joint stock company of only a small nominal value, Scott Lithgow, based upon the recommendations of Deloitte, Plender, Griffiths & Co, chartered accountants from whom both yards requested a proposal for a post merger management structure.[316] Secondly, even when the companies formally merged as a single company in 1969, the two shipyards remained as separate entities, referred to as Scotts (1969) and Lithgows (1969). Thirdly, the yards undertook three years of discussion with government about the amount of money needed for redevelopment and whether or not Scotts would be

[314] Johnman, L and Murphy, H 'A Triumph of Failure, British Shipbuilding and the Offshore Structures Market 1960-1990. A Case Study of Scott Lithgow Limited', *The International Journal of Maritime History*, XV1-I, June 2002.
[315] Walker, F. *Song of the Clyde: A History of Clyde Shipping* (Birlinn: Edinburgh, 2001) and Johnman and Murphy, British Shipbuilding and the State, (Exeter, 2002).
[316] GUAS GD 320/3/22 Report presented by Deloitte, Plender, Griffiths & Co, London, dated 10the February 1967, entitled, 'Lower Clyde Shipbuilders'.

in line for Admiralty warship contracts.[317] The benefits of the merger as promoted by both companies in a joint memorandum sent to the chairman of the Shipbuilding Industry Board, were efficiencies and economies of scale by the use of joint purchasing, steel-working, engineering and infrastructure, and creating a culture of labour mobility within the yard.[318]

Both companies wrote to the SIB declaring their intention to merge in September 1967.[319] This letter was enthusiastically received by the SIB, who responded by stating that they required detailed specifications of any plans to be made by Scott Lithgow and once this had been undertaken, they would consider any demands for finance on its merits.[320] The first business (both parties had previously spoken to Sir William Swallow, informally[321]) meeting between representatives of the shipyards and members of the SIB occurred on 28th September 1967 and despite no specific mention of the need for two groups of shipyards on the Clyde in the Geddes report, the initial enthusiasm for the creation of Scott Lithgow was still apparent, if for no other reason than that the difference in wages between Glasgow and Greenock would make it difficult to create an integrated single corporate entity on the Clyde. The nature of the naval business of Scotts and its place within a larger Scott Lithgow's was already an issue, on which the SIB required further clarification. Therefore, Scotts' wrote to the SIB in October 1967 and stated that naval orders would be an important component of the merged company.[322] However, the Geddes report recommended that surface fighting naval craft, frigates and destroyers (at this point aircraft carriers were considered obsolete by the Healey defence review[323]) should be concentrated in two or three specialist yards, which in 1966 already existed as dedicated military shipyards.[324]

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[317] GUAS GD 320/3/12 Memo dated 25th August 1966., entitled, 'Memorandum on Proposed Merger of Scotts' and Lithgows'.
[318] TNA FV37/21, Memo from M.A. Sinclair Scott, chairman Scotts' Shipbuilding and Engineering Co. Ltd. to William J. Lithgow, chairman Lithgows Limited. dated 11th September 1967, entitled, 'Memorandum on the Proposed Merger of Scotts and Lithgows'.
[319] TNA FV 37/21 letter signed Binder, Hamlyn and Co from the company to Lithgow, dated 11th September 1967, entitled 'Proposed Merger'.
[320] TNA FV 37/21 letter dated 28th September 1967 from P.B. Hypher, Secretary SIB, to M.A. Sinclair Scott, chairman Scotts' Shipbuilding and Engineering Co. Ltd. and William J. Lithgow, chairman Lithgows Limited.
[321] GUAS GD 320/3/12 Note to numerous recipients, dated 25th August 1966, entitled, 'Note of a Meeting on 24th August1966'.
[322] TNA FV 37/21 Note of Meeting dated 28th September 1967 at the Shipbuilding Industry Board (SIB), between A. Ross Belch, G. Hilton, for Scott Lithgow and P.B. Hypher and A.H. Glass for SIB attending & letter dated 4th October 1967 from G. Hilton and Ross Belch, Scotts' Shipbuilding and Engineering Co. Ltd.
[323] *Statement on Defence Estimates: 1966. Part I: The Defence Review*, Cmnd 2901, (London, 1966).
[324], *Shipbuilding Industries Committee Report*, Cmnd 2937, (London, 1966).

The SIB board agreed that as an institution it did not have the power to grant any conditions concerning naval work with Scott Lithgow and stated that there were not enough naval orders to justify concentrating the work in more than four yards. [325] Moreover, the Royal Navy itself was not of a high opinion of Scotts' work and did not believe that they had the technical abilities to produce modern sophisticated warships, particularly submarines. Although a speciality of Scotts' they were not of the same level of sophistication as the modern nuclear attack craft constructed by Vickers in their Barrow in Furness shipyard and these were of little interest to the Royal Navy.[326] The viewpoint of Scotts was different, not only did they continue to request the right to tender for Naval craft, but also that at no point in the future would they be blocked from bidding for naval work. Indeed, by November 1967 they were stating that the continued success of the merger depended on the inclusion of naval work:

> A long and wide ranging discussion ensued. The following were the main points, which emerged.
>
> 1. The Scotts/Lithgow Merger depended upon two vital factors:
>
> (a) that Scott's Cartsburn Yard would be designated as an 'S' Yard for all types of sophisticated naval surface vessels, and
> (b) that there would be no insistence by SIB or H.M.G. on a single Clyde group, at any rate until the Upper Clyde Group had become viable and a merger was clearly seems to be in the interests of the Lower Clyde.[327]

This was neither the view of the government nor that of the SIB, which was that including Scotts in the naval tender process was a waste of time and resources.[328] For Scott and Lithgows to make their merger conditional upon becoming a designated warship yard, despite their lack of experience beyond conventional twin screw diesel submarines (already of an obsolete design in 1967) was contrary to the accepted military view at that time, which was that warships had become technologically more advanced than merchant

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[325] The yards being, Harland and Wolff, Yarrow, 'one on the Tyne' and Vosper/Thorneycroft.
[326] TNA FV 37/21, SIB Board Minutes for 9th Oct 1967.
[327] TNA FV 37/21 Minutes dated 20th November 1967, entitled, 'Note of a Working Lunch: Lower Clyde Merger'.
[328] TNA FV 37/, Letter dated 22 November 1967, to C.H. Bayliss at the Ministry of Technology from B. Barker, director of the SIB, entitled, 'Segregation of Naval Work'.

vessels and therefore required specialist manufacturers.[329] Consequently, and after much discussion between the Ministry of Technology and the SIB, the government announced that while Scott Lithgow would not be restricted when it came to tendering for naval work, the Cartsburn yard was not an official warship yard and that it was unreasonable for Scott Lithgow to request this be the case.[330] Accordingly, in January 1968, the SIB wrote to Scotts' Shipbuilding and Engineering Co. Ltd stating that the issue was now closed. The SIB attempted to draw to both shipyards' attention the restricted lifespan of the body in an attempt to move matters along:

> We are now making progress with the examination of other applications and the Board would therefore emphasise the need for you to make detailed application for the assistance the Lower Clyde merger may require.[331]

In other words, in the eyes of the SIB any further discussion of warship building at a merged Scott Lithgow was irrelevant as this was outside its remit and was not in concordance with the provisions of the Geddes Report. Despite this reluctance of the SIB to discuss warship building and indeed their forceful articulation of that policy, Scott Lithgow refused to drop their plans and indeed promoted warship building as essential to the survival of the yard.[332] Therefore, they continued presenting letters and documents to the SIB outlining the reasons why they had to tender for naval contracts and remain as a yard designated for naval construction. Indeed, Sinclair Scott (a member of the senior management at Scotts) whilst conceding that negotiations had to proceed regardless of the naval construction issue, stated that naval work was an integral part of their merger plans and should be taken into account and without this, the plans would not be able to proceed.

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[329] The Oberon class submarine as developed by Scotts in the late 1950's, although of a high technological standard was already being surpassed by more advanced (and indeed radical) Soviet, Germany and French designs in 1967. No 'clean sheet' replacement was ever developed by Scotts for the Oberon and British conventional submarine manufacture eventually moved to the Vickers yard, at Barrow in Furness in 1978. Scott Lithgow offered an updated version of the Oberon to the Royal Navy in the mid 1980's ('Oberon 2000') to response to a tender concerning a new generation of Diesel-Electric submarines; this was proposal poorly received by the Royal Navy which stated it would prefer German designed submarines over those constructed by Scott Lithgow.

[330] TNA FV 37/21, SIB Board Minutes, dated 13th February 1968. Two letters, first dated 8th January 1968 to C.H. Bayliss, Ministry of Technology from B. Barker, director SIB, second dated 22nd January 1968 to B. Barker from C.H. Bayliss in response to the first letter.

[331] TNA FV 37/21 Letter dated 30th January 1967 from B. Barker, director SIB to M.A. Sinclair Scott, chairman of Scotts' Shipbuilding and Engineering Co. Ltd. and carbon copied to Sir. William Lithgow, chairman of Lithgows Limited.

[332] TNA FV 37/21 Letter dated 12th March 1968, from Michael Scott of Scotts' Shipbuilding and Engineering Co. Ltd to Sir. William Swallow, SIB.

[333] In short, Scotts and Lithgows continued along the same path concerning military work, regardless of the statements to the contrary from the SIB.

Although negotiations were about to commence concerning the funding required for the merger and the redevelopment of Scott Lithgow, the SIB was concerned and it was starting to believe that its involvement with Scott Lithgow would be little more than a pyrrhic exercise.[334] Certainly, in an otherwise un-noteworthy and routine letter to Bayliss at the Ministry of Technology, B. Barker of the SIB opened with the line; 'Indeed, the story of the Lower Clyde is a sorry one' and went on to state, 'I cannot help feeling myself that Scotts, like the lemmings, are marching their company straight into the sea'.[335] After repeated correspondence from Scotts concerning naval work, despite the best efforts to persuade Scott Lithgow otherwise, the SIB tried to resolve these issues by calling a meeting on 17th April 1968.[336] This was an exercise to no avail; Scotts and Lithgows both continued to state the need to retain naval work as a precondition of their merger, even in the face of opposition from the SIB. In particular, the SIB chairman Sir William Swallow questioned whether there would be enough naval work in the future to justify even the Geddes designated naval yards and doubted whether the figure given by Ross Belch that Scotts' and Lithgows combined had over 50 percent of their work from naval sources was correct.[337] As the meeting progressed, Swallow strongly emphasised that any assistance would be based on commercial criteria and that guaranteed orders from the Admiralty did not fall into this category, a point taken by Ross Belch as an invitation to open a debate on funding. In response, Ashton of the SIB considered that this 'was starting from the wrong end: one needed to start from knowledge of what the proposed scheme amounted to, since what the SIB could do would depend on this.[338]'In an already disastrous meeting, the coup de grace was issued by Sir William Lithgow, who presented the redevelopment plans for Scott Lithgow on 20ft sheets of tracing paper. These were highly fluid and the particular details of the plans depended on the amount of funding the SIB was willing to provide to the company. Lithgow asked for a figure of '...the order of £6 1/2 m might be needed, i.e., £3 1/2 m for Capital Expenditure and £3m for Working Capital' but despite Lithgow's

[333] TNA FV 37/21 letter dated 3rd April 1968 from M.A. Sinclair Scott, chairman of Scotts' Shipbuilding and Engineering Co. Ltd., to C.H. Bayliss, Ministry of Technology.
[334] TNA FV 37/21 SIB Board Minutes, dated 9th April 1968.
[335] TNA FV 37/21 letter dated 8th April 1968 to C.H. Bayliss, Ministry of Technology from B. Barker, director SIB.
[336] TNA FV 37/21 'To the chairman and board members' memorandum from B. Barker, SIB dated 16th April 1968.
[337] TNA FV 37/21 'Note of Meeting on 17th April 1968 at SIB re Scott/Lithgow project', undated, p. 2
[338] ibid.

presentation, Swallow doubted whether any of the ideas presented would make Scott Lithgow competitive in a few years time, if ever.[339]

After this meeting, there was little sympathy towards the merger of Scotts and Lithgows. Indeed the Minister of Technology, Anthony Wedgwood Benn was certainly cooling to the idea of a lower Clyde merger, at least the one proposed by Scotts and Lithgow's. In a letter sent after the meeting, Barnes stated his view of the situation to Barker:

> I do not know how you feel about the discussion this week. Personally I have no doubt that it was wise to start this examination of their proposals, putting to one side their stupidity about 'S' yards. But I found their performance and their proposals pretty pathetic. The more I listened, and not least to questions put by you and your Board, the more doubtful I became as to whether this constituted a Group which could be supported at all.[340]

To which Barker responded: 'I don't think my board were very impressed with the presentation.[341]

Despite the pessimism at the SIB and the vague demands of Scott Lithgow, Ross Belch clarified the shipyards' aims by letter in May 1968. The letter avoided mentioning the pre-conditions for a merger and explained the post-merger layout and redevelopment of the yard in realistic and practical terms.[342] Whilst not discounting naval work, Scott Lithgow was now stating that the 'S' yard would be for all kinds of technically advanced vessels, not just naval ones. This was progress, which was combined with a favourable report from a visit made by an SIB official to the two yards in Greenock. As a result of this, the SIB decided to ask the Ministry of Defence and the Ministry of Technology to formulate a government policy concerning warship building in non-military shipyards.[343] In August 1968, the Ministry of Technology informed Scott Lithgow that it could bid for

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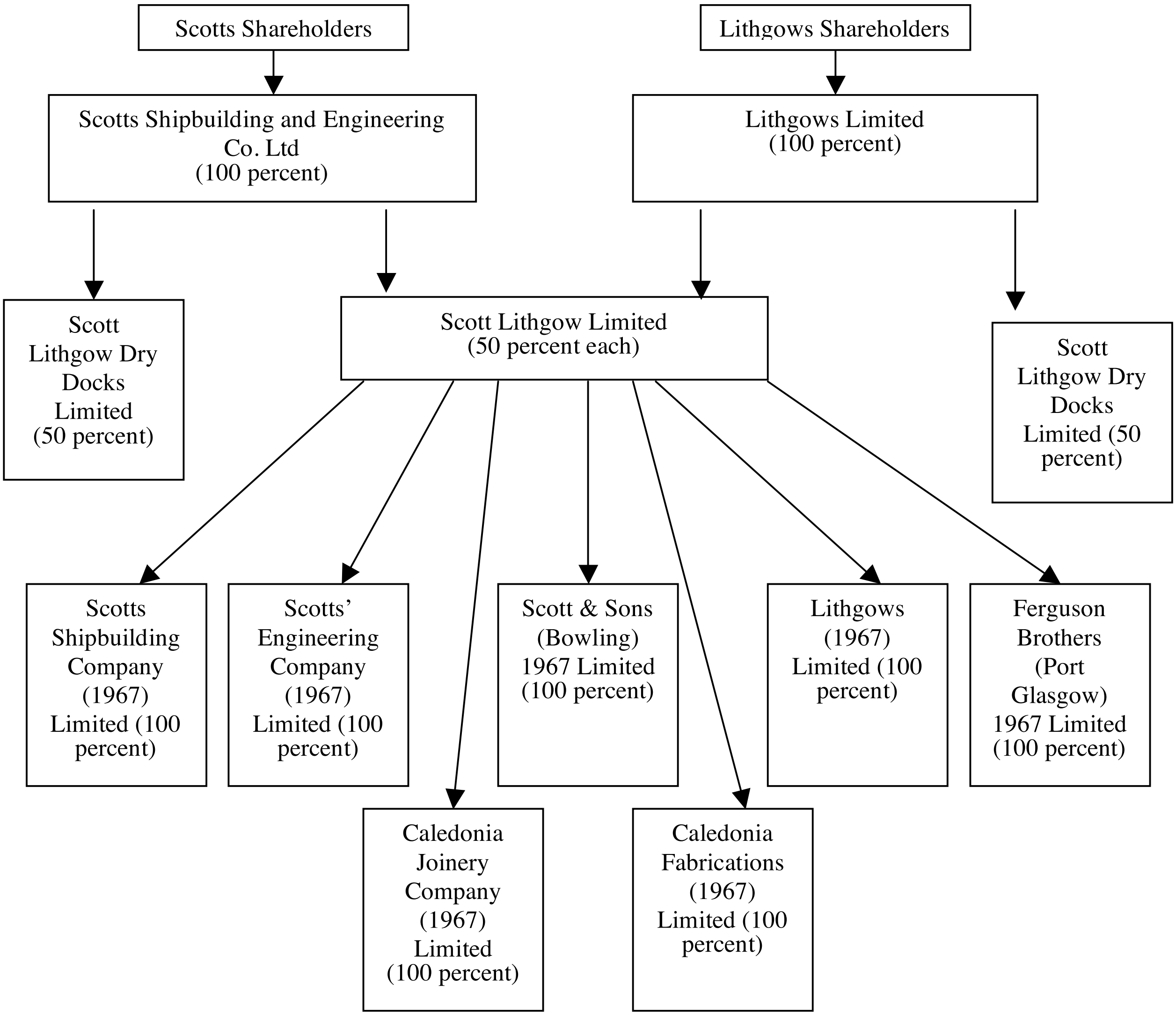
339 ibid, p. 3.
340 TNA FV 37/21 Letter dated 19th April 1968 from C.H. Bayliss, Ministry of Technology to B. Barker, SIB.
341 TNA FV 37/21 Letter dated 25th April, 1968 from B.Barker, SIB to C.H. Bayliss, Ministry of Technology.
342 TNA FV 37/21 'Extract from Mr. A.R. Belch's letter of 13th May, 1968 to Mr V.I. Chapman, Ministry of Technology'.
343 TNA FV 37/21 'Lower Clyde Shipbuilding: Interim Submission in Connection with Proposed Scott Lithgow Merger' Secretariat, dated 30th March 1968 & SIB Board Minutes, 5th June 1968 'Lower Clyde Shipbuilding - Interim submission in connection with proposed Scott Lithgow Facilities'.

naval contracts, but not on a preferential basis.[344] Consequently, the SIB was of the opinion that the merger must proceed and requested that Scotts and Lithgows inform the board of any progress made since the application for redevelopment funds in July 1968.[345] However, it was not until a meeting occurred between representatives of the two shipyards, the SIB and ministers from the Ministries of Technology and Defence and the Scottish Office in October 1968, that both Scotts and Lithgows accepted the government's position. Even then, Ross Belch continued to attempt to negotiate the point, until being firmly, but politely reminded by those present that the lifetime of the SIB was limited by statute to 5 years and that assistance would not be available forever. Indeed, the Minister of Technology had to be even more forceful, ending the meeting by stating that 'The assurances sought by Mr. Scott (chairman of Scotts) were unacceptable to the government.'[346]. A point that had to be reiterated once more in November of 1968 by Benn in a letter to Belch.[347]

Efforts to complete the merger progressed almost immediately thereafter and by the end of the year the two companies were now working to complete their merger.[348] The ultimate form of the merger, however, was not an integrated company, but rather a jointly owned holding company that itself owned the assets of the previous two entities. In other words, Scott Lithgow was owned 50:50 by the two yards, which themselves had separate shareholders, as the following diagram demonstrates:

[344] TNA FV 37/21 Copy of letter dated 20th August 1968 sent to M.A. Sinclair Scott, chairman Scotts' Shipbuilding and Engineering Co. Ltd. and William J. Lithgow, chairman Lithgows Limited from Mr. Fowler, Ministry of Technology.
[345] TNA FV 37/21 Letter dated 30th September 1968 from B, Barker, director SIB to , to M.A. Sinclair Scott, chairman Scotts' Shipbuilding and Engineering Co. Ltd. and William J. Lithgow, chairman Lithgows Limited.
[346] TNA FV 37/21 Note of a meeting held on Monday 28th October, 1968, entitled, 'Lower Clyde Shipbuilders'.
[347] TNA FV 37/21 Draft letter dated 11th November 1968 sent to V.I. Chapman, Ministry of Technology and C.H. Bayliss, SIB, to be sent to M.A. Sinclair Scott, chairman Scotts' Shipbuilding and Engineering Co. Ltd. and William J. Lithgow, chairman Lithgows Limited.
[348] TNA FV 37/21, SIB Board Minutes, dated 31st December 1968.

Diagram 3.1: The Planned Structure of Scott Lithgow's after 1969 (Percentage Ownership in Para-emphasises)[349]



Source: TNA FV 37/21 'Report to Mr. B Barker on present position of Grouping on the Lower Clyde under Scott Lithgow Limited' Letter from Scotts' Shipbuilding & Engineering Co. Ltd to SIB, dated 24th March 1969 and GUAS GD 320/3/16 'Scott Lithgow Merger - Accounting Arrangements: Notes for Meeting - 4/11/69 at 2.15'.

It is uncertain whether Scotts and Lithgow's ever intended to create a single, vertically integrated corporation, or merely a corporation that would allow them to take advantage of the finances of the SIB without actually losing their identity or independence. Certainly, this was the impression that was starting to form at the SIB. Swallow believed that any large-scale expenditure by Scott Lithgow should not be financed through large grants, but loans and any funding considered by the SIB would have to be backed up by

[349] TNA FV 37/21 Letter from Scotts' Shipbuilding & Engineering Co. Ltd to SIB, dated 24th March 1969, entitled, 'Report to Mr. B Barker on present position of Grouping on the Lower Clyde under Scott Lithgow Limited', and GUAS GD 320/3/16, note of a meeting dated 5th November 1969, entitled, 'Scott Lithgow Merger - Accounting Arrangements: Notes for Meeting - 4/11/69 at 2.15'.

firm proposals.[350] After two years of negotiation and three after the Geddes Report, there was little genuine progress towards a merger, certainly not as originally envisioned by the SIB.

By the time Scott Lithgow became a legal entity on 31st December 1969, the company was no further in receiving funds from the SIB and did not do so until March 1970.[351] By this time, the trials and tribulations of the merger on the Upper Clyde was taking more of the government's and SIB's attention. Certainly, the problems at John Browns and Fairfield's leading to the creation of Upper Clyde Shipbuilders (UCS) were widely discussed in Parliament. Quite simply these yards had more local Labour MP's in the government than further down the Clyde in Greenock.[352] Ross Belch was also at this time involved in a failed bid for the Yarrow military yard at the invitation of its chairman Sir Eric Yarrow.[353] Indeed, because of the potential for lucrative and relatively easy to obtain (when compared to merchant vessels) military contracts, Yarrow had suddenly become attractive for Belch, despite his earlier opposition to a single merged Clyde entity. Like many of Belch's proposals, the merger did not happen, but it is indicative of the constant prevarication and changes of position by Belch that influenced the eventual outcome for Scott Lithgow; for even in the case of merger with Yarrows, Belch was not prepared to make a bid without government assurances[354]. Murphy and Johnman state that, 'Scott Lithgow paid a heavy price for the protracted nature of its merger'.[355] This was indeed the case, but the convoluted narrative of the merger of the Scotts and Lithgow shipyards is merely the prologue for the story of the attempt by Scott Lithgow to produce large vessels for the global merchant marine, which is the focus on this case study.

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[350] TNA FV 37/21, SIB Board Minutes, dated 12th June 1969.
[351] GUAS GD 320/3/16 Notes dated 4th November 1969, entitled, 'Scott Lithgow Merger - Accounting Arrangements: Notes for Meeting - 4/11/69 at 2.15'.
[352] Murphy, H and Johnman, L. '*British Shipbuilding and the State Since 1918'*, (Exeter, 2002) pp. 177 -179.
[353] Johnman, L. and Murphy, H. *' Scott Lithgow: Deja Vu All Over Again! The rise and fall of a shipbuilding company'* (St. Johns, 2005), pp. 209 – 215.
[354] Ibid.
[355] Johnman and Murphy, *Scott Lithgow: Deja Vu All Over Again*, p 179.

The 'modernisation' of Scott Lithgow 1969 - 1973

The protracted, drawn out creation of the Scotts Lithgow group meant the SIB and Scott Lithgow did not discuss the companies' modernisation plans to construct larger vessel until the latter half of 1969. Indeed, as has been demonstrated, there was little progress until almost half way through the planned lifetime of the SIB and as a result, there was a very limited space of time for Scott Lithgow and the SIB to work together to formulate a development plan for the shipyard. The situation was complicated further by Scott Lithgow taking an order for a vessel of 250,000 tons before the two precursor companies had merged. Indeed, this was also before Scott Lithgow had the facilities to construct a vessel of that size and in April 1969 Belch wrote a letter to the SIB, stating that as Lithgows had already been asked to build a supertanker, the government should make development funding available as soon as possible.[356] This is highly relevant in light of Scott Lithgow's attempts at modernisation. As demonstrated in the previous section, Scott Lithgow was not prepared to discuss detailed development plans or even the merger until assurances of the amount of government money were given, including whether the shipyard would be allowed to continue with naval construction. That the SIB at this stage continued negotiations with Scott Lithgow despite an apparent lack of progress is demonstrative of the relationship that developed between the government, an institution set up by that government and the Greenock company.[357] The modernisation of the Lithgows Kingston yard to build VLCC tankers, illustrates this point. For although the SIB was to act as facilitator in the rationalisation of British shipbuilding, in its relationship with Scotts Lithgow it would become the principal subsidiser of an unchanged and un-rationalised concern.

In a paper published in 1970, Belch laid out the options available when modernising the Kingston yard.[358] He describing the changes in the shipping market over the course of the 1960s, namely that the closure of the Suez Canal combined with an increasing demand for petroleum was leading to larger vessels designed to provide radically improved economies of scale. For a shipbuilder not to have entered this market

[356] TNA FV 37/21 Letter dated 16th April 1969 from Ross Belch, Lithgows Limited to B.Barker, SIB.
[357] TNA FV 37/21 Letter dated 15th May 1969 from V.I. Chapman, Ministry of Technology to Ross Belch, Lithgows Limited.
[358] GUAS, GD 323/1/3/12 Belch, RA (1970), *The New Decade in Large Ship Production: Forward From the Cross Roads*, Ship Technology in Transition no. 6.

(which in 1970 appeared to be growing at a sustainable rate) would have been a serious mistake:

> Our capacity at that time already to build vessels up to about 150,000 tons deadweight. Our yards were modern by most standards and our ability to keep going reasonably comfortably in this medium sized market was not seriously in doubt. To have confined ourselves to this field would have involved, at most, the general updating of facilities which has been a matter of routine for most yards for many years. However, at the time the continued buoyancy in the medium-size ship market was unforeseen. In fact, it was becoming generally accepted that the 100,000 tonners were only intermediate size vessels with a limited market demand. The big ships of the future certainly appeared to be ones of over 200,000 tons dwt and the fact that there has arisen a demand for the intermediate size vessels of 100/150,000 tons dwt was unpredictable, as are so many developments in the shipping world.[359]

Belch, supported by the Geddes notion of a diverse product range, stated that as a large grouping of six shipyards on the Lower Clyde, the Scott Lithgow group should have a wider range of vessel types for sale and therefore the construction of large vessels over 200,000 tons was a logical development for the business. Indeed in Belch's view, constructing large vessels on the Lower Clyde made sense because of the proximity of a trained workforce, steel and engineering facilities and a viable deep-water harbour.[360] Consequently, the development of large vessel construction to enter the market for these ships was inevitable, according to the reasoning of Belch. There was, nonetheless, one important proviso:

> However, one thing was determined at the outset - we were not going to create a massive new shipbuilding complex costing many millions of pounds, involving us in large borrowings which might at the end of the day have such a crippling effect on us financially as to destroy the viability of our whole group.[361]

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[359] GUAS, GD 323/1/3/12 Belch, RA (1970), *The New Decade in Large Ship Production: Forward From the Cross Roads*, Ship Technology in Transition no. 6, p. 6-8.
[360] GUAS, GD 323/1/3/12 Belch, *The New Decade,* p. 9.
[361] Ibid.

In effect, Belch was of the opinion that the financial after-effects of large scale investments in a new, or rebuilt shipyard would mitigate against any productivity improvements gained from new shipbuilding methods. Therefore, any adjustments to the Scott Lithgow yard had to cost as little as possible.[362]

The first admission made by Belch was that sub-assembly; the prefabrication of vessel sections joined up on a slipway or in a building dock was the only way forward for a modern shipyard.[363] Certainly, looking at the 1969 Scott Lithgow Group Development Plan, the emphasis was on increasing the productivity of metal working and developing the prefabrication of steel sections.[364] The consideration for Belch was, therefore would the sections join up on a slipway or in a building dock?[365] There had been launches of large vessels on slipways before; Swan Hunter launched vessels over 250,000 tons deadweight on the Tyne, positioned so they would avoid the opposite bank of the river. Belch noted, however, that the risk insurance premium for launching vessels increased substantially for vessels over 75,000 tons (unspecified as to whether this is gross or deadweight tonnage) and consequently launching very large vessels from slipways added 'about £25,000 on a vessel of 250,000 tons deadweight'.[366]

Building docks, as used by Harland and Wolff and discussed by John Browns (in the case of the Newshot Island project[367]), provided an open platform close to production facilities in a layout taking into consideration the optimum construction process.[368] Belch noted that in Japan, the building dock was the successful method of construction, which brought many practical benefits and was in use by Harland and Wolff and many European yards as their method of final construction.[369] Nonetheless, Belch also noted that building docks were capital intensive, inflexible if future needs changed and required further investments in cranage and infrastructure. Moreover, Japanese shipyards, (modernised or green-field) involved a production line, whereas shipyards in Europe or on the Clyde had evolved over time and did not have a layout complementary to the process of production. In the case of Scott Lithgow, because of geographical and geological features particular to the United Kingdom (namely higher tide levels than mainland Europe and having to cut

[362] ibid.
[363] GUAS, GD 323/1/3/12 Belch, *The New Decade,* p. 10.
[364] GUAS GD323/1/4/6 Scott Lithgow Group Development Plan 1969.
[365] GUAS, GD 323/1/3/12 Belch, *The New Decade,* p. 10.
[366] GUAS, GD 323/1/3/12 Belch, *The New Decade,* p. 11.
[367] Johnson, I & Murphy, H. The Newshot Isle Project, Scottish Geographical Journal, 117: 3 (2001), pp. 207 – 217.
[368] Todd, D. *The World Shipbuilding Industry* (Croom Helm: London, 1985), pp. 29 -57.
[369] Todd. *The World Shipbuilding Industry*, pp. 29 – 57.

through clay and bedrock to construct any dock), Belch was acutely aware of the costs of any large infrastructure projects.[370] Moreover, there would be the cost of fitting the dock out with the appropriate machinery, which would take an initial cost of £7.5 million to £15 million. A scheme to convert the James Watt dock situated in Greenock, (even though an existing dock was in place) was proposed, potentially costing over £17 million, because the existing infrastructure and tooling of Scott Lithgow could not be re-used.[371] Another option, hydraulic rams to lift a vessel, (despite being developed by Scott Lithgow) as used by the Pascagoula yard on the Mississippi River in the United States was also discounted, again because of construction and maintenance costs.[372]

The financial conservatism advocated by Belch is at first hard to comprehend, particularly in light of loans from the SIB of £13.42 million, which were received by September 1971. [373] However, it should be noted that Scotts and Lithgows also had between them £2.5 (million) equity capital and also £2 million loan capital from Scott Lithgow; the group therefore started life with a comparatively low amount of equity capital. With both companies' past financial record, this situation was unlikely to improve.[374] It is not unsafe to assume, therefore, that Scott Lithgow would have to demonstrate caution when considering any spending on large infrastructure projects, even if the finance came from government loans. Indeed, as was noted by the SIB in May 1969, during a visit to Scott Lithgow:

> Before deciding upon this expenditure, however, they were in a dilemma as to whether or not to proceed with their much broader scheme of development covering the entire group, and to press ahead as possible with that...In discussing the question of assistance from the SIB, Mr Belch stressed the necessity for grant aid as opposed to loans, and that the extent of this would determine in a very real sense the extent to which their development would proceed. In consideration of a full scheme, expenditure of up to £6 M. for the group would be considered, and they were most averse to saddling themselves with the servicing of such large amounts of capital. I made it clear that whereas

[370] GUAS, GD 323/1/3/12 Belch, *The New Decade,* p. 13.
[371] Ibid.
[372] GUAS, GD 323/1/3/12 Belch, *The New Decade.* P. 15.
[373] TNA T224/2326 Letter dated 11 September 1970 from P.E. Lawler, Ministry of Technology to G.F. Grafton, HM Treasury concerning Scott Lithgow request for a further loan instalment.
[374] TNA T224/2326, submission dated 27 October 1971, from A McDonald, SBP2a to Mr Neville-Jones, Deputy Chief Scientific Officers, Shipbuilding Policy Division, Hd SBP2, Shipbuilding Industry Board,, entitled, 'Shipbuilding Industry Act: Request for Secretary of State's Approval for Financial Assistance to Scott Lithgow Ltd'.

> grants might be available in respect of such headings as transitional losses, workers amenities, and certain other possible matters, these would be limited in comparison with the total sum envisaged.[375]

In light of the reluctance of Ross Belch and Scott Lithgow to spend more than strictly necessary on infrastructure, a solution had to be selected that used the existing facilities of the Kingston yard to full effect and allowed for the construction of vessels of more than 250,000 tons dwt. The chosen solution was joining afloat: constructing and launching two large vessel sections on slipways, then welding both together alongside an outfitting quay. Belch chose to explain his reasoning by stating that the initial costs of providing the equipment to join two halves of a supertanker when afloat were substantially lower than the costs involved in creating a large building dock. Moreover, Belch emphasised that such a system would allow Scott Lithgow to utilise existing facilities and potentially be able to build vessels of almost, 'unlimited size'. Nonetheless, the main motivation for Belch was cost; the proposed system would involve a substantially smaller outlay than any other method of constructing a large vessel. [376] Ross Belch concluded by stating that the difference between Japanese and UK shipbuilding was not one of where the vessels were constructed, but of how, citing the Japanese advances in production technology, quality control, and productivity had increased output reduced the workload.[377] Therefore, the modernisation of Scott Lithgow's Kingston yard would go ahead but the existing layout of the yard would remain. Whichever plan was chosen, the cost had to be minimal if for no other reason than the prejudices of Ross Belch alone. Intriguingly, the method of launching ships in two halves was developed as a response to size restrictions in small shipyards, the most prominent example being the NSDM Shipyard in Amsterdam that had to deal with the size limitations of the North Sea Canal.[378] This was not the case in Greenock; there was enough space to launch a VLCC (and even with the limitations of having a trunk road on the shipyard's southern perimeter) and certainly enough space to construct a building dock.

Belch's paper of 1970 was merely the public announcement of a policy that had been evolving since the merger of the shipbuilding yards on the lower Clyde. Upon consulting the 1969 Scott Lithgow development plan the inherent fiscal conservatism is

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[375] TNA FV 37/21 Memo dated 28th May 1969, by G.W.S. Reed, entitled, 'Note of a visit to Scott Lithgow on Wednesday, SIB, p.1.'
[376] ibid.
[377] Chida, T & Davies, P.N. *The Japanese Shipping and Shipbuilding Industries: A History of Their Modern Growth;* (Athlone: London, 1990)
[378] 'Melania: Largest Tanker built in Holland' *Shipping World and Shipbuilder*, February 1969, pp. 331-332.

again apparent as an underlying philosophy of the strategic planning of the group. The document, prepared for the Shipbuilding Industries Board to request funds for redevelopment and modernisation, starts with a pronouncement of intent regarding the level of investment desired by Scott Lithgow:

> We have been very conscious of the fluctuations in shipbuilding demand over the years and, although at the present moment the market is reasonably firm, historically our industry is subject to violent fluctuations and therefore we realise that difficult times may well be not far ahead. For this reason, it has been decided that our capital expenditure must be of a relatively modest nature to ensure that we do not incur debts which it may be impossible for the group to service in the future.' [379]

This was not merely symptomatic of a reluctance to invest in the modernisation of the company; rather it reflected the corporate ethos of producing a wide variety of vessels rather than specialising on a particular type (which Belch saw as rendering the shipyard vulnerable to market fluctuations).[380] As noted above, the Geddes Report came to the same conclusion and the shipbuilding industry traditionally dealt with fluctuating demand as a matter of fact. However, even with a marketing report stating that the demand for shipping between 1971 and 1975 was in the region of 13 million gross tons per annum and with a projected global demand for around fifty 250,000 deadweight ton VLCCs per year, Scott Lithgow preferred to manufacture a range of vessels in separate yards, with a number of 30,000 to 60,000 tons deadweight bulk vessels being constructed in their East Yard and 250,000 ton supertankers limited to a refitted and expanded Kingston yard.[381] Compared to the Japanese yards at the time, these decisions reflect a poor understanding of the modern methodology of ship construction and its relationship with the market for new vessels. Certainly after 1965 the demand was for larger tankers and that was where the profits were made.[382] Indeed, modular and prefabricated construction methods allowed yards to produce more than one vessel type in one yard on one set of equipment, but in the Scot Lithgow group specific sites constructed specific vessels and nothing else. The almost immediate move by Japanese yards into bulk carrier construction after 1975, a move not

[379] GIAS GD 323/1/4/16, Scott Lithgow Group Development Plan, 1968, Preamble, p.2.
[380] GIAS GD 323/1/4/16, Scott Lithgow Group Development Plan, 1968, p. 2-3.
[381] GUAS GD 323/1/4/6, Scott Lithgow Group Development Plan, 1971, Marketing Section p. 3-5.
[382] Newton, J. *A Century of Tankers: The Tanker Story*, (Oslo, 2002), pp. 86 – 100.

witnessed to the same extent in any UK yard, demonstrates the flexibility of prefabricated and building dock based construction methods.[383]

The appendix to the 1969 development plan contains a number of costings for the various options. No mention was made of the option chosen a year later of building two separate halves of a large vessel and joining them together afloat. Rather, in appendix B, which outlined the ultimate plans the yard had for reconstruction, there is a consideration of improving and developing the current launching berths into a large 'construction mat' upon which prefabricated sections of finished vessels could be welded together and then joined by moving completed sections down the line[384]. The role of improved methods of fabrication, improved metalworking, layout and technology was illustrated in Appendix F of the same document. [385] Whilst these methods reflected a number of best practices used elsewhere, not one option presented by Scott Lithgow in its development plan was similar to the complete reorganisation of existing shipyards or the construction of completely new facilities found in other nations, particularly Japan. Rather, Scott Lithgow was looking at ways to develop and improve its existing facilities for the smallest financial commitment and with the least disruption possible.

Although none of the plans proposed the construction of building docks, they did not explicitly mention the construction of vessels in two halves either. Nonetheless, Scott Lithgow provided a range of options for modernisation from a 'basic' plan to an 'ultimate' plan, dependent on the funds received from the Shipbuilding Industries Board. However, a year later in March 1970 it produced a proposal to use the James Watt Dock in Greenock to weld the two finished halves of VLCCs together at low tide and eventually turn it into a building dock. It is not clear, however, whether any serious planning was undertaken into the potential for the construction of a large dry building dock.[386]The company barely mentioned this plan in its documents and there were no technical drawings and little discussion of the topic at hand. The SIB were of a view that although the could see the merits of both the Kingston Yard scheme and the James Watt building dock scheme, it appeared that no cost estimates had been made of the two options versus one another, at least not at the time of its visit to Scott Lithgow in May 1969. Although outwardly Scott Lithgow was having problems deciding which scheme to adopt, it seemed to the SIB that the decision would be made on financial criteria alone and the amount of funding the

[383] Lloyds Register of Shipping, 1975-1980 (Lloyds: London, 1975 - 1980).
[384] GUAS GD 323/1/4/6 Scott Lithgow Group Development Plan, 1971, Appendix B, p.1.
[385] GUAS GD 323/1/4/6 Scott Lithgow Group Development Plan, 1971, Appendix F.
[386] GUAS GD323/1/1/50 Scott Lithgow Group Development Plan, 1970.

company would receive from the government, not on the actual merits in terms of productivity between the two schemes.[387] Indeed, Belch had admitted as much to his colleagues at Scott Lithgow on more than one occasion.[388] Certainly, these suspicions caused much concern at the SIB, which was reluctant to divulge any information on the amount of money it was prepared to give Scott Lithgow, without detailed information on the shipyard's requirements.[389] It appears therefore that the motivation of the owners of Scott Lithgow was to modernise the Kingston yard using the minimum amount of financial resources necessary and joining hull sections up whilst afloat was only advocated by Belch in mid 1968, but only once all other more costly developments were discounted.[390]

When compared to the position taken by Scott Lithgow's international competition, the decisions taken by the company were very conservative; building docks and well laid out shipyards were being constructed in Japan, Germany and Holland and were already in existence in Scandinavia, specifically Sweden. However, in the UK, building docks and extensive reconstructions were not advocated or pursued by either government or management. Nevertheless, the Geddes report in section 13 and a TUC document presented to Geddes in December 1965 shows that it was not the case that institutions in the UK did not know of developments in the rest of the world.[391] However, Geddes discounted building docks and modern shipyards, considering them too specialist and expensive, whilst the TUC took the opposing view and proposed constructing green-field shipyards constructed around a building dock. These shipyards would have been of the same type as those eventually built in Japan and Korea, which were successful in terms of output and profits since their inception and have only recently have been under pressure from similar shipyards based in China with cheaper labour. [392]

After the initial drawn out negotiations over what the company was entitled to were completed, progress was swift towards providing Scott Lithgow with government funding. From September 1970, the total money advanced to the yard by the Shipbuilding Industry Board was £14,969,812 of which £1,550,000 was for loans made under section 4(1) of the Shipbuilding Industries Act 1967, which provided funds for the acquisition of shares

[387] TNA FV 37/21,Memo dated 28th May, 1969 by G.W.S. Reed 'Note of a visit to Scott Lithgow on Wednesday', p. 3.
[388] GUAS GD 320/3/26 Internal Memo dated 28th May 1969 from Mr. A.R. Belch to Mr. D.B. Cunningham, Lithgows Limited.
[389] TNA FV 37/21, SIB Board Minutes for 12th June 1969 and 23rd June 1969.
[390] TNA FV 37/21 Submission dated 3rd May 1968 from SIB Secretariat, entitled, 'Lower Clyde Shipbuilding, Interim Submission in Connection with Proposed Scott/Lithgow Facilities'.
[391] GUAS GD320/3/10, Scott Lithgow Group Development Plan, 1969.
[392] Chida, & Davies. *The Japanese Shipping and Shipbuilding Industries,* p. 96.

required for the merger and £13,419,812 under section 4(2), which were the loans required for the reconstruction of the shipyard.[393] These amounts grew to £14,083,604 by 16th February 1971 and £14,255,000 by 2nd August 1971 respectively.[394] However, it was not even close to making a profit and therefore still required government money to provide working capital.[395]

Table 3.1: Scott Lithgow Revenue, Profit and Loss, including vessels built and Gross tonnage, 1967 - 1973.

Year	Number of Vessels	Gross Registered Tonnes (x 1000)	Profit (£ x 1000)	Profit/Loss per gross ton (£)
1967	8	128	312	2.44
1968	6	107	129	1.21
1969	8	166	-206	-1.24
1970	13	172	-1550	-9.01
1971	12	149	-262	-1.76
1972	11	132	662	5.02
1973	10	212	-1,809	-8.53
TOTAL	**68**	**1066**	**-2724**	**-2.56**

Source: British Shipbuilding 1972, A report to the Department of Trade and Industry by Booz-Allen & Hamilton BV, Cmnd 4942, HMSO, London, Chapter 17 ‘Finance and Accounting’ pp. 174- 186 and Lloyd’s List Appendix and Maritime Guide, 1980-1990.

As table 3.1 demonstrates, Scott Lithgow was profitable and in the opinion of a number of merchant bankers advising the SIB, any further injections of finance were unlikely to improve the company’s financial position.[396] Moreover, despite some naval work for foreign governments, namely conventional diesel submarines of the ‘Oberon’ class for Australia, Brazil, Chile and Venezuela, it was unlikely that Scott Lithgow would receive any orders for the most recent types of naval vessel, the Type 41 destroyers and the Type 21 and Type 22 frigates.[397] As the demise of the SIB came near, the SIB recommended further loans of unallocated money to keep Scott Lithgow afloat, a move that provided some short term relief, if not any actual improvement in the condition of the

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393 TNA T224/2326, Letter dated 11th September 197 0from P.E. Lawler, Ministry of Technology to G.F. Grafton, H.M. Treasury.

394 TNA T224/2326, Letter dated 5th February 1971 from P.E. Lawler, Ministry of Technology to G.F. Grafton, H.M. Treasury, & TNA T224/2326, Letter dated 20th July 1971from P.E. Lawler, Department of Trade and Industry to G.F. Grafton, H.M. Treasury.

395 TNA T224/2326, Memo dated 9th September 1971 from C.J Carey, Principal, DTI to Mr. Just, DTI.

396 TNA T224/2326, Memo 16th September 1971 from C.J Carey, Principal, DTI to Mr. Pliatzky DTI.

397 TNA T224/2326 Memo dated 17th September 1971 from G.E Dickson, Branch 3, Shipping Policy Division, DTI to Messrs. Hansford, Assistant Secretary, Defence Policy Group, HM Treasury and Barratt, DTI.

company.[398] Nevertheless, the future for Scott Lithgow was far from assured and both government and the shipyard's management would continue to have a close relationship for many years to come.

[398] TNA T224/2326 Memo dated 29 October 1971 from H.G. Walsh, HM Treasury to C.J Carey, Principal, DTI.

Scott Lithgow in 1973

In 1972, Edward Heath's government created the Industrial Development Executive (IDE) to provide assistance and support to nationalised and private industry. To investigate the case of shipbuilding, the IDE commissioned a report from the American management consultants, Booz Allen and Hamilton to look into the prospects for British shipbuilding. Released in 1973, the report was critical of the amount of money spent by the SIB on shipbuilding and demonstrated that most of the funding did not pay for the renovation of shipyards, but rather it was used to cover the losses experienced by the companies at the time. Scott Lithgow was singled out as a company that had not undergone an extensive development of its facilities and had 'achieved little integration'.[399] In comparison with the problems of Harland and Wolff and in light of the upsurge in supertanker construction globally in 1973 (from which Scott Lithgow would benefit) Booz Allen and Hamilton were of the opinion that the company's situation would improve as the decade continued.[400]

What was the real situation of Scott Lithgow at the end of 1973? Even with £90m worth of merchant vessels and four submarines on order the company was still not making a profit and it was unlikely to do so in the short term. That the company attempted to offset this with a predicted profit of £3.45 million on future orders (at a time unspecified) not only worried the auditors who refused to verify the company accounts, but also appeared to be completely unrealistic in the light of huge losses on fixed price orders received in the late 1960s. Certainly, although the SIB was willing to lend further money to Scott Lithgow prior to its demise, it could not ask for the loans to be secured against any assets; Scott Lithgow only had £2.5 million in equity capital and £2 million in loan capital and simply could not secure any loans it would receive. Therefore, all the government could offer was that existing loan repayments would be deferred until 1975 at the earliest and that prior to receiving a further £1.5 million in loans, Scott Lithgow should issue reassurances about liquidity to the government.[401] This money was released on the 23rd December 1971,

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[399] Johnman and Murphy, *Deja Vu all Over Again*, p. 236.
[400] Johnman and Murphy, *Deja Vu all Over Again*, p. 236-237.
[401] TNA T224/2326 Memo dated 27 October 1971 from A. MacDonald, Assistant Secretary, Shipbuilding Policy Division,, DTI entitled, 'Shipbuilding Industry Act: Request for Secretary of State's Approval for Financial Assistance to Scott Lithgow Ltd' as sent to Mr Neville-Jones, Deputy Chief Scientific Officers, Shipbuilding Policy Division, DTI & Shipbuilding Industry Act (1967).

bringing the total amount of money advanced to Scott Lithgow to, £1,550,000 under section 4(1) of the Shipbuilding Industry Act (1971) and £17,002,950 under section 4(2) or in total £18,552,950.[402] Intriguingly, despite the extensive aid given to Scott Lithgow by the SIB, William Lithgow was of the opinion that the future for Scott Lithgow's was perilous and that the government should make further provisions to ensure the company's survival and wrote to the Prime Minister stating as much.[403] However, in a meeting arranged between the Prime Minister, Edward Heath and Lithgow on 26th April 1971 to discuss the dire position of the shipyard, Lithgow instead offered his own solutions to problems facing British companies in general, namely liquidity and cash-flow shortages and inflation.[404] Therefore, despite the genuine problems encountered by Scott Lithgow in the early 1970s, members of the management continued to squander opportunities to request assistance from the highest level in government. The Prime Minister's response was polite, but entirely non-committal.[405]

By 1973 (excluding the aforementioned loans from the SIB) Scott Lithgow had received a £2.3 million loan for redevelopment, a grant of £1.4 million to cover capital costs and transitional losses and a further £1.5 million unsecured loan to prevent closure. Additionally, Scott Lithgow had received local authority grants of £1.7 million for further redevelopment.[406] The combined figure of £6.9 million rose to £12.9 million, by factoring in construction grants for new vessels under section 3 of the Shipbuilding Industry Act (1967), which represents £6 million spread out over five years from 1972.[407] The figure of £5.246 million, as given in the *'British Shipbuilding 1972 '* report by Booz Allen and Hamilton International BV, excludes these amounts and is based merely on the grants issued by the Shipbuilding Industry Board.[408] In short, the company had not made a profit on shipbuilding since 1969, despite increasing revenues and deadweight tonnages constructed. Indeed, after record losses of £1,550,000 in 1970 the losses for 1971 were lower at £262,000 recorded against a background of increased capital expenditure, which had risen from £285,000 in 1968 and £378,000 in 1969 respectively to £1,991,000 and

[402] TNA T224/2326, Letter dated 21st December 1971 from P.E. Lawler, Department of Trade and Industry to H.G. Walsh, H.M. Treasury.
[403] TNA PREM 15/700 Handwritten letter dated 22 January 1971 from Sir William Lithgow to Edward Heath, Prime Minister.
[404] TNA PREM 15/700 Note of meeting dated 27 April 1971 in a memo written by P.L. Gregson, Prime Ministers Office to I.T. Manley, DTI.
[405] TNA PREM 15/700 Memo dated 3rd May 1971 from P.L. Gregson, Prime Ministers Office to I.T. Manley, DTI and letter dated 3rd May 1971 to Sir William Lithgow from Edward Heath, Prime Minister.
[406] TNA T224/2326 Memo dated 25 May 1972 from W. Just DTI to Mr. Walsh, H.M. Treasury.
[407] TNA T224/2326 Memo dated 25 May 1972 from W. Just DTI to Mr. Walsh, H.M. Treasury. The amounts are as follows: 1972, £1.94m. 1973, £1.55m: 1974, £1.38m: 1975, 0.86m: 1976, 0.27m.
[408] *British Shipbuilding 1972, A report to the Department of Trade and Industry*, Cmnd 4942, (Booz-Allen & Hamilton BV: London: 1972) p. 89.

£1,927,000 for the years 1971 and 1972. Nevertheless, despite a profit recorded for 1972 of £662,102, based on the proceeds of the sale of the East Yard for development not on shipbuilding revenue, the yard went on to show a record loss for 1973 of £1,809,132.[409]

To conclude this chapter has demonstrated that from 1966 to 1973 Scott Lithgow did indeed increase its tonnage output and raised the size of its revenues. This was accompanied by large government grants and an increased amount of investment in fixed assets, which suggests that the company was improving its capital stock. However, it must be stated that the company was making year on year losses and there was an ongoing reduction in the value of company assets as well as working capital. All this happened during a period of high demand for the main type of vessel Scott Lithgow produced, large bulk carriers and supertankers. The so-called 'supertanker' boom of the period 1950 to 1973 was based on an exponential rise in the demand for crude oil for power production in the developed industrial economies of North America, Western Europe and Japan and the need for larger and larger vessels to reduce transport costs per tonne to an acceptable level. The Yom Kippur War between the Arab nations and Israel brought this to an end in 1973. The subsequent quadruple price hike and embargo (for the US and the Netherlands) by the oil producing nations of the OPEC cartel ended for good the days of supertankers and large annual rises in the output of shipbuilders. The following chapter will demonstrate that just as Scott Lithgow was unable to benefit as the good times rolled for shipbuilders across the world before 1973, it certainly was not able to once the boom had become bust in the late 1970s and there was very little demand for the products it offered.

[409] Johnman and Murphy, *Deja Vue All Over Again*, pp. 209-236.

Chapter Four

The long drawn out demise: Scott Lithgow and the first oil crisis, 1973-1980

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Introduction

As the previous chapter demonstrated, even after an injection of government capital in the late 1960s, Scott Lithgow was heavily indebted and suffering losses, living a precarious existence on marginal contracts with negligible profits. With the global economic collapse of 1973, which was compounded in the United Kingdom by the protracted coal miners' strike later in the year, Scott Lithgow faced the cancellation of the majority of the orders. This was not a consequence of the economic collapse per se; rather it was the case that the majority of the shipyard's orders were for crude oil carrying vessels, ('supertankers' are vessels that carry over 100,000 tons of cargo) which were no longer in vogue with shipping lines of the world as the demand for crude oil dramatically fell in the industrial nations. Additionally, as exports were halted by Arab nations to the United States and Holland, ship-owners placed vessels of less than 5 years old along with the newly manufactured into long term storage. Many were never used again with most going to a premature demise less than a decade later.

Many accounts state that nationalisation was the story of Scott Lithgow in the 1970s; indeed nationalisation entailed a change in ownership for the shipyard and a protracted battle by the Labour Party for the legislation to pass through Parliament (finally succeeding in 1977 through the use of the Parliament Act) but not any substantive changes in the operation or functions of the shipyard.[410] Rather, Scott Lithgow's battle to finish and sell vessels no longer required by their owners, (which in many cases had undergone bankruptcy or just disappeared off the scene) is the genuine story of the shipyard in the 1970s and represents a period when the shipyard's actions reflected neither commercial reality nor independence of action as it came to rely on government assistance more and more. Indeed, the government was complicit in the entire process, promising Scott Lithgow funding to finish vessels for owners that would only take delivery if the UK government provided assistance, effectively (once all the subsidies had been taken into account) a free vessel. However, fear of unemployment was a great motivator for the Labour government in the late 1970s (as the following chapters on Harland & Wolff in Belfast will demonstrate) and the many millions of pounds spent on Scott Lithgow were seen as a holding pattern until normal economic business could be resumed.

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[410] Johnman and Murphy, *Deja Vue All over Again*, pp. 257 - 304.

This chapter discusses the activities of Scott Lithgow and the government in regards to the cancellation of orders from its two largest customers, the Greek Angelicoussis family, (which had a number of ventures under a number of different names) and Maritime Fruit Carriers, an Israeli shipping company. In both cases there is ample evidence to suggest that both orders were speculative in nature (taking advantage of the rising demand for supertankers) and yet there is also further evidence to show that Scott Lithgow and the British government did not follow (their own) procedures correctly, to make sure that these orders were placed in the United Kingdom. As the following pages demonstrate these orders were plagued with uncertainty from the first inquiries by these shipping lines to their final collapse. However, the attempt by the shipyard and government to find new purchasers is indicative of a lack of commercial caution on the part of Scott Lithgow and a failure by the government to comprehend not only the consequences of supporting risky ventures in the name of encouraging exports, but also the consequences of pouring more state aid into a failed enterprise to encourage employment. This chapter will argue that in the period 1973 – 1980 normal commercial cause and effect did not operate at Scott Lithgow, because the ongoing financial support from the government (regardless of the situation within the shipyard) effectively meant that the company did not have to live with the consequences of poor commercial decision-making.

The Angelicoussis cancellations, 1973 - 1976

The cancellation of orders for crude oil tankers in 1975 by the Anangel shipping company (which was part of the Angelicoussis Ship-holding Group) illuminates the demise of the market for new build supertankers and the effect this had upon Scott Lithgow. Angelicoussis was a Greek family owned and run business, with most of their vessels sailing under Panamanian and Liberian flags of convenience. Scott Lithgow had some difficulty because of this situation when trying to recover its costs from the cancellation of the contract, as the ownership of the tankers was by individual companies set up for each vessel.[411] This section will demonstrate that, whilst the government (particularly when it came to guaranteeing export credit) was willing to bend the rules to make sure Scott Lithgow received the orders from the Greek company it was Scott Lithgow itself that had to take remedial actions to recover its costs. Therefore, the following pages provide an important contextual counterpoint to the case of the Maritime Fruit Carriers' cancellation discussed later in this chapter, illuminating further the argument contained within this thesis concerning the rôle of government in the demise of shipbuilding in Britain.

Indeed, the very nature of the Anangel company that ordered the two vessels from Scott Lithgow provides an important insight into the supertanker market of the early 1970s. Although the eventual ownership of Anangel Grace and Anangel Fame, the two tankers Scott Lithgow was constructing for Angelicoussis, was never in doubt, because of creative accounting procedures used by the owners in the 1970s the actual name of the corporation that had possession of the vessels was uncertain. Three distinctive names crop up repeatedly in the archives; Anangel being the prefix given to all Angelicoussis vessels (even though in effect these were all separate companies under the ownership of Mr A.J Angelicoussis,) which were themselves brokered for charter by the Agelef Shipbrokers situated in London (also owned by Mr. A.J Angelicoussis) and finally Angelicoussis as the owner of the aforementioned entities. Therefore, the label Anangel/Agelef/Angelicoussis (AAA) applies to these entities in this thesis, reflecting not only the different roles of the Angelicoussis companies, but also the common ownership. This is not unusual in itself, as the average supertanker in the 1970s would have been

[411] Glasgow University Archive Services (GUAS), GD 323/1/3/37, "The Combined Financial Statements of the Angelicoussis Group of Companies, December 31, 1972", page 7. & GD 323/1/3/39, letter dated 3rd June 1976 from Neil, Clerk & Murray, Solicitors, to A. G McNeilage of Scott Lithgow.

owned and managed by a smaller family concern, funded by mortgages guaranteed using existing vessels and backed up by agreed 5-10 year charters from established oil companies.[412] Registration of these vessels was as single corporate entities in the most economically convenient nation possible, Panama, Bermuda and Liberia being prominent examples.[413] Consequently, the owner of one of these vessels could build it where cheapest, register it where the regulation costs were lowest, and man it with crewmembers from the cheapest possible country.

However, the details of the contract between Scott Lithgow and AAA were atypical of orders placed for crude oil tankers at the waning stages of the supertanker boom. Firstly, the parties agreed the contracts in September 1973 and these were signed a month later during the first period of price increases and embargo by the OPEC cartel and secondly, the deadweight of the vessels at 134,000 tons was much smaller than the average size for a tanker in this period. Although supertankers, these were not VLCCs or ULCCs.[414] The vessels were the first crude oil tankers ordered for the Anangel group and, with the Western economies feeling the first effects of the OPEC oil shock at this time, it therefore appears that AAA took a cautious approach by ordering smaller vessels. Certainly, the OPEC price rise commenced on 17th October 1973 must have had an influence upon the decision of AAA. Conversely, the oil price rise did not reach its zenith until the 18th March 1974 and there was no indication that the rises would be a permanent feature of the global oil market when the tankers were ordered. Nevertheless, the actions of Anangel/Agelef/Angelicoussis appeared to operate with reference to the specific condition of the oil tanker market at the time.[415]

Even before the cancellation of the contracts, there were many complications, for example with the Export Credits Guarantee Department (ECGD), the guarantor of a bank loan covering 80% of the vessels' construction costs. Therefore, Scott Lithgow and AAA had to fulfil numerous government requirements before the approval of finance for the vessels.[416] The main problem in concluding the financial agreements was finding an Overseas Bank Guarantor acceptable to the ECGD. The negotiations over this point continued until the ECGD's approval of the financial contract in April 1974, even though

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[412] Newton, J. *A Century of Tankers: The Tanker Story*, (Intertanko: Oslo, 2002) pp. 86 – 100.
[413] Stopford, M. *Maritime Economics*, Second Edition, (London, 1997) p. 32-33.
[414] GUAS, GD 323/1/3/36, Telegram sent 3rd December 1973 from Ross Belch to Anthony Angelicoussis.
[415] Newton, J. A Century of Tankers, pp. 86 – 100.
[416] GUAS, GD 323/1/3/37 Letter dated 26th September 1973 to A. Angelicoussis "Ships Nos. 1197 and 1198, Engine Nos. K440 and K441".

by this date AAA had still not yet nominated an Overseas Bank Guarantor (OBG).[417] Nevertheless, it is uncertain whether ECGD's decision to provide a guarantee for a loan from a financial institution not yet nominated diverged from the accepted norms of financial best practice at the time.

With the original agreement to purchase the vessels signed on 26th September 1973 and with the actual contract for construction on 24th October 1973, the intention of Anangel/Agelef/Angelicoussis to purchase the vessels and the decision to proceed with the contract spanned either side of the OPEC decision to raise crude oil prices.[418] Consequently, the preparations for construction commenced from the end of October, with the pre-ordering of steel and specialist components and by January 1974, £2,535,375 had been paid by AAA to Scott Lithgow's in instalments to cover these costs.[419] What occurred between Anangel/Agelef/Angelicoussis and Lithgows between April 1974 and February 1975 when the cancellation or conversion of the orders was discussed at a meeting in London, is undocumented, but some uncertainty over the contract's completion can be seen in correspondence between Scott Lithgow's and the engine manufacturer, Kincaid during 1974 in which the shipyard asks for a year's delay in paying for the two tankers' diesel engines.[420]

In February 1975, after a further rise in the price of crude oil of ten percent by the OPEC nations, Anangel/Agelef/Angelicoussis asked whether it could cancel the contracts or convert both vessels into bulk carriers, although it appears that the second option was not a serious consideration. However, Scott Lithgow had already ordered the majority of the steel and components, leaving the shipyard with a number of debts to contractors. Nonetheless, AAA believed that, as the contracts would be unfulfilled (in as much as the vessels would not be finished), there was the possibility of a rebate. With the work already advanced, Scott Lithgow knew this was not the case and with no contractual provisions for the costs of cancellation, aaa would still be liable for further payments.[421] This point of view was again confirmed in a meeting held in London on 30th April 1974 with AAA,

[417] GUAS, GD 323/1/3/37 Memo dated 26th March 1974, entitled, "Note of Interview on 25th March 1974 with E.C.G.D" & Letter dated 29th April 1974 to EGCD from A.G. McNeilage of Scott Lithgow.
[418] GUAS, GD323/1/3/38, letter dated 26th October 1973 to Messrs John G. Kincaid & Co. Ltd & contract signed and dated 26th September 1973 "Heads of Agreement Between Mr. A. Angelicoussis and Lithgows Ltd".
[419] GUAS GD323/1/3/88 Letter dated 23rd January 1975 to company secretary of Lithgows Liited from Coopers & Lybrand "Anangel Fame No. 1197".
[420] GUAS, GD 323/1/3/38 letter dated 14th January 1974 to Lithgows Limited from Jon G. Kincaid & Co. Limited Marine Engineers "Ship no 1197 - Engine No. K440 For Anangel Fame Compania Naviera S.A.".
[421] GUAS, GD 323/1/3/39 Minutes dated 7th February 1975, from H.M. Currie to numerous recipients, entitled, "Record of telephone conversation with George Hone of C.W. Kellock & Company Limited".

where the patriarch of the Angelicoussis family, A.J and his son, J.A, requested the suspension of work on the orders pending a decision. Additionally, Ross Belch received a letter from the shipping company the following day enquiring about the price of two 41,500-ton bulk carriers under negotiation, stating that for the price quoted it was unclear whether the ships were economical to purchase.[422] In light of the crude oil tanker market and indeed the likelihood of AAA purchasing the tankers, negotiating for further vessels appears to have been part of the cancellation strategy of the ship-owners. On 8th March 1975 Belch wrote to the AAA group reminding it that any suspension of work or the cancellation of the contracts would result in further costs to cover the loss of income for Scott Lithgow.[423] The confirmation of the contract's cancellation came in a response to Belch's letter, sent on behalf of AAA by Agelef Shipping Co. (London) Ltd, (also owned by the Angelicoussis family), the letter dated 22nd May 1975 demonstrates that the shipping company would not be able to find productive use for the tankers nor would they be able to trade them on the open market. [424] A further indication of the financial condition of the shipping company at this time is a request for the return of the instalments already paid towards the vessels, namely £1,186,500 and £1,348,875 for vessels 1187 (Anangel Fame) and 1188 (Anangel Grace) respectively.[425] However, the letter concluded with the proviso that "The law does provide certain discretionary powers for you to be compensated for expenses incurred by you in pursuance of the Contract..."[426] Unfortunately for Anangel, the actual amount already ordered and spent by Scott Lithgow and its subcontractors already exceeded the amount paid by Anangel in their instalments, as Ross Belch forcefully stated in response.[427]

Scott Lithgow started from this point to work towards recovering its costs by informing contractors that their contracts were cancelled and that steps were underway to resolve any disputes that might arise. However, Anangel/Agelef/Angelicoussis would not accept that the tankers were in fact cancelled nor would they accept that they owed monies to any of the companies involved in the construction of these vessels. Indeed, in a rambling

[422] GUAS GD 323/1/3/49 letter dated 30th April 1974 to Ross Belch, Scott Lithgow from George Hone, C.W. Kellock & Co. Ltd and reply from Ross Belch dated 6th May 1974.
[423] GUAS, GD 323/1/3/39 Two letters dated 8th May 1975 addressed to Anangel Grace Compania Naviera SA and Anangel Fame Compania Naviera SA, entitled, "New Construction - Oil Tankers - Yard No. 1198" & "New Construction - Oil Tankers - Yard No. 1197".
[424] GUAS, GD 323/1/3/39 Two letters dated 22nd May 1975 to Lithgows Limited from Mr. C. Tsapralis of Agelef Shipping Co. (London) Ltd on behalf of Anangel Fame and Anangel Grace Compania Naviera S.A. "New Construction Hull Tanker No. 1197" & "New Construction Hull Tanker No. 1198".
[425] GUAS, GD 323/1/3/39, Two letters to Lithgows limited…
[426] GUAS, GD 323/1/3/39, Two letters to Lithgows limited....
[427] GUAS GD 323/1/3/39 Two letters dated 26th May 1975, addressed to Anangel Grace Compania Naviera SA and Anangel Fame Compania Naviera SA, c/o Agelef Shipping Co. (London) Ltd, entitled, "New Construction - Oil Tankers - Yard No. 1198" & "New Construction - Oil Tankers - Yard No. 1197".

response to Belch's letter of the 26th May 1975, C. Tsapralis of AAA stated that the contracts were not cancelled, but rather the term he used was that the "contract is frustrated". Moreover, Tsapralis was of the opinion that the delay and cancellation of the contract would be to the advantage of the suppliers, making it possible for them to take on additional work.[428] However, this was not the case. Belch reminded AAA that Scott Lithgow relied on a number of subcontractors and specialist parts manufacturers and that it was already liable to hand over quite large sums of money in payment for components already ordered.[429] As the construction of the tankers never commenced in any substantive way, by April 1976 AAA had only paid instalments to the value of £2,783,704.20. Of this amount, £634,126.10 (22.77% of the claims) was agreed as valid and £54,078.23 was paid outright, but using a debtor's ledger from the same date, we can see that from a contract price of £15,937,921.11, even with a total of £5,297,894.93 (33.24%) in claims settled at a zero rate (presumably because the contractors involved never actually commenced work), there were still £9,929,014.35 outstanding.[430] Therefore, by subtracting the amount already paid in instalments (£2,535,375) from the amount claimed by April 1976 (£2,783,704.20) it can be seen that Scott Lithgow was actually owed a further £248,329.20.[431] Indeed, the cancellation of the tanker orders affected the profit and loss statement of Scott Lithgow, with an estimated loss in revenue and profit running into many millions, with a loss of income for Scott Lithgow (based on potential outlays during contraction and including money already paid out) of £13,468,447.50; £6,228,447.50 for vessel 1197 and £7,240,000 for 1198.[432] Furthermore, in a letter to the solicitors acting for Scott Lithgow (Neill, Clark and Murray, Greenock) Mr. A.G. McNeilage of Scott Lithgow states that if sundry expenses of £54,078.23 and the aforementioned claims, (agreed and not agreed) of £2,783,704.20 are included, the actual loss of revenue and profits stood at £16,306,229.93 on these contracts.[433]

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[428] GUAS, GD 323/1/3/39 Two letters dated 18th June 1975 to Lithgows Limited, from Mr. C. Tsapralis of Agelef Shipping Co. (London) Ltd on behalf of Anangel Fame and Anangel Grace Compania Naviera S.A. "New Construction Hull Tanker No. 1197" & "New Construction Hull Tanker No. 1198".

[429] GUAS GD 323/1/2/39 Two letters dated 19th July 1975, addressed to Anangel Grace Compania Naviera SA and Anangel Fame Compania Naviera SA, c/o Agelef Shipping Co. (London) Ltd., "New Construction - Hull Tanker 1198" & "New Construction - Hull Tanker No. 1197".

[430] GUAS GD 323/1/3/39 ledger dated 9th April 1976of amounts owed to subcontractors on contracts 1197 and 1198.

[431] ibid.

[432] GUAS GD 323/1/3/39, Letter dated 30th April 1976, entitled, "Lithgows Limited, Calculation of Profit, Overheads, Wages and Interest due to the cancellation of contracts for vessels Nos. 1197 and 1198".

[433] GUAS GD 323/1/3/39 letter dated 30th April 1976 from A.G. McNeilage of Scott Lithgow to D.I. Banner, Neill Clerk and Murray, Solicitors, Greenock, "Cancellation of Contracts for Vessels Nos. 1197/1198".

Anangel/Agelef/Angelicoussis were persistent in demanding the return of the money they had paid Scott Lithgow, employing solicitors to pursue a refund and mitigation of outstanding costs.[434] Nevertheless, Scott Lithgow, as advised by its solicitors, understood that Anangel Grace and Anangel Fame were in effect "shell" companies with no assets other than the incomplete vessels, which were in the possession (in component form) of Scott Lithgow. However, the company's desired outcome was to prevent AAA from taking action to reclaim the payments already made, rather than claiming additional damages.[435] To further this end the shipyard's solicitors requested an Opinion of Counsel (an advocate) to decide upon the legality of the actions undertaken by AAA and the responses made by Scott Lithgow. In the advocate' opinion Anangel Fame and Grace did not have frustrated contracts:[436]

> In my opinion these circumstances fall far short of the legal requirement for frustration. Fame and Grace are probably right when they say that the present prospects for tankers throughout the world are poor. But that is to say no more than that there has been a recession. The completed tankers would be available to compete for charters in a much-restricted market. There is no question of tanker charters having come to an end altogether as a result (of a) cataclysmic event equivalent to war.[437]

Moreover, the advocate discussed whether there was a case for the return of the payments made by Anangel/Agelef/Angelicoussis. In his opinion, there would be a case if there were no costs undertaken by Scott Lithgow in respect to the contracts. However, as this section has shown, Scott Lithgow made substantial orders for construction materials that required payment, and as the party that cancelled the contracts for the construction of the vessels, it was Anangel/Agelef/Angelicoussis' responsibility to pay subcontractors. The advocate, therefore, emphasised this point, but with an important "fair-play" proviso in favour of AAA added in the last paragraphs:

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[434] GUAS GD 323/1/3/39 Numerous Letters from Constant and Constant, Solicitors, London to Neill, Clerk and Murray, Solicitors, Greenock. 1975 - 1976.
GUAS GD 323/1/3/39 Letter dated 11th December 1975 to Scott Lithgow from Constant and Constant, Solicitors in London.
[435] GUAS GD 323/1/3/39 "Lithgows Limited: Memorial for the opinion of Counsel" undated, but sent to Scott Lithgow in a letter dated 4th May 1976 to A.G. McNeilage from Neill, Clerk and Murray, Solicitors, Greenock "Cancellation of Contracts for 1197/1198".
[436] GUAS GD 323/1/3/39 "Opinion" by G.K. Davidson QC dated 18th May 1976.
[437] "Opinion", by G.K. Davidson, p. 5.

> ...it appears that abortive outlays incurred by Lithgows and by their sub-contractors amount to very much less than the total instalment fund. For that reason it will be particularly important for Lithgows to scrutinise all claims by sub-contractors and suppliers with more than usual care...[438]

He concluded his opinion with:

> Lithgows enjoy the important advantage that they hold the instalment fund. Fame and Grace are therefore faced with the problem of taking the initiative and of deciding what form their challenge should take. In my view the present dispute falls within the scope of the arbitration clause. In the light of the existing information I consider that Lithgows have reasonable prospects of justifying to the Arbiter (assuming the parties would undertake or indeed ever went to, arbitration) their retention of the entire instalment fund.[439]

Bolstered by this opinion, Scott Lithgow instructed its solicitors to inform Anangel/Agelef/Angelicoussis of the possible liabilities they faced from the cancellation of the contract. Writing to Constant and Constant in May 1976, Scott Lithgow' solicitors pointed out that their clients had already paid £634,126.10 to cover equipment ordered and had agreed a further £2,774,183.08 to pay for the bulk of the equipment ordered for the two tankers.[440] However, Scott Lithgow's solicitors did not stop there. The letter concluded by stating that, considering the condition of the new build market was such in 1975, any replacement orders gained by Scott Lithgow would have been loss making, and therefore, considering the overall loss in revenue, the sum total of the claims that could potentially be made against AAA would be in the region of £14,341,381.18 from a total of £16,876.756.68, less the £2,774,183.08 already settled and paid.[441] Whether the two shell companies set up in Panama by AAA had such funds was not in doubt; after checking with attorneys based in Panama City, Neill, Clerk and Murray were convinced they did not.[442]

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438 "Opinion" by G.K. Davidson, p. 8.
439 "Opinion" by G.K. Davidson, p. 9.
440 GUAS GD 323/1/3/39, letter dated 26th May 1976 from Neill, Clerk & Murray to Constant & Constant, entitled, "Lithgows Limited, Anangel Fame Compania Naviera S.A. (Ship No. 1197) Anangel Grace Compania Naviera Compania Naviera (Ship No. 1198)".
441 Ibid.
442 GUAS GD 323/1/3/39, Letter dated 3rd June 1976 from Neill, Clerk & Murray to A.G McNeilage of Lithgows Limited, entitled, "1197/1198", with photocopy of correspondence dated May 26, 1976 from

Nonetheless, considering the efforts being made by AAA to have their payments returned, these actions reinforced Scott Lithgow's claim on the money it had already received. In response from AAA queried Scott Lithgow's accounts and requested an independent audit to ascertain the true amounts owed by Scott Lithgow to its suppliers.[443] Yet again AAA wrote that if an arrangement could be made concerning the disputed amount, there would be the possibility of negotiating new contracts for smaller vessels to be constructed by Scott Lithgow.[444] The response to this by Scott Lithgow can be seen in a handwritten note sent by Ross Belch to Scott Lithgow's solicitors, which, on the one hand, simply stated that, 'We will certainly <u>not</u> open our books to them' and, on the other hand wondered whether the shipyard should open into negotiations with Angelicoussis for additional vessels.[445]

The dispute between Scott Lithgow and Anangel/Agelef/Angelicoussis had petered out by 1976, with Scott Lithgow retaining the money already paid, but not pursuing amounts from the shipping line, because Scott Lithgow had no further liabilities towards AAA and because the latter was clearly unable to pay any potential damages awarded against it. What is important to note is that Scott Lithgow did not try to complete the vessels, but preferred to enter into a damage limitation exercise to reduce its losses and as a result did not ask the government for any assistance. This is an important comparison to make with Scott Lithgow's relationship with the Maritime Fruit Carriers concern, which, whilst initially the same as the one it had with AAA became embroiled in a larger web of government intervention and control. Therefore, the tale of Scott Lithgow and Anangel/Agelef/Angelicoussis provides an import context to the relationship between Scott Lithgow and its many private customers.

Arosemena, Noriega & Castro, Abogados, Panama "Anangel Grace Compania Naviera, S.A. and Anangel Fame Compania Naviera, S.A."

[443] GUAS GD 323/1/3/39 Letter dated 9th September 1976 from Constant and Constant to Neill, Clerk and Murray "Lithgows. Limited Anangel Fame Compania Naviera S.A. Ship No. 1197, Lithgows Limited Anangel Fame Compania Naviera S.A. Ship No. 1198"

[444] ibid.

[445] GUAS GD 323/1/3/39 handwritten note dated 14th September 1976 from Ross Belch to Alan McNeilage written on a letter from Neill, Clerk & Murray to Alan McNeilage, "Anangel Fame Compania Naviera S.A. Ship No. 1197, Anangel Fame Compania Naviera S.A. Ship No. 1198".

The Cancellation by Maritime Fruit Carriers, 1973 – 1980

Hindsight allows the historian to comprehend that few tankers ordered in 1973 would end up being launched and if they were, a shipyard would take a loss on the contract. As a result the exposure of the British shipbuilding industry to the collapse of Maritime Fruit Carriers (MFC) should be seen in the context of the number of vessels ordered by MFC; nineteen large crude carriers in the UK. Compared to the number of large tankers manufactured overall in the UK in the period 1965 to 1980, twenty-four, then the effect on British shipbuilding of the collapse of the MFC contracts is obvious as this represented the majority of British shipbuilding capacity.[446] Indeed, Maritime Fruit Carriers placed orders for six tankers of 333,000 tons from Harland & Wolff in January 1973 (in a contract worth £150 million) and further orders in March for eleven 250,000-ton vessels (valued at £150 million) placed with Swan Hunter, with two more on the Clyde at Scott Lithgow (valued at £18m each). [447] To take advantage of government grants to promote the construction of UK owned vessels (and the speculative tanker market of 1973), the Swan Hunter and Scott Lithgow orders were placed by companies jointly owned by the shipyards and Maritime Fruit Carriers.[448] The repercussions of the collapse were felt in Newcastle and Belfast as well as Greenock, not merely for the fact that more orders were given to Harland & Wolff and Swan Hunter than Scott Lithgow, but for political concerns of unemployment in Scotland and the North East and the ongoing political struggles in Northern Ireland. The arrival of a Labour government in 1974 led to efforts to nationalise the shipbuilding industry to prevent its complete demise.[449]

Maritime Fruit Carriers did not admit to having any problems, but by early 1976 the reality was simple: the company was insolvent and was not in operation. Indeed, all its offices around the world had closed, the Israeli authorities had taken over the Haifa head office for the non-payment of taxes and creditors were suing the company in the United States. Nevertheless, despite all the trials and tribulations of the company, in 1978 the United Kingdom was the only country in which Maritime Fruit Carriers was recognised as

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[446] *Lloyds Register of Shipping, Appendix 1977-78* (Lloyds: London, 1978) & *Lloyds Register of Shipping Maritime Guide 1984* (Lloyds: London, 1985)
[447] "Tanker order for Scott Lithgow", *The Times*, p. 22, 1st March 1973, "Harland & Wolff confirm £150m Israel order for six carrier", *The Times*, p. 17, 31st January 1973 and "£150m start to Swan Hunter deal*", The Times*, p. 19, 14 February 1973.
[448] "Discussions on MFC tanker sales", *The Times*, p. 25, Sep 19, 1973.
[449] Craig F.W.S. *British general election manifestos, 1959-1987,* p. 93.

an existing corporation.[450] This section will demonstrate that the presumption by Scott Lithgow and the British government that Maritime Fruit Carriers was a viable company compounded the effects that the failure of the supertanker market had on the shipyard. It will show that, despite producing a product that customers no longer wanted in a shipyard ill-suited to the task, the fear of the consequences of Scott Lithgow's closure pushed the state into spending more money on the shipyard, which merely aggravated an already precarious situation, reducing the viability of Scott Lithgow as a shipbuilder in the process.[451]

Scott Lithgow did not stop work on the two VLCCs being constructed for Maritime Fruit Carriers until May 1976 and the fact that these vessels were owned and financed by two joint venture companies, owned by MFC and Scott Lithgow, the Cartsdyke Dockyard Co. Ltd for vessel number 1191 and Atlantine Limited for number 1192, influenced the decision to keep working.[452] Originally, Scott Lithgow set up the two wholly owned single ship owning companies to take advantage of construction grants for British flagged vessels. The two vessels received government construction grants under section 5 of the Industrial Development Act (1966), which allowed for subsidy grants up to the value of twenty percent of the capital expenditure on new UK flagged and owned vessels and in the case of Scott Lithgow, these grants were, £2,652,000 for vessel 1191 and £6,963,800 for the larger vessel 1192.[453] In addition, the government guaranteed loans from the Bank of Scotland to the amount of £10.7 million for vessel 1191 and £11.7 million for vessel 1192.[454] However, by February 1976 the government was concerned that with the very public financial problems of MFC, the vessels would either not be completed on time, or that they would end up under a non-UK flag, making the government's funding effectively worthless.[455] The government issued a number of 90-day moratorium notices to give MFC more time to find additional funds, but by 28th April 1976 the government no longer had enough confidence in MFC to allow grant payments to continue.[456] Writing to Cartsdyke in May 1976, the Department of Industry stated that, even with confirmation from Scott

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450 TNA BT 321/214 Telegram dated 27th February 1978 to Department of Industry from Bank of Scotland, notes of a conversation with Mr Hensel, Israeli Lawyer, with Anthony Harvey, Bank of Scotland.

451 "MFC sells half stake in four tankers" *The Times*, p. 24, 7th December 1973 and "Mystery shrouds £74m Swan Hunter sale of eight tankers" *The Times*, p. 22, 8th March 1974.

452 "Scott Lithgow halts work on tanker for ailing MFC affiliate" *The Times*, 10th May 1976 and PRO BT 321/213 Memo dated 8 March 1976 from S.J. Irwin, D.T.I to Mr. Lawrence, D.T.I.

453 Industrial Development Act 1966, Section 5(1) & Section 5(6).

454 TNA BT 321/213 Correspondence dated 15 October 1976 from Department of Industry to Cartsdyke Dockyard Company, entitled, "Without prejudice".

455 TNA BT 321/213 Memo dated 25 February 1976 from S.J. Irwin, D.T.I. to A. MacDonald, Assistant Secretary, Shipbuilding Policy Division,, D.T.I.

456 TNA BT 321/213 Memo dated 1st March 1976 from M.B. Casey, D.T.I. to Minister of State and Private Secretary D.T.I & Memo dated 28 April 1976 from H.M. Lanyon to S.J. Irwin.

Lithgow that construction would proceed, it was still uncertain about the financial condition of Maritime Fruit Carriers and therefore that the vessels would be completed.[457] That the government wanted to take over the companies rather the vessels, is indicative of a preference to recover investment grants and loans, (which the more realistic members of the government admitted was unlikely).[458] There were three options open to the government. The first was the continuation of MFC ownership of the vessels, which even with the efforts of Scott Lithgow to arrange a 15-year charter with P & O under MFC ownership, was unlikely (a course of action the government did not support). The second, involved the Bank of Scotland taking over of the contract to either sell the vessels to a third party and the third option allowed Scott Lithgow to retain ownership and lease the vessels on a long term charter to a shipping company.[459]

Once the government confirmed Maritime Fruit Carriers' lack of viability, intervention was swift and on 29th November 1976 the Department of Industry informed MFC that the Bank of Scotland was to take over the contract for both tankers and find a purchaser.[460] Initially, the actions of the government appeared rational, at least in terms of preserving employment and preventing the collapse of Scott Lithgow, but two very important factors must be taken into account when considering the government's chosen course of action. First, the global tanker market was in a state of collapse; banks, shipyards and ship-owners had over extended themselves in the early 1970s. Second, (despite the unlikelihood of selling the tanker for anything approaching cost price) the government was intent on reclaiming investment grants repayable if the vessel was sold to a party other than MFC after completion.[461]

In the event of the Bank of Scotland calling in the guarantee, however, the Government would have to pay the full loan amount and sell the vessel, greatly increasing the cost to the government. In this situation, as pointed out by the Treasury Solicitor, the

[457] TNA BT 321/213 Letter dated 12th May 1976 from Mr. C.E. Ohlson, Department of Industry to Mr. H.S. Hepsel, Cartsdyke Dockyard Co Ltd, c/o I.F.R Services Ltd, London and memo dated 1st August 1976 from H.M. Lanyon to Mr Irwin, Department of Industry.
[458] TNA BT 321/213 Memo dated 17th August 1976 from S.J. Irwin to H.M. Lanyon, Department of Industry.
[459] TNA BT 321/213 Memo dated 26 October 1976 from H.M. Lanyon to M.B. Casey, Department of Industry, & GUAS GD 323/13/11/1191/4 memo dated 22nd September 1976, entitled, "Notes on telephone conversation on 21st September, 1976 with Mr. A.P. Harvey of S.M.F.C re Contract for Vessel No. 1191.
[460] TNA BT 321/213 Letter dated 29th November 1976 to Captain Brener (Maritime Fruit Carriers) c/o I.F.R. Services, London, from Mr. J de Pauley, Department of Industry.
[461] TNA BT 321/213 Memo dated 6th December 1976 from S.J. Irwin, Department of Industry to J. de Pauley.

government would in fact be both the creditor and the debtor for the £1.4 million grant.[462] By issuing an invoice for the repayment of the grant, or at least letting it be known that they would issue an invoice for repayment, the government would actually hinder the sale of the vessel, leading to the credit guarantee being called upon by the Bank of Scotland. A purchaser was found for vessel 1991 (Cartsdyke) by the end of 1976, which was the Niarchos group, one of the largest tanker companies in the world at that time.[463] Niarchos offered £15.75 million, in cash, for the ownership of the vessel, which breaks down as £1.025 million to cover defaulted payments to the Bank of Scotland, £6.15 million to Scott Lithgow in instalments during construction, of which £4.1 million could be refunded if Scott Lithgow declared the contract frustrated and £8.575 million to the Bank of Scotland on delivery to cover existing loans.[464] The remainder was used to cover incidental costs, such as brokers and legal fees.[465] These amounts were less than the original contract price of £20,500,000 for hull no. 1191.[466] Additionally, liability for the recovery of the £1.43 million grant was the responsibility of MFC, but as the recovery of this amount was considered unlikely, the matter was deferred until a future date.[467] However, during the trials of vessel 1191, now named "World Score", serious faults were found in its design and construction. On the 20th February 1978, Scott Lithgow wrote to the Dolman subsidiary of Niarchos stating that delivery would be 73 days late because of "...material defects in our subcontractors' materials and supplies and also unusual incidence of bad weather conditions..."[468] Consequently, in 1978 the vessel underwent engine repairs and dry-docking in Rotterdam to inspect the hull (World Score was not meeting the top speed as specified in the contract and the hull had to be checked for "roughness), which could not be done in Scotland as there were no facilities large enough.[469] Niarchos became agitated and was concerned that the vessel was seriously flawed, and a delicate situation ensued which required W.O. Koppen, the international operations manager for Scott Lithgow, to warn Belch not to send any more 'force majeure' letters stating the problems with the vessel were not the fault of Scott Lithgow, because, 'this might aggravate the present situation'.[470]

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[462] TNA BT 321/213 Memo dated 7th December 1976 from O.J. Keeble, Treasury Solicitor to J de Pauley, Department of Industry.
[463] "Backing for Clyde deal", *The Times*, p21, 2nd December 1976
[464] TNA BT 321/213 Memo dated 14 January 1976 to Department of Industry Deputy Secretary, R.E. Dearing from J de Pauley, entitled. "Maritime Fruit Carriers : MV Cartsdyke".
[465] ibid.
[466] GUAS GD 323/13/11/1191/4 Memo dated 11th October 1976 from A.G. McNeilage to J.B.Marshall, Lithgows (1969) Limited, entitled, "Vessel No. 1191 for Cartsdyke Dockyard Company Limited".
[467] Ibid.
[468] GUAS GD 323/13/11/1191/4 Letter dated 20th February 1978 from Lithgows to Dolman Shipping Company, c/o Niarchos (London) Ltd, entitled, 'Ship No. 1191, Engine No. K.427, MV 'World Score''.
[469] GUAS GD 323/13/11/1191/4 'Letter dated 14th April 1978 from A.G. McNeilage to Dr. P.A. Milne, ' entitled, Our Ship No. 1191 - m.v. 'World Score''.
[470] GUAS GD 323/13/11/1191/4 Letter dated 27th April 1978 to W.O Koppen from P.A. Milne.

Nevertheless, the inability of World Score to function up to the standards requested in the building contract, aggravated Niarchos further and he wrote to Scott Lithgow and its owners (in 1978 after nationalisation) British Shipbuilders repudiating the contract and requesting that his money be returned (with interest), after hearing about further delays at a meeting with a member of the Scott Lithgow management, (Elderfield in Athens in June 1978).[471] After a heated exchange of telexes, and once Scott Lithgow was forced to admit to Niarchos that as the engine builder Kincaid was part of the Scott Lithgow group force majeure was not applicable, Belch made matters worse by writing a defensive and pithy letter to Niarchos. In his usual style, Belch wrote:

> 'As to the meeting in Athens on the 7th June, this was a casual conversation over drinks at a cocktail party...what has occurred is that your representatives have attempted, by misquoting what was said by Mr. Elderfield at an exploratory meeting, to find grounds which would give you a possible excuse for failing to honour your commitments. Needless to say such attempts are completely groundless and ineffectual.'[472]

As expected, Niarchos demanded an immediate apology and retraction.[473] Diplomatic relations were restored between Dolman and Scott Lithgow (at the insistence of British Shipbuilders) when both companies agreed that Elderfield did not have the authority to act for Scott Lithgow.[474] In the end, and despite protestations from Elderfield that World Score was 'a bad ship', Scott Lithgow reduced the price of the ship by a further £3.45 million and the vessel was delivered to Dolman/Niarchos on 30th October 1978, heading immediately into long-term storage in Thessalonica.[475]

The purchase of vessel 1192, or "World Scholar" by Niarchos (through its single ship owning subsidiary the Dexter Shipping Company), was fraught with additional

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471 GUAS GD 323/13/11/1191/4 Letter dated 28th June 1978from the Dolman Shipping Company, Monrovia to British Shipbuilders, London and Lithgows Limited, Port Glasgow, entitled, 'Hull 1191: Building Contract Dated 21st October 1970, as amended'.

472 GUAS GD 323/13/11/1191/4 Letter dated 28th July 1978from Ross Belch, Scott Lithgow to the Dolman Shipping Company, c/o Niarchos (London) Ltd., entitled, 'Ship No. 1191 - 'World Score''.

473 GUAS GD 323/13/11/1191/4 Letter dated 4th August 1978 to Ross Belch from D.M. Harrison, Niarchos (London) Limited, entitled, 'For the attention of Mr. A.R. Belch - Chairman and Managing director'

474 GUAS GD 323/13/11/1191 Two telexes dated 8th August 1978 exchanged between Dolman and Scott Lithgow.

475 GUAS GD 323/13/11/1191/4 Letters dated 30th October 1978 from Neil, Clerk & Murray, Solicitors, Greenock to A.G. McNeilage, Esq., Lithgows Limited, entitled, "Ship No. 1191: Notes of a meeting at British Shipbuilders, Knightsbridge on Wednesday, 25th October, 1978 at 6.15 p.m." & 'World Score 1191: Dolman Shipping Company".

complications. Sold for an agreed price of £17 million in February 1977 and aided by a further £5 million from the government to guarantee construction and prevent the loss of 3000 jobs, work on the vessel had barely started and many of the components were removed to complete the World Score on time.[476] The amount of money received by Scott Lithgow for vessel 1192 during the course of its construction was in the region of £24,405,000, which included the amount paid by Niarchos, the additional £5 million from the government and the £2,405,000 already paid by MFC. However, at no point was a profit recorded on this vessel and in reality its construction continued to protect employment at Scott Lithgow. Progress on the vessel was slow and the highly publicised technical problems with the machinery combined with labour disputes created concern within the management of the parent company, British Shipbuilders. Indeed, as P.A. Milne, the Managing Director, wrote to Belch in September 1979:

> We are now extremely concerned at the progress situation on this ship and are beginning to doubt whether the present approach will achieve a delivery to the owner before the end of 1979.[477]

Added to which, Niarchos requested the return of £250,000 because he felt machinery used on 1191 taken from 1192 was replaced at their expense and included in the price of vessel 1192.[478] Although the situation was unlikely to lead to the cancellation of the vessel (possibly because it was already chartered to Shell) Niarchos was fully prepared (and indeed attempted) to take Scott Lithgow to court over lost revenue due to the delays with the vessel. However, after much "off the record" discussion between British Shipbuilders and Niarchos, both parties agreed to reduce the price of the vessel by £4 million. With Belch only carbon copied onto the correspondence, British Shipbuilders effectively took the matter out of his hands.[479] Scott Lithgow delivered the vessel to Niarchos on 31st January 1980 in Lisbon, the nearest and cheapest port with a dry dock large enough to take the vessel agreeable to both Niarchos and Scott Lithgow.[480]

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[476] GUAS GD 323/13/11/1191-2/1(3) Telex dated 4th February 1977 from Jimmy Freeland, Clarsale, to Ross Belch, Scott Lithgow Limited, & Letter dated 25th February 1977from R. Jardine, Ministry of Industry to Lithgows Limited.

[477] GUAS GD 323/13/11/1191-2/1(3) Letter dated 11th September 1979 from P.A. Milne, British Shipbuilders to Ross Belch, entitled, "Building Progress on Ship No. 1192".

[478] GUAS GD 323/13/11/1191-2/1(3) Letter dated 5th October 1979 from Neill, Clerk and Murray, Solicitors, Greenock to Ross Belch, Lithgows Limited, entitled, "Ship No. 1192 - World Scholar".

[479] GUAS GD 323/13/11/1191-2/1(3) Memo of agreement dated 21 December 1979 between British Shipbuilders and Dexter Shipping Co.,

[480] GUAS GD 323/13/11/1191-2/1(3) Memo, dated 1st February 1980, entitled, "Attention Mr. John Parker".

According to *The Times*, the first vessel (1191) was subsidised by around £20 million by the government in December 1976, but no accurate figures exist covering the difference between the sale price of £15.75 million and the actual cost of £30 million, including other additional costs taken into account by Scott Lithgow.[481] On the 2nd March 1977 Lloyd's List stated that, even when the second vessel (1192) was still in two halves and not yet welded together, the Niarchos contracts were funded by a substantial government loss, including an additional £5 million in grants provided by a government shipbuilding intervention fund of £65 million set up in 1977.[482] It is important to note the contradictory statements made at this stage by members of the government, because what was agreed between the civil servants at the Department of Industry and Scott Lithgow, differed on occasion from what was agreed between Scott Lithgow and the Minister for Industry, Gerald Kaufman.[483]

Officials at the Department of Industry wanted to continue pursuing the rebate of £1.4 million in grant money given to Maritime Fruit Carriers as these funds only applied to vessels running under the UK flag and not to a vessel owned by Niarchos running under a (usually Liberian or Panamanian) flag of convenience. It is doubtful whether the aforementioned civil servants questioned whether or not the money would ever be repaid. Rather, both applied the rules as set out in Section 10 of the Industry Act (1972) rigidly, which stated that whilst the government may provide grants and guarantees for loans for the purpose of shipbuilding, if the recipient of the completed vessel was not that originally intended, then the amount is repayable in full (an opinion dogmatically advocated by civil servants). After further discussion, the government decided to start proceedings to recover the grant money from Cartsdyke and Atlantine on 5th April 1977.[484] As these companies were joint ventures between MFC and Scott Lithgow and as MFC was in no position to pay its debts, the burden of repayment would fall on Scott Lithgow, which in itself was being kept alive by its share of a £65 million government fund to assist shipbuilding. Would the government, therefore, end up handing out money with one hand only to receive it with another? This was soon realised by the Department of Industry, which concluded that as the government would not receive any funds from either company, would it not be

[481] "State to foot bill on any loss in £20m tanker sale" *The Times*, 15th December 1976.
[482] "Clydeside yard given £5 million government aid to save tanker order" *The Times*, p. 22, 2nd March 1977.
[483] "State bails out Lithgow with £5m aid" *Lloyds List*, 2nd March 1977.
[484] TNA BT 321/213 Memo dated 5th April 1977 from T.E. Wyatt to Mr Rawlinson, Department of Industry, entitled, "Maritime Fruit Carriers: Investment Grants and Section 10 loans".

better to write the money off instead because the recovery of the money was unlikely.[485] The accounting branch of the Department, however, decide that pursuing the claims was legally justified and requested that the whole issue be passed onto the Treasury Solicitor's Office.[486] Therefore, a claim was made against Atlantine on 8th November 1977 and against Cartsdyke on the 2nd February 1978.

What remained of Maritime Fruit Carriers, as represented by Chaim Refaeli, its general manager contested the claim if only to prevent a diminished stock of assets becoming completely reduced. In an affidavit, he argued that Scott Lithgow ordered Atlantine from itself and not directly by MFC. Indeed, Atlantine was set up by Scott Lithgow on 21st October 1970 and the grant, was applied for and paid before Maritime Fruit Carriers took ownership of Atlantine.[487] Agreeing with all the financial stipulations given by the government in regards to the guarantees, Refaeli stated that MFC made every effort to continue the vessel and that if the government had been less doctrinaire and more flexible, MFC would have completed the contract. [488] In effect Refaeli stated that without any prior knowledge of whether or not the government recovered its costs from the sale of the vessels to Niarchos and considering that Maritime Fruit Carriers were no longer in a position to repay the full amount of the grants, the government should debate whether or not this was a valid and worthwhile exercise.

Nevertheless, the Ministry of Industry was of the opinion that pursuing Atlantine and Cartsdyke through the courts was indeed a worthwhile and valid exercise and treated the affidavit from Maritime Fruit Carriers as factually incorrect and far-fetched.[489] However, there were reasons why the government would want to pursue a debt that would force both Atlantine and Cartsdyke into administration, as the following extract from an internal memo circulated within the Department of Industry demonstrates:

On 1191 (Cartsdyke):

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[485] TNA BT 321/213 Letter dated 29th July 1977 from C.E. Olhson to A.H.C Jenkins, Accounts Branch, Department of Industry, entitled, "Maritime Fruit Carriers".
[486] TNA BT 321/213 "Maritime Fruit Carriers" Letter dated 9th August 1977 from A.H.C Jenkins, F.E.A. Accounts Branch, Department of Industry, to C.E. Ohlson, Department of Industry.
[487] TNA BT 321/214 Sworn Affidavit by signed 9th March 1978 by Chaim Rafaela, entitled, "In the High Court of Justice: Queens Bench Division Between Her Majesty's Government and Atlantine Ltd" p. 2.
[488] ibid pp. 6 – 10.
[489] TNA BT 321/214 Letter dated 18th May 1978 from Roger Fayers, Ministry of Industry to A.J. McPhail, Solicitors Office (The office of the Solicitor General by another name), entitled, "Cartsdyke".

> Mr Rawlinson agreed that the investment grant debt should be used to put Cartsdyke into administration, thus avoiding the legal complexity which surrounds the section 10 loan and minimising the risk of a successful challenge regarding the sale of the ship.

On 1192 (Atlantine):

> Again, it was thought desirable to use the investment grant debt to liquidate the company to prevent the sale being challenged.[490]

It appears perverse to pursue a debt that in all fairness could not be repaid (especially considering the potential courts costs involved), but the government wanted to prevent Maritime Fruit Carriers challenging the sale of the vessels to Niarchos. Nevertheless, other considerations could still negate the value of such actions and it was advantageous to pursue insolvency to prevent the sales being challenged.[491]

The defence of Maritime Fruit Carriers and the statement made by Chaim Refaeli made little impact and on the 19th June 1978, the Court of Session ordered Maritime Fruit Carriers to repay the grants given for the construction of vessel 1191.[492] The same occurred for Atlantine on the 17th July 1978 and proceedings commenced to recover the debts of both companies.[493] This happened very slowly and an attempt by MFC to offer $100,000 was quickly rebuffed by the government, as was an attempt by Refaeli to negotiate the debt in person.[494] In the end, Atlantine was wound up on the 27th November 1978 and it was soon discovered by the Ministry of Industry at the first creditors' meeting that the company had no real assets, but debts totalling £14,396,000, the majority of which, £8,127,000, was claimed by the Inland Revenue.[495] Cartsdyke, upon being wound up under the Scottish legal system on the 6th June 1979, was found to be in the same condition. The victory for the government was pyrrhic indeed, as neither company had any assets to pay its debts.

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490 TNA BT 321/214 Memo dated 18 may 1978 from C.E. Newton, Department of Industry to numerous recipients.

491 TNA BT 321/214 "Maritime Fruit Carriers" Letter dated 14 January 1978 from T.E. Wyatt to Rawlinson.

492 HMAG v Cartsdyke Dockyard Company Limited (1978).

493 HMAG v Atlantine Limited (1978).

494 TNA BT 321/314 Letter dated 20th September 1978 from D.J. Freeman, solicitor at D.J. Freeman & Co to The Treasury Solicitor, entitled. "North West Shipping Company Limited and Others ats H.M. Attorney General." and BT 321/314 Record dated 11th October 1978 of a meeting between Maritime Fruit Carriers, D.J. Freeman and Co., Solicitors, Hacker Young, Accountants, The Department of Industry and Treasury Solicitors Department, on 10th October 1978.

495 TNA BT 321/214 Memo dated 2nd February from C.E. Walker, Principal, Shipbuilding Policy Division, to un-named recipient(s) in Department of Industry, entitled, "Atlantine Limited - Investment Grants"

Consequently, the Department of Industry wrote to the Treasury Solicitor in September 1979 requesting the amounts to be written off, which happened by February 1980 and thus the government ended its efforts to recover money from MFC. [496] This ended the relationship between MFC and Scott Lithgow and indeed signalled the end of Scott Lithgow as a manufacturer of large vessels. From a contract that had the potential to provide large profits speculating on the open market for newly constructed VLCC and ULCC crude oil tankers, through the trials and tribulations of finding a buyer for vessels no longer in demand and government efforts to recover substantial funds from the defaulting MFC, the saga ended with a whimper despite the potential for a very large explosion. However, in the end MFC, the 1970s Labour government and Scott Lithgow faded firstly into insignificance and then eventually disappeared altogether.

Scott Lithgow failed to recover from the cancellation of the Angelicoussis and Maritime Fruit Carriers contracts and its efforts to recoup its costs and survive contributed little to the shipyard's prospects even in the short term. However, Scott Lithgow and the shipping lines were not the only parties involved; the government played a major part in developments over the course of the decade reinforcing the hypothesis of this thesis that the outcome of negotiations between government and the shipbuilders contributed to policies that hastened the industry's eventual demise. Therefore, the fate of Scott Lithgow was interwoven and determined by its efforts to recover costs from AAA and MFC. Indeed, in the haste of Scott Lithgow and the government (in the form of the Export Credits Guarantee Department, ECGD) to sign orders from the Angelicoussis family, it is unlikely that proper oversight was exercised by either Scott Lithgow or the ECGD in determining the viability of Angelicoussis and its ability to service its debts in the event of an unforeseen circumstance. Furthermore, in the case of the ECGD in guaranteeing the loan for the two Angelicoussis vessels without first undertaking the necessary procedures in vetting an approved overseas bank for the transaction, the department acted hastily to ensure that the order was placed in a UK shipyard. Therefore, when both contracts collapsed and Angelicoussis requested the return of its money, Scott Lithgow was unprepared to deal with the consequences and hoped for the resurrection of the contracts,

[496] TNA BT 321/214 Letter dated 5th September 1979 from C.E. Walker, Principal, Shipbuilding Policy Division, Department of Industry to J. Scholes, HM Treasury, entitled "Investment Grants: Industrial Development Act 1966 Write Off: Atlantine Limited (In Liquidation)" and BT 321/214 Letter dated 18th January 1980 from C.E. Walker, Principal, Shipbuilding Policy Division,, Department of Industry to J. Scholes, HM Treasury, entitled, "Investment Grants: Industrial Development Act 1966 Write Off: Cartsdyke Dockyard Co Ltd (In Liquidation)", Letter dated 6th September 1979 from J. Scholes, HM Treasury to C.E. Walker, Principal, Shipbuilding Policy Division,, Department of Industry and Letter 6th February 1980 from J. Scholes, HM Treasury to C.E. Walker, Principal, Shipbuilding Policy Division,, Department of Industry.

at least for a period of one year. However, Angelicoussis did not end the situation without a demand for compensation and it was for Scott Lithgow to make sure that the shipping company did not have any sums of money awarded to it by the courts.

The government was heavily involved with Scott Lithgow after the demise of the Maritime Fruit Carrier contracts. First (as with the Angelicoussis contracts) it was the guarantor of the financial arrangements, but second because the impact on British shipbuilding from the collapse of the contracts was much larger than the mere loss of a contract for two vessels in a single shipyard. In the case of Scott Lithgow, the involvement of the shipyard in joint ventures designed to exploit the speculative market for newly built supertankers in the early 1970s, opened it up to a number of legal challenges by Maritime Fruit Carriers concerning its liability for the costs of the cancelled contracts. That the shipyard and the British government continued to enter into negotiations with a representative of MFC after the Israeli government had suspended the company's activities (and the US government's Securities and Exchange Commission commenced an investigation into financial malpractice) demonstrates an a desperation to prevent a legal claim against the assets of Scott Lithgow. Therefore, the government took legal action to make both Atlantine and Cartsdyke return grant monies paid by the government, even though there was no prospect of payment from MFC, so that a sale of the two vessels to the Niarchos concern was guaranteed. Nevertheless, the sale to Niarchos was perpetually in danger of collapse itself through ill-tempered communications and poor build quality making the two tankers (even with the price and contact underwritten and subsidised by many millions of pounds of British government money) an unsavoury prospect for the Greek company. Niarchos aside, for all the parties involved in the collapse of the Maritime Fruit Carrier contracts the situation was an exercise in survival based on reacting to events as they unfolded.

To summarise, the Scott Lithgow shipyard was fatally compromised by speculative contracts entered into with shipping companies to take advantage of the growing demand for supertankers between 1970 and 1973. However, once this market had collapsed through the events of autumn 1973, the cancellation of contracts by Angelicoussis and Maritime Fruit Carriers left the shipyard dependent on government intervention to survive. Nevertheless, this chapter has demonstrated the British government and the shipyard did not understand two crucial points, firstly that when negotiating with these firms they were in fact dealing with companies with few employees and little capital and secondly, that once the contracts were no longer viable neither were Angelicoussis and MFC. Finally, rather than providing funds to develop the Scott Lithgow shipyard into one with a new purpose, the government subsidised the continuation of vessels with no reasonable commercial prospects with an eventual buyer who was unenthusiastic and only took possession of the vessels after the government had effectively paid for both. Therefore, as with the development of the Scott Lithgow shipyard through the merger of Scott and Lithgows in the late 1960s, neither government nor the management of the shipyard itself reflected commercial reality as found in the market for newly constructed vessels and preferred to continue on a course of action, that whilst preserving employment in the short term, ended any reasonable prospects for the company's continuation into the next decade.

Conclusion, Scott Lithgow and the State 1966 - 1980

The report of the Geddes Committee did not advocate the creation of a large shipyard on the lower Clyde, although it did state that two groupings were possible in the west of Scotland. However, the approach by the Scotts and Lithgows shipyards to the Shipbuilding Industries Board in 1967 led to the SIB considering the idea as a serious proposition. With hindsight, it was logical that the two yards, being in close proximity to one another in Greenock and sharing suppliers, would make ideal partners. However, two factors influenced the merger of the shipyards to such an extent, that the process would eventually become little more than a paper exercise. First, the attempts to retain guaranteed naval construction at the Cartsburn and Cartsdyke shipyards of Scott and secondly the reluctance of Ross Belch (the eventual managing director of the merged Scott Lithgow group) to commit to any spending without the full financial backing of the Shipbuilding Industries Board. Contextualised by seven years of ongoing negotiations between the shipyard and central government and, as this thesis has shown, against a backdrop of declining traditional industries in Scotland and the promotion of newer forms of manufacturing by a Scottish Office with little influence or interest in a traditional industry such as shipbuilding, the narrative of Scott Lithgow in this period illuminates many of the wider concepts behind the study of an industry's decline.

The first factor, the negotiations to retain military construction, demonstrated the reluctance of the group to operate solely in the commercial market for merchant shipping. The Geddes report stated that the Royal Navy required only two, possibly three, military shipyards to service its needs and that the Scotts of Greenock yard was not one of them. Nevertheless, in its negotiations with the SIB the management of Scott Lithgow operated without this viewpoint present in their minds, using brinkmanship with the SIB and the Ministry of Technology to claim that the only way the merger could survive would be with guaranteed government orders. Unfortunately, this did little to enamour the shipyard's management to the government so civil servants and ministers were reluctant to work with Scott Lithgow. Indeed, as demonstrated in the previous chapter, there was very little faith in the exercise succeeding, even in the highest levels of government.

The second factor, the reluctance to spend any money redeveloping the shipyard's facilities, again is an example of a pervasive culture at Scott Lithgow that avoided speculation and risk taking, unless it was the government taking the risks. Indeed, Scott Lithgow hampered the initial discussions with the government over funding by its refusal to disclose any certain plans for the development of facilities. This was another misguided attempt at brinkmanship, with Belch first requesting how much money the shipyard was likely to receive prior to disclosing any concrete plans. Without concrete plans, the SIB was justifiably reluctant when dealing with Scott Lithgow; even when considering the more ambitious of the proposed development schemes, it believed from the very beginning that the shipyard did not intend to build a modern set of shipbuilding facilities. Indeed, in comparison to the modern shipyards being built in Japan and Europe in the 1960s, Scott Lithgow proposed to make the most of its existing facilities to do the similar tasks for a smaller capital outlay. Although joining two halves of a vessel whilst it is afloat makes sense in small, restricted harbours, for the combined yards of Scotts and Lithgows, it is the case that there was the space for a large modern yard. The reluctance of management to spend any money on development or even to make any more than a token attempt at merging their facilities shows that it is the case that management stretched the existing company as far at they could to compete in an evolving market for shipping. The need to retain military construction confirms this observation; the management wanted to continue making ships, but with the minimum amount of risk on safe state funded contracts.

With a shipyard unable to engage with the developing market for tankers in the early 1970s, the demise of the ‘supertanker boom’ in 1973 dealt Scott Lithgow a fatal blow, particularly in light of the cancelled supertanker contacts. In the case of Anangel/Agelef/Angelicoussis, the shipyard solved the dispute with a minimum of government intervention; the recourse taken was a legal one to recover costs. Although it is a case that shipping unilaterally cancelled the orders and indeed Scott Lithgow suffered a loss of income, the overall effect was localised in Greenock. When it came to Maritime Fruit Carriers, the wider British shipbuilding industry felt the effects nationwide. Moreover, the loss of the VLCC contracts, in addition to the loss of the Anangel/Agelef/Angelicoussis orders had a profound effect on Scott Lithgow, the result of which would potentially have been the collapse of the company. With an interventionist government that advocated state ownership and that eventually nationalised the shipbuilding industry in 1977, a situation arose whereby an ailing shipyard received state assistance (even if it meant the completion of unprofitable contracts) to protect the jobs rather than prevent continued losses.

Therefore, the collapse of the Anangel/Agelef/Angelicoussis contract, while not attracting the publicity of the collapse of Maritime Fruit Carriers, did not as Murphy and Johnman state '...come as a blessing in disguise', their rationale based upon an assumption that to continue the vessels would have led to even larger losses.[497] Scott Lithgow lost money, not only in the potential loss of income and forecasted profits (predicting which is an inexact science), but in the loss of the money already spent by Scott Lithgow in purchasing equipment for the order. That AAA was (in its dealings with Scott Lithgow at least) of the belief that the contract had been frustrated (i.e. the contract was no longer valid due to the actions of one or more of the parties involved) by the actions of Scott Lithgow, demonstrates that the company wanted to abandon the contracts without penalties. As demonstrated in this chapter, it is a simple case of a small family owned and run shipping concern that no longer wanted to take possession of unusable vessels, which were worth less than the building cost. This was the understanding eventually reached between Scott Lithgow and AAA, the shipyard knew that with the Byzantine financial and ownership structures of the companies run by the Angelicoussis family, in no way would it have been possible to claim, win and receive any further compensation without further losses on their part.

This contrasted with the approach taken by Scott Lithgow and the UK government to the collapse of Maritime Fruit Carriers. In 1975, the government was looking at the demise nationwide of at least 19 orders and potentially many more. This was to the advantage of Scott Lithgow in off-loading the two MFC VLCC contracts and government negotiations led to the enormous Niarchos shipping concern taking the one vessel completed in 1978 and then purchasing the final VLCC the shipyard built in 1981. Neither contract made a profit, but by this time Scott Lithgow and the British government were more concerned with the preservation of jobs rather than the creation of profits. Therefore, in both cases, Scott Lithgow lost income and certainly did not record a profit, as the following table demonstrates, but in the case of MFC, they were at least part of a highly publicised national campaign to continue the construction of cancelled vessels. That both vessels were disliked by the eventual owner and made huge losses was of little concern to management, the ethos was to survive by any means necessary, prolonging and dragging out the existence of Scott Lithgow.

[497] Johnman, L and Murphy, H ‘A Triumph of Failure, British Shipbuilding and the Offshore Structures Market 1960-1990. A Case Study of Scott Lithgow Limited’, *The International Journal of Maritime History* [CANADA], XV1-I, June 2002.

Table 4.1: Scott Lithgow, Profit and Loss, Vessels Built and Gross tonnage, 1970 - 1980.

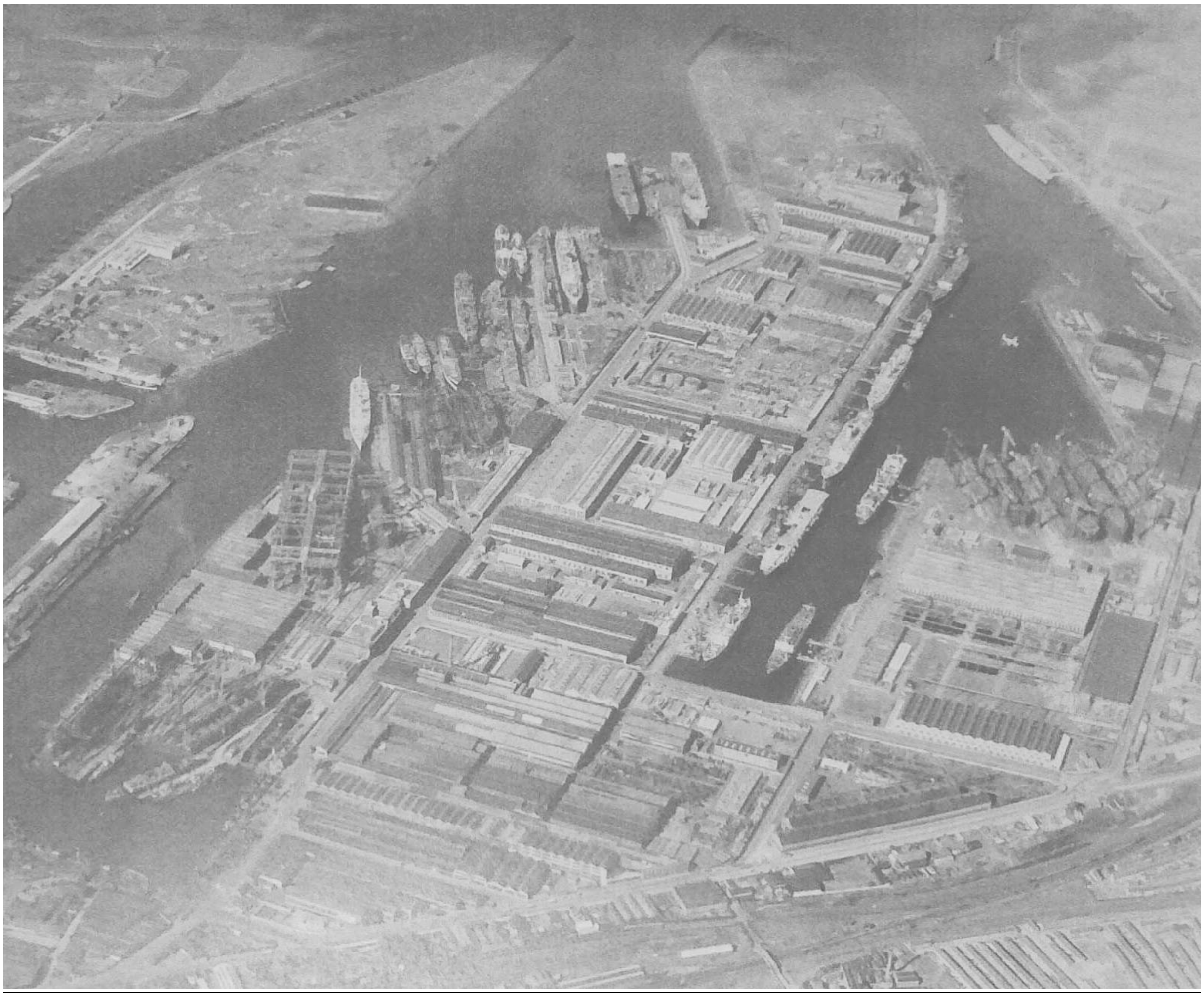
	Scott Lithgow				
Year	**Vessels Constructed**	**Gross Tons Constructed**	**Staff Numbers**	**Per capita output**	**Profit/Loss Before Tax (x000)**
1970	8	268544	6456	41.60	**400**
1971	9	200726	7496	26.78	**-1,501**
1972	5	51434	8295	6.20	**662**
1973	6	75873	8323	9.12	**-1,609**
1974	7	249323	8396	29.70	**-136**
1975	3	62679	8477	7.39	**221**
1976	4	181178	8101	22.36	**-883**
1977	2	13174	7818	1.69	**-1,603**
1978	6	297177	7730	38.44	**-22,432**
1979	5	153443	7830	19.60	**-12,473**
1980	3	49446	6924	7.14	**-42,313**

Source: GD 323/1/2/18-28, Annual report for directors, 1970-1981.

Scott Lithgow made its last vessel (a tanker for British Petroleum using material left over from the cancelled Angelicoussis contracts) in 1982 and was closed for good in 1987. In the 1950s, Lithgows was a major manufacturer of large vessels, equal in tonnage constructed to any Japanese shipyard, but by 1967, this was no longer the case. Scotts survived until the late 1960s on naval contracts, particularly submarines, but it was barely active as a manufacturer of merchant shipping. A large, consolidated, rationalised shipbuilding entity built on the lower Clyde to take advantage of the supertanker boom would have seemed a reasonable proposition in 1965, but the management culture of the two yards was just not able to grasp this fact. Indeed, by 1965, large shipyards in Japan had already moved onto pre-fabrication and the use of building docks. After an early start, Scotts and Lithgows prevaricated until 1969 before deciding on the form of their merger and future developments, which flew in the face of the corporate wisdom of the time found in successful shipyards in Japan and Scandinavia. That the eventual merged entity was a holding company, which planned to build modern vessels by utilising existing infrastructure to do what foreign companies constructed an entirely new shipyard for demonstrated Scott Lithgow's lack of strategic vision. Once the OECD economies plunged into crisis in 1973, the shipyard was dealt a fatal blow and the care and attention given to Scott Lithgow after 1973 was palliative in nature; the shipyard did not adapt to a booming market and therefore its final demise in the 1980s, although delayed by political intervention from central government, was inevitable. However, as the follow chapters will demonstrate, these trends were not just limited to Scott Lithgow.

Chapter Five

The historical context of the relationship between the Harland and Wolff Shipyard, Belfast and Government in Northern Ireland and Scotland, focusing upon developments under the chairmanship of John Mallabar between 1966 and 1970.



Source: Moss & Hume, Shipbuilders to the World, p. 356

Introduction: Protestant Hegemony in Northern Ireland and Shipbuilding 1921 to 1975

The relationship between the British and Northern Irish governments and the Harland & Wolff shipyard, Belfast, is central to the study of the economic history of the United Kingdom as well as Northern Ireland in the 1960s and 70s. The shipyard's main institutional relationships in this period were with the Northern Irish Government at Stormont Castle, the Shipbuilding Industry Board and the Labour governments under Harold Wilson in London. The developments in the four years between 1966 and 1970 radically altered the very nature of Harland & Wolff and acted as a pivot between two different periods in the shipyard's history. The traditional business history of this period focuses upon concepts of industrial obsolescence and decline, the position held by Abramovitz, Olson and Lorenz[498]; whereas this chapter demonstrates that the wider political context of Northern Ireland heavily influenced developments beyond the traditional process of management decision making in response to changing market conditions. The story of Harland and Wolff in this period illuminates these themes and demonstrates that, when faced with potentially destructive forces of sectarian based civil disturbances, both governments chose to prolong the existence of an unviable business to prevent wider social and economic consequences. This is the context behind the government's relationship with the Harland & Wolff shipyard which, it is argued here, influenced the decision-making processes of both regional and national government when deciding to intervene in the fate of the company, which went from being a private company that had to borrow money from the Northern Irish government to survive in 1966, through a process of state intervention, shareholding and control to by 1975, a nationalized company under the ownership of the British government.

This chapter will demonstrate how the process commenced and will show that increasing concern in Westminster over the potential for widespread unemployment in Northern Ireland, particularly amongst the predominantly Protestant workers of Harland & Wolff, led to a policy that stated the shipyard could not close at any cost. Focusing upon the relationship between the Wilson government's instrument of modernization, the

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[498] Abramovitz, M, 'Catching up, forging ahead and falling behind' pp. 385 - 406, Olson, M. (1996) 'The varieties of Euroslerosis' pp. 73-91, Olson, M. *The rise and decline of nations: economic growth, stagflation and social rigidities* (New Haven, 1982) and Lorenz, E.H. *Economic Decline in Britain: The Shipbuilding Industry, 1890 - 1970* (Oxford, 1991).

Shipbuilding Industry Board (SIB) and the Harland & Wolff shipyard (H&W), this chapter develops a contextual narrative of developments between 1966 and 1970 under the aegis of its chairman, John Mallabar, and demonstrates that the shipyard and the Northern Irish government had a symbiotic relationship that determined the fate of shipbuilding as an industry in Northern Ireland.

Harland and Wolff under John Mallabar, 1966 - 1970

Harland & Wolff had been in existence since 1861, the result of a buyout of an existing shipyard by the marine engineer from Scarborough, Edward J Harland and one Gustav Wilhelm Wolff, the son of Jewish merchants from Hamburg. Over the following century, rarely had the shipyard lacked employment, producing many famous vessels such as *The Titanic* and *The Canberra*, but also a line of large vessels for export customers.[499] However, by 1966, despite being a large UK shipyard in terms of physical size, workforce, output and financial turnover, the chairman Dr. Denis Rebbeck, stated in his address to the company's shareholders that Harland & Wolff was vulnerable to Japanese competition and was unable to bring down labour costs and increase productivity because of restrictive practices, industrial action and the loss of contracts from traditional customers taking its toll on the company's finances.[500] Certainly as a traditional client of the Admiralty, Harland and Wolff suffered from Royal Navy cuts as a response to Britain's declining imperial ambitions and found it hard to adapt to a purely commercial existence. The unpopularity of redundancies in response to defence cuts in 1964 led to two years of industrial action and a contract signed in 1965 for five 70,000 ton bulk carriers for a Norwegian shipping line at a fixed price led to unsustainable losses.[501] With the added problem of unexpected increases in the cost of labour and materials, in 1966 the shipyard recorded huge losses, as table 5.1 demonstrates.[502]

[499] Moss, M & J.R. Hume *Shipbuilders to the World: 125 Years of Harland & Wolff*, Belfast 1861 - 1986. (Belfast: The Blackstaff Press, 1986) pp. 80-81 & pp. 424-427. pp. 11-122.
[500] Public Record Office of Northern Ireland (Henceforth known as PRONI) CAB/9A/61/5 'Précis of statement made by Dr. Denis Rebbeck, chairman and Managing Director, Harland and Wolff, Limited, At a meeting with Confederation of Shipbuilding and Engineering Unions (Northern Ireland District Committee) Held at Queen's Island, Belfast on 16th November 1965.
[501] *The Belfast Telegraph*, 6th August 1965, 'Sales team wins fleet of Norwegian carriers'.
[502] Rebbeck, D. (1966) Harland and Wolff Limited: Factors Contributing to adverse results, *Shipbuilding and Shipping Record*, 5th May 1966.

Table 5.1: Harland and Wolff Profit and Loss, 1960 to 1966

Year	Profit
1960	210,018
1961	140,501
1962	123,595
1963	144,800
1964	-327,516
1965	-1,932,909
1966	-4,146,152

Source: London Stock Exchange Company Reports, 1960 – 1966

In order to survive, the company asked the devolved government of Northern Ireland for a loan to cover current and future losses.[503] Stormont was aware of the situation at H&W and at the meeting of the Stormont cabinet on 17th August 1966 the Northern Ireland Minister of Commerce, Brian Faulkner produced a paper stating that unless the government took swift action the yard would end up in liquidation within a few weeks.[504] However, because of the impending incorporation of the Shipbuilding Industry Board (SIB), Faulkner stated that the loan was only to serve for bridging purposes until the SIB provided detailed proposals concerning the shipyard. Certainly, the Prime Minister of Northern Ireland, Terrance O' Neill, believed that if the NI government was to provide funds for Harland and Wolff, then they were entitled to have a say in the company's development, regardless of the views of shareholders.[505] Consequently, Stormont announced in September 1966 financial arrangements designed to keep the yard solvent for the immediate future, until the shipyard had planned for its future. A government guaranteed loan of £1.5 million from two Northern Irish commercial banks (the Northern Bank and the Belfast Banking Company) was proposed by Faulkner at the meeting of the Stormont cabinet on 24th August 1966 to achieve this aim, but in return for providing the short-term finance to keep the company afloat, Stormont requested the right to appoint a financial controller.[506] In the longer term, Faulkner proposed that Stormont should refinance the shipyard, which would require legislation. Nevertheless, whilst the loan gave

[503] Rebbeck, D. (1966) Harland & Wolff Limited: Factors Contributing to adverse results, Shipbuilding and *Shipping Record*, 5th May 1966 and [503]Public Record Office of Northern Ireland (Henceforth known as PRONI) CAB/9A/61/5 'Précis of statement made by Dr. Denis Rebbeck, chairman and Managing Director, Harland & Wolff, Limited, At a meeting with Confederation of Shipbuilding and Engineering Unions (Northern Ireland District Committee) Held at Queen's Island, Belfast on 16th November 1965.
[504] PRONI CAB/4/1339/1 & 2, Stormont Cabinet Minutes dated 17th August 1966.
[505] ibid.
[506] PRONI CAB/4/1340/8 Stormont Cabinet Minutes 24th August 1966.

the company a short respite, it could not guarantee its survival and Stormont realised that detailed and extensive intervention was required to keep the shipyard afloat.[507]

The NI government persuaded the Stormont legislature (upon the urgings of Faulkner) to approve the wider measures of intervention. A bill was placed before both its houses to give Harland and Wolff a further loan of £3.5 million, £2 million of which was an investment by government with a further £1.5 million to pay off the previous loan, which Harland and Wolff could no longer afford to pay. The reasoning of the Cabinet was simple: in light of the recently published Geddes Report the shipyard would be in a position to be able to claim substantial amounts from the soon to be created Shipbuilding Industry Board (SIB) and therefore the loans were merely a bridging measure.[508] However, both houses of the Stormont legislature understood that without changes in the structure of Harland and Wolff, the shipyard would not survive. This issue was raised repeatedly during 1966 and when the Shipbuilding Loans Bill had its second reading on in Stormont 12th October 1966, (in effect the first opportunity to discuss its provisions). Faulkner stated that the bill would place certain conditions upon Harland and Wolff:

> ‘a) I [Faulkner] am empowered, as Minister of Commerce, to nominate a financial controller with a seat on the board of the company.
>
> b) Dividends cannot be paid to shareholders, or remuneration of board members altered, without the approval of my Department.
>
> c) The company must satisfy my department that it is implementing, as a matter of urgency, certain proposals for improving its financial position which have been made by the company’s auditors.

[507] *The Times*, 24 Sep 1966 pg1 ‘Ulster to lend £1,500,000 to Harland and Wolff’.
[508] PRONI CAB/4/1343/2 Stormont Cabinet Minutes 22nd September 1966 & Hansard (Northern Ireland Senate), Shipbuilding Loans Bill Second Reading 19 October 1966 col. 1270 - 1271.

d) The company must, as soon as possible, produce proposals for the reconstruction of the undertaking to secure financial viability.'[509]

This limited the freedom of Harland and Wolff as a commercial entity. The legislation passed the Stormont Commons on 12th October 1966 with only minor objections on points of substance and procedure.[510] The following day the bill had its second reading in the Stornont Senate, and questions were raised concerning the nature of the loan given to Harland and Wolff and whether or not Harland and Wolff was in a sound enough economic position to receive and pay the loan back. As a Unionist member of the Stormont Senate, Dr. Quinn, stated:

> To borrow money to bridge a gap in trading conditions does not solve those conditions. It only gives time for other efforts to be made to solve them; that time should be used by everybody in settling their own minds first of all and then through the medium of those who act as their spokesmen - I am referring to the shareholders, the directors, the management and the workers - in seeing to it that they can get to a competitive basis with countries such as Sweden and Japan.[511]

This comment is highly relevant to the overall historiography of Harland and Wolff, as Quinn was highly dubious of the prospects for Harland and Wolff's future, whereas all other members of the Senate in that debate made the same assurances and supportive statements concerning its reconstruction.[512] As Quinn continued:

[509] Hansard (Northern Ireland Commons) Shipbuilding Loans Bill Second Reading, 12th October 1966, col. 409.
[510] Hansard (Northern Ireland Commons) Shipbuilding Loans Bill Second Reading, 12th October 1966, col.1407 - 1451.
[511] Hansard (Northern Ireland Senate) Shipbuilding Loans Bill Second Reading, 19th October 1966 col. 1294 - 1297.
[512] For example 'we recognise the Government's courage in facing up to this' being the contribution of one Mr. McGlade, a nationalist senator during the same debate. Hansard (Northern Ireland Senate) Shipbuilding Loans Bill Second Reading, 19th October 1966 col. 1294 - 1297.

> The appointment of some official, be he a chartered accountant or somebody with other qualifications, does not give the answer. It is a matter of everyone directly involved making up his mind that he is prepared to suffer inconvenience and some hardship.[513]

Passed in November 1966, The Shipbuilding Industry (Loans) Act (Northern Ireland) gave the Northern Irish government not only the authority to loan Harland & Wolff £3.5 million, but also to enact changes in the structure of the shipyard by appointing a financial controller, giving financial control to the Northern Irish government.[514] However, with the resignation of Rebbeck as chair at the same time, Harland & Wolff required not just a Financial Controller to bring costs under control, but also a Chairman and possibly a Managing Director. The usual Harland and Wolff method of appointing such a position was a long-term process of developing an internal candidate over the course of a decade.[515] The eventual appointee, John Mallabar, (a chartered accountant who ran his own firm of accountants in London) was unique in several ways, not only because he originated from outside Northern Ireland, but also as he was Stormont's candidate for Financial Controller. [516] Indeed, Mallabar had a reputation as a 'fixer' of companies undergoing financial difficulties, gaining a small amount of fame in the financial press for rescuing the engineering firm Ruston & Hornby as its chair in the years 1964-66.[517] Mallabar made a quick start by making 500 underutilized workers redundant on his appointment, with a further 500 a week later.[518] However, high unemployment in Northern Ireland acted as a brake on the ambitions of Mallabar as the redundancies were politically unpopular, particularly as the shipyard had a predominantly Protestant workforce from which the Stormont government took so much of its electoral support.[519] Nevertheless, in December 1966, there were 279 further redundancies.[520] However, NI government intervention gave Harland & Wolff a lifeline and the conditions imposed on the £3.5 million loan placed the onus of future development of the shipyard on Mallabar. For

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[513] Hansard (Northern Ireland Senate) 19/10/66 col. 1297.
[514] Hansard (Northern Ireland Senate) 19/10/66 col. 1297, *The Times*, 5th Nov 1966, p. 5 'Die is cast for Harland & Wolff'. Moss, M & Hume, J.R. *'Shipbuilders to the World: 125 Years of Harland & Wolff, Belfast 1861 - 1986'* (Belfast: The Blackstaff Press, 1986).
[515] Ibid.
[516] TNA T341/65 Memo from Pliatsky, HM Treasury to Messrs Bretherton and Houghton, HM Treasury dated 15th November 1966.
[517] *WHO'S WHO 1980: An Annual Biographical Dictionary*, issue 132, Adam and Charles Black, London.
[518] 'Harland & Wolff sackings' *The Financial Times*, 24th Nov 1966, p. 8
[519] TNA EW7/771 'Northern Ireland: Report by Mr. Peter Shore Following his visit on 27/28th February 1967.
[520] 'Belfast Yard Pays off 279 More Workers', *The Financial Times*, 31 Dec 1966.

although Mallabar's first priority was to make redundancies and find savings to make the company viable, it was the creation of the long term development plan and strategy that was his legacy to the shipyard.[521]

In 1967, once the initial efforts of Mallabar to reduce the losses at Harland & Wolff had taken place, the question of the future development of the shipyard arose. From the production of the first Harland & Wolff VLCC (Shell's SS *Myrina*) Mallabar knew that to build the larger vessels (oil tankers of between 250,000 and 500,000 tons deadweight), Harland & Wolff would have to undertake a comprehensive modernization.[522] Mallabar, through negotiations with the Shipbuilding Industries Board (SIB), knew that the potential funds available from the SIB and the Stormont government would pay for the reconstruction of the shipyard. Mallabar announced on 19 September 1967 to the assembled media at the launch of the S.S. *Myrina*, that the only way forward for Harland & Wolff was to construct a large building dock and manufacturing facilities similar to those found in Japan.[523] With access to the Musgrave channel, (constructed in 1899 to the east of the shipyard to provide tidal moorings and over 1000 metres in length), Mallabar argued that the creation of a large building dock would be easier for Harland & Wolff than it would be for other British yards. Indeed, it would only involve draining and fitting out the Musgrave channel; there would be no need for large-scale excavation and by December 1967, the consultant engineers for the project to convert the Musgrave channel, Navalconsult, had issued their report into the feasibility of the project.[524] Whilst the project was possible and the channel suitable for conversion into a building dock, it was the opinion of the engineers that rather than build an interim facility for vessels of between 250,000 and 500,000 deadweight tons, at a cost estimated at £6 million (1967 UK£), the entire channel should be drained and made into a building dock capable of building vessels of up to 1,000,000 deadweight tons for a cost of £7.5 million.[525]

The government in Belfast and the Shipbuilding Industry Board in London supported the proposal as a way of guaranteeing existing jobs in Northern Ireland and creating further ones, but the British government treated Harland & Wolff differently from

[521] 'Harland & Wolff: Plan for the Future', *The Times*, 26 Apr 1967.
[522] Cameron, R.R.G. Sliding a Tanker on the Slipway, *Shipping World and Shipbuilder*, 18 July 1968. The *Myrina* was built in two halves, requiring the forward portion of the vessel to be slid 30 meters along the slipway using hydraulic rams and axle grease so that the stern of the vessel could be constructed.
[523] 'Harland takes a £10 M look at the future' *The Guardian*, 19 Sep 1967.
[524] Moss, M & J.R. Hume. '*Shipbuilders to the World*' pp.80-81 & pp. 424-427.
[525] TNA T334/76 Letter dated 11th December 1967 from C.H. Bails to L.Pliatzky entitled 'Harland & Wolff'.

other shipyards, because of the additional jurisdiction of the Northern Ireland Government.[526] Certainly, Harland & Wolff's relationship with Stormont created additional debate in Whitehall and the SIB as to whether the methods of funding available to the SIB, (grants and loans under section 4 of the Shipbuilding Industry Act (1967)) were applicable to Northern Ireland.[527] However, whilst the debate over the rôle of Belfast and London in the affairs of Harland & Wolff continued, it was the global growth in the demand for crude oil tankers of over 250,000 tons deadweight that pushed matters to a head. With the advocacy of the project by a senior civil servant at the Ministry of Technology, C.H. Bayliss, to overcome any residual objections, the building dock project gained favour in both Stormont and Whitehall as a way for Harland and Wolff to enter this market. Indeed, in a submission to the British Minister of Technology, Anthony Wedgwood Benn, concerning shipbuilding facilities in the UK, Bayliss expressly stated that he was, '...departing from the advice of the Geddes Committee...' as the market for crude oil carrying vessels was experiencing a period of sustained growth.[528] Certainly, Bayliss advocated that the SIB announce a decision concerning the building dock before the public announcement of an order by the petrochemical company Esso to build 4 tankers in the UK, which gave the minister the impression that the ship order was dependent on the modernization of the shipyard.[529]

By January 1968, the government in London was in favour of building the larger version of the building dock, but on condition that the funding solely came from the SIB and not the Northern Ireland Government, to avoid the expenditure being classified as direct government spending.[530] Moreover, London rebuffed attempts at rescheduling Harland & Wolff's debt to Stormont, which wanted to merge its loans with those from the SIB, as this was not within the financial powers of the Northern Irish government. It was with these two conditions attached, that the Ministry of Technology and the SIB agreed to promote the 1,000,000-ton building dock and provide Harland & Wolff with the finance for its construction.[531] Therefore, on 16th January 1968, William Swallow, the chairman of the SIB, delivered his submission to the Minister of Technology for his approval of a £8

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[526] Specifically, sectarian conflict between Protestants and Catholics, see Rose, P.J. *How the Troubles Came to Northern Ireland*, (Macmillan, Basingstoke, 2000).
[527] TNA T334/76 letter dated 15th September 1967 from V.I. Chapman, Assistant Secretary, Industries and Manufactures Department, Board of Trade to L. Pliatzky, HM Treasury.
[528] TNA T334/76 submission to Minister of Technology, Anthony Wedgwood Benn by C.H. Bayliss dated 21st September 1967.
[529] Benn, A.W. *Office Without Power: Diaries 1968 – 1972*, (London, 1988) p. 10.
[530] TNA T334/76 Minute entitled 'Harland & Wolff Building Dock' dated 12th January 1968 from P.L. Dyer, to H.S. Lee and Mr. Bell, p. 3.
[531] ibid.

million loan to Harland & Wolff. In his letter, Swallow emphasised that with the ongoing order for the construction of the Esso tankers, approval needed to be swift.[532] However, although the submission included all the points concerning the redevelopment of the yard covered by the SIB, Whitehall and Harland & Wolff in their discussions, under the section outlining the four conditions of the proposed loan, certain rights held by both the UK government and Stormont were proposed for the first time. These were the right to appoint a chair or chief executive, the right for the UK government to appoint a director to represent its interests, the right to approve any financial measures, such as loans and dividends and finally, the right to request any information concerning the yard.[533] Consequently, the UK government had the power to intervene in the company if it was in its interests to do so and the conditions attached to the SIB loan consolidated strategic decision-making powers with both Stormont and the Westminster government. Whilst this did not represent overt government intervention, these powers gave the governments in London and Belfast substantial leverage in the affairs of the company.

Despite this enthusiasm, elements of the government in London, namely the Chief Secretary to the Treasury, John Diamond, were not convinced of the merits of spending £13.5 million on Harland & Wolff, including a £5 million grant issued by Stormont.[534] Certainly, the Treasury needed reassurance that the proposed plans, in the light of the hurried nature of the decision to construct a building dock, represented the best-cost option.[535] After two days of correspondence, the Chief Secretary gave his approval to the project in January 1968.[536] Nonetheless, the issue of whether the Stormont government would contribute its own grants to Harland & Wolff for its development remained. Certainly, after the devaluation of the pound in 1967, the British government applied public expenditure restrictions on the Stormont Government in Northern Ireland and the Treasury was reluctant to spend money on Harland & Wolff.[537] Any additional funds would have to come from the budget of the SIB, which would be obligated to loan rather

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[532] TNA T334/76 Letter dated 16th of January 1968 from Sir William Swallow, Chairman SIB to Mr. Anthony Wedgwood Benn, Minister of Technology, entitled, 'Harland & Wolff Limited'.
[533] TNA T334/76 Submission dated 16th of January from Sir William Swallow, Chairman SIB to Mr. Anthony Wedgwood Benn, Minister of Technology, entitled, 'Harland & Wolff Limited'.
[534] TNA T334/76 Letter dated 16th January 1968 from B.T. Houghton, Ministry of Technology, to L. Pliatzky, The Treasury, entitled 'Harland & Wolff Building Dock'.
[535] TNA T334/76 Minute dated 17th January 1968 from L. Pliatzky, The Treasury to G. Bell, entitled 'Harland & Wolff Building Dock'.
[536] TNA T334/76 Minute dated 18th January 1968 from B.T. Houghton, The Treasury, to G. Bell, entitled 'Harland & Wolff Building Dock'.
[537] Schenk, C.S *Britain and the Sterling Area: From Devaluation to Convertibility*, (London, Routledge, 1994).

than grant additional amounts of money to Harland & Wolff.[538] This impasse was broken in April 1968, when a relaxation of budgetary restrictions for Northern Ireland enabled Stormont to fund the additional £1.5 m grant, allowing the loan agreements to be signed and the project to progress beyond the early stages of construction.[539] Finalized almost a year after construction of the building dock had commenced, the £8 million loan agreement was signed on the 29th January 1969 and consequently, the situation at Harland & Wolff looked positive.[540] Certainly, the shipyard was starting to sell more ships and by April 1969, £58 million in new vessel orders had been received, the majority of which were for tankers to be built in the new building dock.[541]

By the autumn of 1969, the second progress report to the Chief Secretary stated that whilst the situation was not critical, Harland & Wolff's financial circumstances had worsened slightly. The main concerns were a six-month delay to the construction of the building dock, the potential for financial over-runs on the building dock project, problems with the construction of ancillary equipment and licenses to construct engines of a more modern design than those offered by Harland & Wolff. On the positive side, the report mentioned that the shipyard had avoided the political problems of Northern Ireland and that orders had increased (five VLCC tankers and nine large bulk carriers on order), which provided work for the yard until 1972.[542] In his 1969 address to shareholders, Mallabar was optimistic for the future of Harland & Wolff, but he stated that, despite the spending on new infrastructure in the yard and its recent orders, three factors acted to the detriment of the future growth of Harland & Wolff: confrontational labour relations, low productivity growth and high steel prices.[543] By 1970, many in Whitehall and Stormont had a high opinion of Mallabar, believing that he had arrested the decline of Harland & Wolff and certainly, in the early part of his tenure as Chairman, Chief Executive and Financial Controller he reduced the shipyard's losses.[544] However, in 1969 a series of problems came to the fore that led to an unprecedented one-year loss in the company, the nature of

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[538] TNA T334/76 Letter dated 13th February 1968 from John Diamond, Chief Secretary to the Treasury to Anthony Wedgwood Benn, Minister of Technology, entitled 'Building Dock for Harland & Wolff'.
[539] TNA T334/76 Letter dated 9th April from L. Pliatzky, The Treasury to C.H. Bayliss, Ministry of Technology, entitled, 'Harland & Wolff - Grant for Building Dock'.
[540] TNA T334/163 Memo dated 3rd March 1969 from H.S. Lee, The Treasury, to Mr. Beighton, entitled 'Shipbuilding: Harland & Wolff.' At this time, the SIB mandated merger of shipyards in Glasgow, Upper Clyde Shipbuilders was continuing in its decline, despite government intervention and financial assistance. For a fuller account, see Johnman and Murphy, 2002.
[541] *The Times*, 30th April 1969, 'On a slipway to success?'
[542] TNA 334/163 Progress report dated 5th October 1969 from Ministry of Technology to The Treasury, specifically John Diamond, Chief Secretary to The Treasury, entitled 'Second Progress Report on Harland & Wolff'.
[543], 'Harland & Wolff: A better outlook', *The Times*, 29th April 1969
[544] Ibid.

which the company's auditors, Price Waterhouse, could not immediately verify.[545] As reported in the company's preliminary results to the Stock Exchange in April 1970 Harland & Wolff lost £3,774,770 up to 31st December 1969, the majority of which, £2,612,539, was on shipbuilding contracts during the year, a figure that rose to £3,126,261 when including depreciation and interest payments.[546] This was a much larger figure than any losses previously at Harland & Wolff; in 1967 and 1968, the losses were £1,156,000 and £755,000 respectively. Moreover, the company's auditors, stated that poor records kepts a further £3 million from being accounted for. Eventually, in 1971, the losses for 1969 were agreed at £8,330,000.[547]

Mallabar resigned in 1970, but not without explanation in the annual statement to shareholders and the Stock Exchange. Opening by quoting the previous year's report, Mallabar stated that the contracts obtained for large tankers in the period 1967 to 1970 were priced at such a level there would be little, or no, flexibility to allow for an increase in costs. Continuing with the same theme, he emphasized that over the course of his four-year tenure at the shipyard, although efforts had been made to modernize equipment and facilities and that productivity had risen along with a fall in losses, the trading conditions for Harland & Wolff were such that any changes in the underlying costs of the shipyard, no matter how small, had serious repercussions for the company.[548] Mallabar apportioned the blame for these losses almost entirely with the staff directly involved in the construction of vessels, for whilst delivery times had improved and ships were being delivered almost 7 months before they were due, he stated that the defining moment was in 1969 when the steelworkers went on an overtime ban for three months demanding higher wages. Consequently, labour and management engaged in a series of confrontations over the course of 1969, by which time delivery times had slipped and costs increased. Certainly, Mallabar emphasized that the increased cost of equipment and materials also affected the yard's performance, but in his final report as chair, he identified the attitude of labour as a key factor in reducing the yard's performance.[549]

[545] 'Harland & Wolff losses build up' *The Times*, 9 Oct 1970
[546] TNA CJ 4/219, undated, 'Harland & Wolff Limited: Stock Exchange Preliminary Announcement' un-audited results for the year 1969.
[547] *British Shipbuilding 1972, A report to the Department of Trade and Industry*, BV, Cmnd 4942, (Booz-Allen & Hamilton: London, 1973)
[548] TNA CJ 4/219, 9th April 1970 'Harland & Wolff, Limited: Statement by the Chairman, Sir John Mallabar to accompany Preliminary Announcement of Summaries Results for 1969 to The Stock Exchange.
[549] TNA CJ 4/219, 9th April 1970 'Harland & Wolff, Limited: Statement by the Chairman, Sir John Mallabar to accompany Preliminary Announcement of Summaries Results for 1969 to The Stock Exchange.

Table 5.2: Harland and Wolff : Output, Revenue, Profit and Loss, 1966 to 1970

Year	Number of Vessels	Gross Registered Tonnes	Dead Weight Tonnes Produced (x 1000)	Employees	Deadweight Tonne Per Employee	Revenue (UK £ x 1000)	Profit (UK £ x 1000)	Profit per employee (UK £ x 1000)
1966	n/a	n/a	n/a	11,454	n/a	n/a	-4,146	-361.97
1967	3	55	92	10,049	9.16	6,091	-1,156	-115.04
1968	5	244	460	9,007	51.07	15,956	-755	-83.82
1969	1	58	106	9,274	11.43	3,579	-8,330	-898.21
1970	4	196	358	10,007	35.77	15,322	-302	-30.18

Source: Booz Allen & Hamilton Report, 1973

The reaction of civil servants in Whitehall and Stormont was not one of surprise; they knew that a large loss was likely for 1969. Indeed, in 1970 the third progress report on Harland & Wolff by the SIB, (for the benefit of the Ministry of Technology as well as the Treasury) stated that, although the development of new facilities was proceeding and that there had been some progress in the construction of vessels, the net result of a four month 'go-slow' in the yard would be large losses in the region of £3 million.[550] Therefore, Mallabar had the foresight and understanding of the trading conditions at Harland & Wolff to pick the most opportune time to leave the yard and to make a point about the hindrances he had encountered as chair.

Mallabar's replacement was Joe Edwards, the 62-year-old former managing director of British Motor Holdings Limited, a holding company for the eclectic survivors of the British automobile industry.[551] Edwards was technically retired and had no experience of the shipbuilding industry, but his appointment was supposed to be a temporary one until both the UK and the NI governments decided the fate of Harland & Wolff. However, in the short term Edwards had to work on the day-to-day concerns of running a shipyard and bring the crisis at Harland & Wolff to a satisfactory conclusion. However, the political climate and situation of Northern Ireland had changed since 1966 and this was to the detriment as well as the benefit of the shipyard. To its detriment Harland & Wolff no longer gained the attention of the Stormont parliament that it once did. The sectarian troubles of Belfast and the doctrinal arguments within the Unionist majority at Stormont held most of the government's attention. Nevertheless, it was the very

[550] TNA CJ 4/219, 27th February 1970, 'Shipbuilding Industry Board: Third Progress Report on Harland & Wolff Ltd., Belfast'.
[551] William, K, Williams, J and Haslam, C. *The Breakdown of Austin Rover: A case study in the Failure of Business Strategy and Industrial Policy,* (Lemington Spa, Berg, 1987).

same troubles that gave Harland & Wolff a lifeline: the London government could not afford to have the redundancy of over 7.5% of the Northern Irish industrial workforce adding to the political situation in the province and so it was quick to emphasize that any rescue package would include provisions for a high level of government involvement.[552] This did not mean, however, that nationalization was the ultimate aim, there was hope that Harland & Wolff would remain a private company, possibly through being purchased by a third party.

[552] 'Harland & Wolff Chairman Resigns' *The Times*, 10th April 1970.

Conclusion, Harland and Wolff in 1970

Even after a period of capital-intensive reconstruction, in 1970 Harland and Wolff was not economically viable. Mallabar was correct in trying to copy the prevailing orthodoxy of shipbuilding in Japan and Sweden to bring down production costs and increase productivity, but the political, social and economic diorama unique to Northern Ireland compromised his efforts in three ways. First, the sectarian nature of Northern Ireland and the links between the Unionist government and the Protestant workforce of the shipyard made any unpopular measure difficult to enforce during a period of peace, let alone during a period of sectarian conflict. Second, with Harland & Wolff employing 7.5 per cent of Northern Ireland's industrial workforce directly and a further 10 per cent indirectly, there was too much temptation for both governments to provide a financial bailout to keep the peace. Finally, a combination of these two factors fatally compromised attempts to create a modern shipyard; if a measure was unpopular with the workforce, both governments would fear the consequences of any potential confrontation. In short, by not having recourse to remedy the above problems, any solutions proposed by Stormont, Whitehall and the Shipbuilding Industry Board were unlikely to succeed in making Harland & Wolff profitable.

As this chapter demonstrates, from the first government intervention in 1966 up until 1970 and the resignation of John Mallabar as chairman, the Harland & Wolff shipyard, with qualified local labour, ample government finance and a large production site had the potential to become a large profitable shipbuilding company similar to those found in Japan at the time, but was instead an unviable business. Nevertheless, the fear of having over 10 percent of the workforce of Northern Ireland becoming redundant overnight influenced the judgment of the Northern Ireland and British governments, particularly when the majority of those unemployed would be unionist Protestants. Indeed, these judgments were affected further by the Catholic civil rights movement of the late 1960s, which spiralled into violence at the end of the decade. The ever-prevalent fear for both governments was of an uncontrollable 'civil war', with the unemployed masses of both sides of the sectarian divide entering into an escalating conflict.[553] Therefore, both

[553] Cunningham, *British Government Policy in Northern Ireland*, pp. 24 – 30, and Boyle, K. & Hadden, T. *Northern Ireland: The Choice* (London, 1994) p. 83.

governments spent ever-increasing amounts of money to pacify the situation, regardless of the economic consequences of doing so.

These factors contextualized John Mallabar's chairmanship, he worked hard to increase output and productivity, the local environment compromised his efforts. The foresight of Mallabar in proposing a shipyard with a high rate of productivity capable of building vessels over 250,000 tons was correct, even if it was contradictory to government policy at the time. Intending to build a shipyard capable of competing effectively with those found in Japan, Mallabar and Stormont used the special circumstances of Northern Ireland to provide more central government funding than available to a comparable shipyard in the rest of the United Kingdom. For almost four years, this was a successful policy and the shipyard increased its output and productivity, as table 5.2 demonstrates output per a worker increased during his tenure.[554] This context was advantageous initially, but it also provided the fatal blow to Mallabar's career at Harland and Wolff. Indeed, for whilst Mallabar had cut costs, reduced staff, increased output and modernized equipment, he could not deal with the sectarian conflict and the strikes, go-slows and work to rules of 1969/70 wiped out the gains of the past 5 years. For any other company, this would have been fatal, but the Northern Irish and UK governments could not allow the company to fail for fear of the consequences affecting the situation in Northern Ireland.

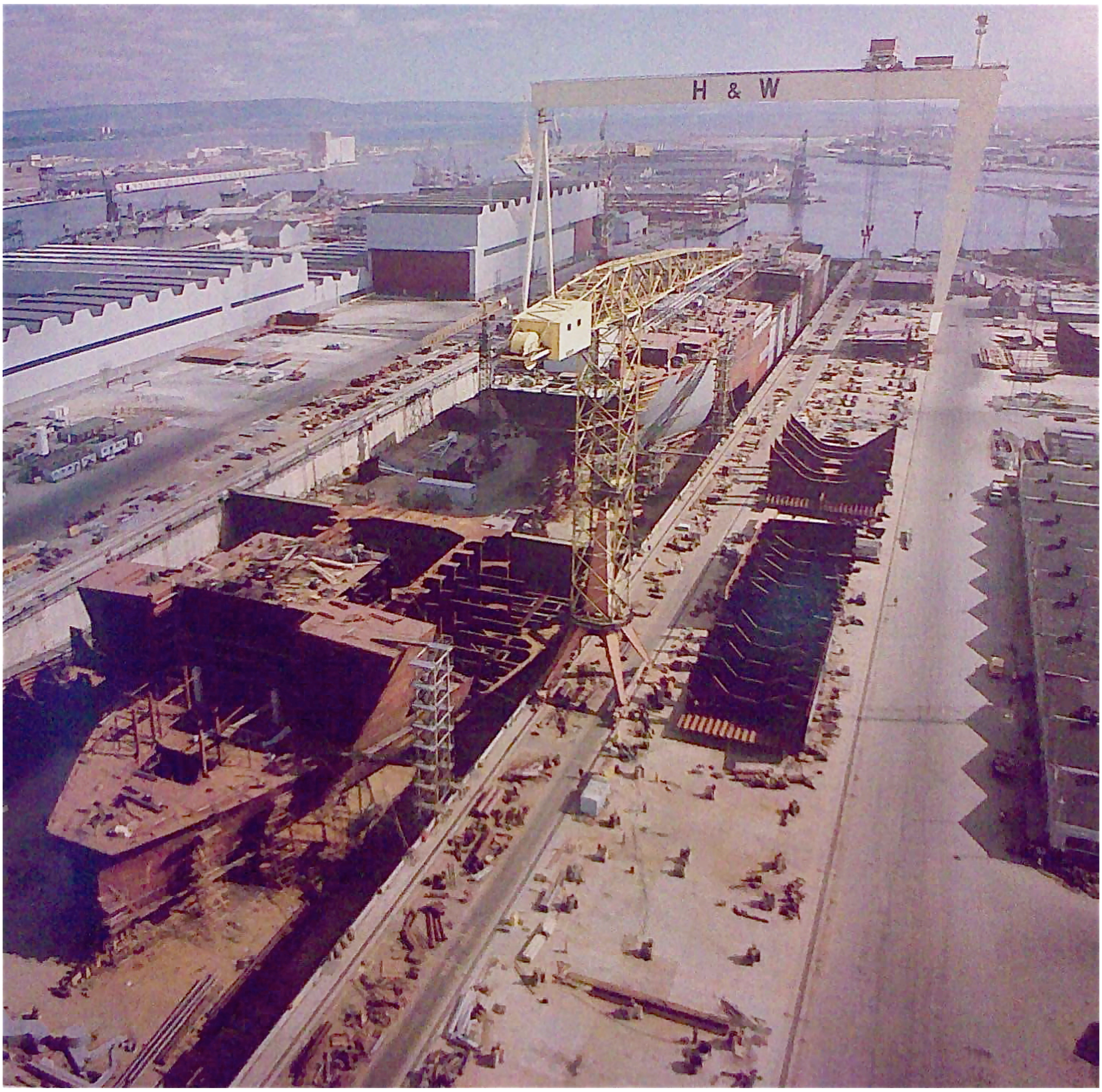
To conclude, the declinist paradigm of the past thirty years has defined economic history as a discipline and in business history has highlighted the debates concerning individual firms. However, my research into Harland and Wolff demonstrates that it is very difficult to create an all-encompassing theory of decline, as local conditions and political movements rarely follow rational processes of commercial decision making. In the United Kingdom, the declinist movement describes a complex diorama of union management relations that restricted the nation's economic growth, and yet rarely is the effect of political movements discussed or the fear of communal strife on economic policy. This chapter shows that regardless of the prevailing orthodoxy within an industry and despite of the commercial necessities a company faces daily, if the prospect of failure is no longer an incentive, as management and labour fail to work at an optimal level and therefore a company will cease to perform to its best. In 1966, John Mallabar understood that the particular social and political context of a divided Northern Ireland allowed him to ask for enough funding from government to restructure the Harland & Wolff shipyard. However,

[554] Booz Allen & Hamilton, *British Shipbuilding 1972*, p. 16.

he failed to comprehend that the same environment removed incentives for his staff to follow his lead, as whilst the government would spend money to develop the shipyard, it was also understood by many that it would do the same to keep the shipyard open in the face of failure. The following chapters on Harland and Wolff will demonstrate how this affected the performance of the shipyard in the early 1970s and will show that despite all the attempts to keep Harland and Wolff in the private sector, once government intervention had begun the eventual nationalisation was inevitable.

Chapter Six

Deciding upon which future path to follow: the developing crisis at the Harland and Wolff shipyard, Belfast at the start of the conflict in Northern Ireland, 1970 – 1971



Source: Moss & Hume, *Shipbuilders to the World*, p. 461

The continuing failure of Harland and Wolff, 1970 - 1971

In 1970, Harland and Wolff yet again faced the prospect of closure. However, the political climate and situation of Northern Ireland had changed since the last crisis at Harland and Wolff in 1966 and this was to the detriment as well as the benefit of the shipyard. To its detriment, Harland and Wolff would no longer gain the attention of either the Stormont parliament or cabinet as it once did; the ongoing sectarian troubles of Belfast and the doctrinal issues within the Ulster Unionist Party majority at Stormont were taking up most of the government's time in Northern Ireland. Nevertheless, it was these very same troubles that gave Harland and Wolff a lifeline: the Westminster government could ill afford to have the company's closure adding to the delicate political situation in the province.[555] The government was quick to emphasise that any state aid would include provisions for an increased level of government involvement in the shipyard.[556] The Stormont government, however, did not want nationalisation and hoped that Harland and Wolff would remain a private company by selling the shipyard to a third party.

The largest shareholder, Aristotle Onassis, was first to declare his interest in the shipyard and the SIB, with the involvement of Whitehall, entered into negotiations with the shipping magnet and his Norwegian rival, Fred Olsen.[557] However, Whitehall had difficulties with Onassis' first proposal, which was to lease the yard for ten years under foreign management but only after the government placed the company on a sound financial basis. In addition, his personal notoriety led to mistrust amongst civil servants and politicians in both London and Belfast. Olsen did not have these difficulties, but at the ministerial level, many understood that the workforce in Belfast would have reservations about working under German and possibly Japanese managers. Indeed, any moves towards foreign control would have aggravated an already tense political situation.[558] Certainly, the fact that Onassis wanted to lease the yard only after government funding had made it solvent made Whitehall officials doubt his proposals and many argued that if the

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[555] Hewitt, V.N. 'The Public Sector', in Harris, R.I.D., Jefferson, C.W. & Spencer, J.E. (edit) *The Northern Ireland Economy: A Comparative Study in the Economic Development of a Peripheral Region*, (Harlow, 1990) p. 368.
[556] 'Harland and Wolff Chairman Resigns' *The Times*, 10th April 1970.
[557] TNA FV 36/88, letter dated 3rd July 1970 from A.H. Glass, SIB to S.W Spain, S.W. Spain, Under Secretary, Electrical, Engineering Chemical (Process Plant) and Shipbuilding Industries Division, Ministry of Technology.
[558] TNA FV 36/88 letter dated 10th July 1970 from Lord Jellicoe, Leader of the House of Lords to Sir John Eden, Minister of State, Ministry of Technology.

government were to spend many millions on keeping Harland and Wolff alive, then perhaps it should remain under UK ownership.[559] This chapter will argue that the government in London put to one side the commercial considerations of building ships at Harland and Wolff in the face of political pressure from the government of Northern Ireland. As a result, the Ulster Unionist-dominated Stormont parliament used the fear in London of civil war in Northern Ireland to promote, pursue and conclude its own scheme for a part nationalised corporation under UK ownership. The future of Harland and Wolff was no longer about employment or preventing the closure or the company; it was now bound up with the wider concerns and conflicts of a disintegrating peace in Northern Ireland.

[559] TNA FV 36/88 memo dated 14th July 1970 from A.J. Suich and S.W. Spain, Under Secretary, Electrical, Engineering Chemical (Process Plant) and Shipbuilding Industries Division, The Ministry of Technology to the Permanent Secretary for the Minister of State, Ministry of Technology.

Harland and Wolff for Sale, the bidding war of 1970 to 1971

The Conservative government elected in July 1970, (with its 'Selsdon Park' manifesto focussing on deregulation) had a different agenda concerning industry from its Labour predecessor.[560] Certainly, Nicholas Ridley (the new Parliamentary Under Secretary of State for Industry and a principal architect of the Conservative manifesto) was intent on removing any influence the SIB once had, because in his opinion, 'all SIB funds go to the lame ducks, and none go to the successful'.[561] This heralded a change in government attitude towards the financial grants given to shipbuilders and from now on negotiations and decisions for the mainland United Kingdom would be made and approved at ministerial level rather than at the SIB. For Harland and Wolff, this meant that decisions concerning its future were the responsibility of the Northern Irish government in Stormont.[562] This was designed to prevent the protracted debates over finance witnessed in the past, as one of the first acts of the Conservative government was to plan the demise of the SIB as soon as practicable. Consequently, the remaining funds allocated to the SIB were available to those companies that required financial assistance and Harland and Wolff received £3.5 m in August 1970, with £1.5 m paid immediately to stave off liquidation.[563] Whilst this created a breathing space for Harland and Wolff, the future for the shipyard was far from certain. The SIB was of the opinion, that with the high demand for supertankers the yard would be successful, were it not for its large debts, labour and productivity problems. However, the Chancellor of the Exchequer, Anthony Barber, was reluctant to commit funds if the result was a sale to a company that had, '...contributed neither effort nor money during the difficult years [which would] purchase a weakened Harland and Wolff.'[564]

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[560] The Conservative Party, *A Better Tomorrow: The Conservative Programme for the next 5 years* (London, 1970), Denham, A & Garnett, M, Keith Joseph, (Chesham, 2002) p. 267 and Young, H, *One of Us: A Biography of Margaret Thatcher*, (London, 1989).
[561] TNA FV 36/88 letter dated 16th July 1970 from Nicholas Ridley to S.W. Spain, Under Secretary, Electrical, Engineering Chemical (Process Plant) and Shipbuilding Industries Division, Ministry of Technology.
[562] ibid.
[563] TNA FV 36/88 letter dated 5th August 1970 from John Davies, Secretary of State for Trade and Industry and President of the Board of Trade to Edward Heath, Prime Minister.
[564] TNA FV36/87 letter dated 10 August 1970 from Anthony Barber, Chancellor of the Exchequer to John Davies, Minister for Trade and Industry and President of the Board of Trade.

The initial response of the SIB was to increase government financial control at Harland and Wolff as a condition for further financial support.[565] However, the losses continued to mount up; the grant of £3.5 million provided less breathing space for the company than expected and Harland and Wolff needed a further payment of £1 million by the 20th August 1970 to keep trading legally.[566] The SIB requested improved management, control of finances and increased productivity in exchange for a future payment and whilst these had been the stated goals of the SIB towards Harland and Wolff since 1966, it is unknown whether at the time the company even attempted to implement these conditions. Certainly, the SIB wanted further information from Harland and Wolff by the end of October 1970, a deadline the shipyard felt it was unlikely to meet and subsequently did not.[567] Indeed, rather than providing a justification for its existence, by November 1970 Harland & Wolff requested a further £2 million to prevent liquidation, £1 million of which could be covered by the final payment of the existing grant, but £1 million of which would have to come from additional sources whether provided by the SIB or by the government.[568] The SIB sought government approval for the additional amount, because it was not prepared to give Harland and Wolff £1 million without the further £1 million coming from another source. Therefore, it requested that the Department of Trade and Industry provide some form of financial relief for Harland and Wolff that it, the SIB, could not.[569] By November 1970, the DTI was prepared to act as a guarantor to a £2.5 million overdraft provided by Harland and Wolff's bank, (The Midland Bank) a reflection of the confidence that the government had in a successful resolution to the affair. However, the DTI stated that the government would not act subject to SIB approval and that any additional finances or arrangements made for the company must be negotiated and approved at ministerial level.[570] The government had two options to make Harland and Wolff viable and therefore prevent an economic catastrophe in Northern Ireland: the sale of the company to an outside third party, or the reform of the current company's management and finances.

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[565] TNA FV 36/87 Letter dated 18 August 1970 from Mr. B. Barker, Director, Shipbuilding Industry Board to Mr. A. MacDonald, Ministry of Technology, entitled 'Harland and Wolff Limited.

[566] TNA FV 36/87 Letter dated 20 August 1970 from Mr. B. Barker, Director, Shipbuilding Industry Board to Mr. E. J. McKelvey, Finance Director, Harland and Wolff, entitled 'Grants for the General Purpose of The Company'.

[567] TNA FV 36/87 Letter dated 27th August 1970 from the secretary, Harland and Wolff to Mr. B. Barker, Director, Shipbuilding Industry Board entitled 'Grants for the General Purpose of the Company' and Letter dated 2nd September 1970 from Mr. E.D. Ezra, secretary, Shipbuilding Industry Board to Harland and Wolff entitled 'For the attention of the Secretary: Grant for the general purposes of the Company'.

[568] TNA FV 36/87 Letter dated 11th November 1970 from the secretary, Harland and Wolff to the Shipbuilding Industry Board.

[569] TNA FV 36/87 Letter dated 11th November 1970 to S.W. Spain, Department of Trade and Industry, from B. Barker, Director, SIB.

[570] TNA FV 36/87 internal minute dated 20 November 1970 from A.J. Suich and S.W. Spain, Department of Trade and Industry to Nicolas Ridley, Parliamentary Under Secretary of State for Industry.

At the same time as the debates over Harland and Wolff were taking place in government, third parties presented bids for the purchase of the company. Despite the debts of Harland and Wolff, there were two factors in the shipyard's favour. First, by 1971, the shipyard had a new and modern infrastructure and therefore the company was more than able to compete in the global market. Second, and perhaps more importantly, the London and Belfast governments needed to mitigate the ongoing civil strife in Northern Ireland and therefore would not be amenable to job losses. This did not mean a continuation of the Labour government's policy of direct intervention, nor that the shipyard should remain with the same UK ownership. However, despite his strong position with the largest equity stake, neither Whitehall nor Stormont were enthusiastic about Onassis owning the shipyard. In the first meeting between the Shipbuilding Industry Board and a representative of Onassis, (Mr. C Simpson, who was also the Deputy Chairman of Harland and Wolff) held in July 1970, it was proposed that Onassis would lease the shipyard for a period of time, building supertankers for both the Onassis shipping lines and other tanker companies.[571] To the representatives of the SIB, the fact that Onassis gave no details concerning the shipyard's requirement for further state funding to prevent liquidation, (thought in 1970 to be around £10 million) was an indication that the tycoon was uncertain about what he had in mind for Harland and Wolff. The SIB informed Mr Simpson that Onassis had to produce a well-defined set of proposals and to bear in mind that Harland and Wolff was likely to receive more than one takeover bid.[572] In response to the concerns raised, Onassis wrote to the SIB and the Minister of Technology, John Davies, reiterating his proposals. [573] In light of the financial losses at Harland and Wolff and the slow growth in productivity, the government believed that introducing 'good' foreign management rather than propping up 'poor' local management would improve the situation and reflect Conservative industrial policies.[574] However, the Ministry of Technology and its successor, the Department of Trade and Industry understood that the local opposition to a foreign owner would be substantial and could halt future

[571] TNA FV 36/88 Note of a Meeting, dated 2nd July 1970, B. Barker and A.H. Glass, Shipbuilding Industry Board and Mr. C Simpson, Onassis and Harland and Wolff attending. Privateer (usually derogatory) was a term used to describe the large flag of convenience shipping companies run by a single owner, usually being of Greek or Hong Kong origin.
[572] ibid.
[573] TNA FV 36/88 Letter dated 6th July 1970 from Colin Simpson, Deputy Chairman, Harland and Wolff, to Joe Edwards, Chairman, Harland and Wolff forward to J Colville, S.I.B by Edwards, 8th July 1970.
[574] Ball, S & Seldon (edit), A, The Heath Government, 1970 - 1974: A Reappraisal (London, 1996).

developments.[575] Therefore, London accepted that Harland and Wolff, Stormont and the trade unions would have to be involved in the decision making process to satisfy all parties, particularly those who could threaten any deal the government might negotiate with Onassis.[576]

Onassis' notoriety and negotiation style was also causing problems, not just with government ministers and institutions. Indeed, Royal Dutch Shell had negotiated with Harland and Wolff in August 1970 an order for five supertankers of 250,000 tons deadweight. However, Onassis stipulated in his proposals that a moratorium on new ship orders starting from September 1970 was necessary so that an examination of the yard's finances could take place. This placed both governments in a quandary; Ridley and Roy Bradford (the new Minister of Commerce in Northern Ireland) knew the commercial future of Harland and Wolff depended on building ships, but both understood that Onassis provided one of the few options to keep the shipyard operating.[577] More importantly, both Shell and BP were loath to do business with Onassis. Both stated to the Ministry of Commerce that they 'will have nothing to do with the Onassis proposal; would not give any work to Harland & Wolff if it were in Mr Onassis' hands; and do not like the way in which the Onassis scheme is being worked up.'[578] It is uncertain whether this represented the negotiating tactics of Shell and BP rather than corporate policy; the rise in crude oil consumption combined with a limited number of berths capable of constructing ships over 250,000 tons dwt meant that ship-owners had to order where ever possible to avoid capacity problems.[579] Nevertheless, Harland and Wolff required supertanker orders to provide for its continued existence and could not afford to lose vessel orders because of the ownership of the shipyard. The situation became increasingly perverse as Onassis stated in August 1970 that he was in negotiations with both Shell and BP for Onassis-owned tankers ordered from Harland and Wolff, provided on long-term charters.[580] A short time later, however, Eden spoke to Shell and BP and both reiterated their opposition to the Onassis

[575] TNA FV 36/88 Letter dated 19th July 1970 from Sir. John Eden, Minister of State, Ministry of Technology to Reginald Maudling, M.P., Secretary of State for the Home Department and Iain Macleod, M.P., Chancellor of the Exchequer.
[576] TNA FV 36/88 Letter dated 24th July 1970 from D.R.E. Edwards, WHO to Mr Sharples, Minister of State, Home Office entitled 'Harland and Wolff'.
[577] TNA FV 36/88 Minutes of meeting dated 10 August 1970 between Roy Bradford, Northern Ireland Minister of Commerce, Nicholas Ridley, Parliamentary Under Secretary of State for Industry, Mr. Brook, Permanent Secretary, Northern Ireland Ministry of Commerce, Mr, Burns, WHO, Home Office entitled 'Harland and Wolff Meeting with Mr. Roy Bradford on 7th August'.
[578] TNA FV 36/88 Letter dated 19 August to V.I. Chapman, Ministry of Technology from A.C. Brooke, Ministry of Commerce.
[579] Newton, J, *A Century of Tankers,* pp. 86 - 99.
[580] TNA FV 36/88 Memo dated 14 August from D.S. Grundy, Treasury, to Head ECS 3,

takeover of Harland and Wolff, contradicting what he had heard earlier from Onassis.[581] The fact that Onassis dishonestly boasted at an British Embassy function in Athens around the same time that in return for £4.5 million support from the government for his Harland and Wolff endeavours he would order British plant and machinery for his factories in Greece, added to the trepidation concerning Aristotle Onassis in Whitehall and Stormont.[582]

Aristotle Onassis was not the only shipping tycoon interested in acquiring Harland and Wolff. In August 1970, Fred Olson, the patriarch of a family ship-owning and constructing company based in Norway, declared an interest and produced a detailed proposal for taking over the shipyard. Unlike Onassis, Olsen had experience in the shipbuilding trade, running a group of small shipyards under the Aker name in Norway and Scandinavia, yards that by 1970 had a reputation for constructing supertankers. Moreover, Olsen did not have the notoriety associated with Onassis; his company operated with Shell and BP and he was more acceptable to the government and unions in Northern Ireland. Olsen proposed to create a UK registered company that would purchase the assets of Harland and Wolff and assume all the responsibilities of ownership. Certainly, Olsen understood that with Harland and Wolff being technically insolvent, the SIB would have to provide relief from the existing loans as well as provide addition grants to make the yard viable. Olsen offered to purchase Harland and Wolff for £15 million, of which £12 million would be paid in cash, with the further £3 million out of a cash subscription by Aker for 51 percent of the shares of the company founded by them, referred to as XYZCo Ltd.[583] However, Olsen also requested that the repayments for the SIB loans for the building dock and the Northern Irish Government loans from 1966 be postponed and that a loan of £13 million be extended to XYZCo Ltd by both the SIB and Stormont to assist the new company with working capital.[584] Effectively, the loans and the proceeds from the sale of the shipyard to XYZCo Ltd would pay off the existing loans made by the SIB and Stormont.[585] Finally, Olsen asked for full managerial control of Harland and Wolff and that the government be frank about the potential for disruption from unions and civil disturbances in Northern Ireland. In short, Olsen proposed a conventional takeover of the

[581] ibid.
[582] TNA FV 36/88 Letter dated 8th September 1970 from S.Y. Dawbarn, British Embassy Athens to V.I. Chapman, Ministry of Technology entitled ‘Onassis/Harland and Wolff’.
[583] TNA FV 36/88 Draft dated 20th August 1970 entitled ‘Fred. Olsen Group. Draft Harland and Wolff Proposals.’, p. 1.
[584] TNA FV 36/88 Draft dated 20th August 1970 entitled ‘Fred. Olsen Group. Draft Harland and Wolff Proposals.’, p. 3.
[585] TNA FV 36/88 Memo dated 8th September 1970 from R.W. Baird, ADAS6, DTI to recipients unknown entitled ‘Harland and Wolff Ltd: Comments On The Olsen Proposals’.

shipyard, but with government financial backing and special clauses concerning debt and the particular local issues in Northern Ireland.

In stark contrast to its attitude to Onassis, Olsen was in favour at the Shipbuilding Industry Board, which had visited the Aker shipyard at Stord on the Atlantic coast of Norway many times. The Stord shipyard was a major player in the construction of supertankers and had produced such vessels since 1960. The shipyard started construction of a building dock and associated facilities in 1955 for vessels of 50,000 tons dwt, with the plans adjusted in light of the Suez crisis of the following year to create a 100,000-ton dock. As the building dock had adaptability and expansion incorporated in its design, Akers were able to increase the size of the dock in relation to the increasing size of the vessels demanded by tanker owners in the mid 1960s.[586] Barry Barker, the director of the SIB visited Stord in September 1971 to ascertain, 'whether there was any particular magic' about the higher productivity in the shipyard.[587] What Barker found was a shipyard that had spent less money than Harland and Wolff in developing its infrastructure and had developed in a piecemeal fashion over time. For example, the Akers crane analogous to the £1 million goliath in Belfast cost £80,000 second-hand from the UK Atomic Energy Authority. Additionally, the company had few distinctions between management and labour and 'had been strike and dispute free for 35 years'.[588] That the yard in Norway employed a well-trained flexible workforce was not in doubt in Barker's mind, but he did see that the conditions of the Stord yard would be very difficult to replicate in Harland and Wolff and consequently believed that Olsen did not have a sufficient understanding of the challenges he faced.[589]

At first, Whitehall was not in favour of either proposal and thought Onassis was unrealistic in what he asked of government and unclear concerning exact details of his proposals. Indeed, beyond providing relief from the outstanding loans, the government in London was uncertain about its own role in the affair, questioning whether it had a genuine third party interest in assisting the proposals for the shipyard.[590] Olsen had a serious interest in the shipyard and could provide the finance and expertise to continue Harland

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[586] 'Series Production of 222 000 ton dwt. tankers at Stord Verft' The *Motorship*, May 1969.
[587]TNA FV 36/88 Letter with dated 9th October 1970 from A.H. Glass, SIB to S.W. Spain, Under Secretary, ECS, Ministry of Technology and attachment entitled 'Visit to the Akers Group Norway, 29 - 30 September 1970'.
[588] ibid.
[589] ibid.
[590] TNA FV 36/88 Minute dated 3 September 1970 from S.W. Spain, Head of ECS, Department of Trade and Industry to, Nicolas Ridley, Parliamentary Under Secretary of State for Industry & minute dated 14 September 1970, same parties.

and Wolff as an ongoing concern. Nevertheless, the government (whilst not overtly pursuing a 'UK first' option) was not enthusiastic about a foreign takeover of Harland and Wolff. Indeed the main civil service advocate of the UK option, S.W. Spain (a civil servant at the DTI) wrote in a memo that 'there is finally a possible Swan Hunter interest which we can provoke if the Onassis/Olsen offers become clear front runners'.[591] Consequently, the genuine intention of London in the early stages of negotiations is unknown and it is only as the proceedings developed further that a clearer picture emerges. In addition to the unenthusiastic attitude displayed by the government towards Onassis, it was the opinion of Whitehall (and in particular Spain) that the Onassis proposal to lease Harland and Wolff was unviable. This was particularly the case as Shell had unequivocally stated that whilst it was prepared to purchase five tankers from Harland and Wolff in 1970 and a further three each year afterwards, it would not do so if Onassis owned the company.[592] Whitehall knew that Olsen's bid was serious, but the feeling was (and certainly in the view of Spain and supported by Ridley) that a way should be found for the yard to continue in operation under British ownership. Therefore, from September 1970, Swan Hunter became a potential bidder, despite having shown only a vague interest in Harland and Wolff.[593] Indeed, in talks with Spain, Swan Hunter was not enthusiastic about being involved in Harland and Wolff through a merger with the company and preferred to offer management expertise 'for a fee'.[594] However, at the same time the situation changed, as Onassis, (upon being informed by the accounting consultancy firm Binder Hamlyn that his leasing idea was 'unworkable') had decided to embark upon a full takeover bid for the shipyard.[595] From this point onwards, the Northern Ireland Government started to object to both the Onassis and Olsen proposals and focussed upon developing the shipyard's infrastructure and implementing changes in the management.[596]

At a crucial meeting between Davies, Ridley and Bradford on the 16th September 1970, the potential for Harland and Wolff remaining an independent entity was first mooted. The argument was made that if the current company received the assistance and funds requested by Onassis and Olsen, then its prospects would improve vastly and its

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[591] ibid.
[592] TNA FV 36/88 Memo dated 11 September 1970 from S.W. Spain, DTI to Nicholas Ridley, Parliamentary Under Secretary of State for Industry, entitled 'Harland and Wolff'.
[593] ibid.
[594] TNA FV 36/88 Letter dated 17 September from S.W. Spain to Nicholas Ridley, Parliamentary Under Secretary of State for Industry.
[595] TNA FV 36/88 Letter dated 14 September 1970 from S.W. Spain, DTI to L. Pliatzky, Treasury, entitled 'Harland and Wolff.
[596] TNA FV 36/88 Letter dated 14 September 1970 from J.H. Armstrong, Ministry of Commerce to S.W. Spain, DTI, with attachment entitled 'Proposed that Minister should agree'.

future be assured so why was it necessary to sell the company to a third party?[597] Bradford was of the opinion that, considering the political situation in Northern Ireland, the difficulties faced by any outside owner of Harland and Wolff would jeopardise any efforts at making the shipyard viable. Davies responded that whilst he appreciated the position of Stormont, he would exclude no proposals from the discussions as it was in the interest of the Westminster government to keep Harland and Wolff open. Nevertheless, the regional policy of the United Kingdom concerning Northern Ireland in 1970 was such that proposals concerning Harland & Wolff had to allow for Bradford's views, and any decision about the shipyard could not follow commercial criteria alone. Bradford repeated his view at the meeting's conclusion, furthering his cause by fuelling London's fear of the disturbances escalating in Northern Ireland if Harland and Wolff shut down.[598]

John Davies wrote to Harland and Wolff explaining that in the government's opinion, it was down to Harland and Wolff to decide which bid to accept.[599] Continuing, he stated that the government and the SIB were willing to provide further funds and assistance for the Onassis and Olsen bids, but as the government did not own Harland and Wolff (although it was its biggest creditor) it could not make a decision concerning the eventual fate of the company.[600] Nevertheless, whilst the government was not empowered to decide the eventual fate of Harland and Wolff, senior civil servants favoured their own schemes and bidders. As previously discussed, Spain, (responsible for shipbuilding at the Department of Trade and Industry) wanted a UK bidder for Harland and Wolff, preferring Swan Hunter. However, Spain also contacted Scott Lithgow about the possibility of a link up with Harland and Wolff. The reply Spain received from Ross Belch was non-committal and Belch preferred to espouse the benefits of Harland & Wolff remaining members of the Shipbuilders and Repairers National Council, 'which the government must insist upon'.[601] Fundamentally, there was more than one point of view concerning the future of Harland and Wolff found within the walls of Whitehall and Stormont. The Shipbuilding Industry Board through the aegis of Barker supported the Olsen bid, S.W. Spain and the Ministry of Technology advocated that a UK yard (effectively Swan Hunter) purchase the shipyard and finally Roy Bradford at Stormont preferred further state aid to enable Harland and Wolff to

[597] TNA FV 36/88 Minutes dated 17 September 1970 entitled 'Note for the record: Meeting with Mr. Roy Bradford, Minister of Commerce, Northern Ireland Government, On 16th September 1970.'
[598] ibid, p. 3.
[599] TNA FV 36/89 Letter dated 28th September 1970 from Sir. John Davies, Minister of State, Ministry of Technology, to J.R. Edwards, Chairman and Managing Director, Harland and Wolff.
[600] ibid.
[601] TNA FV 36/89 Letter from Mr. Ross Belch, Managing Director of Scott Lithgow Limited to S.W. Spain, Under Secretary, ECS, Ministry of Technology.

continue in its present form. Barker and Spain tried to reconcile their different points of view at a meeting in October 1970, called as a response to a meeting between Onassis and Olsen concerning potential collaboration. It was to no avail, neither Barker nor Spain were prepared to diverge from their position that all of the potential solutions to the shipyard's plight were based on suitors of unknown qualities that were promoting one idea to the detriment of others.[602] Additionally, since Olsen needed Onassis' assistance in purchasing Harland and Wolff (Onassis being the largest shareholder) neither proposed scheme would be straightforward in execution.

In November 1970, the Shipbuilding Industry Board wrote to the government stating that it was in the interests of Harland and Wolff to accept Olsen's proposals.[603] First, the letter discounted the continuation of the shipyard under the current management, stating that, despite changes introduced since 1966, the management had failed to capitalise upon the changing global market. Second, the SIB discounted the introduction of new management from within the UK shipbuilding industry; it was argued that the new yard at Harland and Wolff was of a design that no other shipyards in the UK had experience of using. Third, without even mentioning the Onassis proposal, it discussed the bid by Fred Olsen, stating that not only did he have experience of operating a shipyard (something that Onassis did not) but he also understood the modern techniques employed by Harland and Wolff. Summing up, the SIB stated that whilst the bid had some problems, in its opinion this was the only realistic bid for Harland and Wolff and therefore considered '...that of the various alternatives the Akers scheme is one which should be proceeded with'.[604] However, Roy Bradford and Nicholas Ridley had other ideas. Firstly, Bradford declared in a letter to Ridley that although Harland and Wolff urgently required state intervention to remain open, the Stormont cabinet agreed that a sale to a foreign concern would cause disturbances in Northern Ireland.[605] Secondly, Spain was still working hard to create a British takeover bid. After writing to Swan Hunter in October 1970 enclosing a report on the finances of Harland and Wolff, Spain received a reply from Sir John Hunter stating that Swan Hunter would indeed be interested in taking over Harland and Wolff and that as a potential bidder the Tyne-based company should be kept informed of

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[602] TNA FV 36/89 Note of a meeting dated 12th October 1970, entitled 'Notes of a meeting between Mintech and SIB on 12th October 1970' authorship unknown.
[603] TNA FV 36/89 Letter dated 3rd November 1970 from Sir. William Swallow, Chairman, SIB to Nicholas Ridley, Joint Parliamentary Secretary of State, DTI.
[604] ibid.
[605] TNA FV 36/89 Letter dated 6th November 1970 from Mr. Roy Bradford, Minister of Commerce to Nicholas Ridley, Joint Parliamentary Secretary of State, DTI.

developments in Belfast.[606] Nevertheless, on the same day, Hunter wrote to Nicholas Ridley stating roughly the same, but with the financial proviso that Swan Hunter did not have 'large sums of money at our disposal'.[607] To summarise the situation at the end of 1970, the future of Harland and Wolff was uncertain as the two principal ministries involved, the Department of Trade and Industry and the NI Ministry of Commerce negotiated with Onassis and Olsen, whilst simultaneously encouraging local interest in the United Kingdom. However, at the same time the shipyard itself continued as an unviable concern, saddled with debt and awaiting the completion of infrastructure intended to remedy its problems. In the short term, therefore, the government's focus shifted towards keeping the shipyard viable and away from the debates over its eventual ownership. In December 1970 two events changed the direction of the negotiations. First, the stand-in chairman and managing director of Harland and Wolff, Joe Edwards, resigned and secondly, the government took full control of the shipyard for three months to provide stability before any handover in control and ownership. These events led to the negotiations with Onassis, Olsen and Swan Hunter changing direction and influenced the eventual outcome of the entire process.

Joseph Edwards always intended to be an interim replacement for Mallabar. At the age of 63, and after a career within the British Motor Corporation, Edwards was already in semi-retirement and consequently did not want to continue with the shipyard into the future.[608] Nevertheless, his resignation in December 1970 took both John Eden and Nicholas Ridley by surprise and came at a point when despite having a preferred bidder, Fred Olsen, neither Stormont nor Whitehall were in favour of selling the shipyard to a foreign company. At a meeting between Edwards, Eden and Ridley, Edwards stated that the delays in the negotiations were affecting the shipyard to its detriment.[609] Edwards emphasised that with £20 million worth of investment in Harland and Wolff and many infrastructure projects near fruition it, 'would be a pity... (if Harland and Wolff) were to be handed over to an overseas concern.'[610] Indeed, he contended that if Harland and Wolff received the promised government grant of £3.5 million in one lump sum and then confirmed the Shell orders, the shipyard would have been in a much better condition in

[606] TNA FV 36/89 Letter dated 4th November 1970 from Sir. John Hunter, Chairman Swan Hunters Limited to Mr. S.W. Spain, Under Secretary, ECS, Ministry of Technology
[607] TNA FV 36/89 Letter dated 4th November 1970 from Sir John Hunter, Chairman Swan Hunters Limited to Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI.
[608] *The Times*, 9th December 1970, 'Harland Chief Quits over Indecision'
[609] TNA FV 36/90 Note of meeting dated 10th December 1970, between Joseph Edwards, Chairman, Harland and Wolff, Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI. and Sir. John Eden, Minister of State, Ministry of Technology, entitled 'Harland and Wolff'.
[610] ibid.

December 1970. Therefore, Edwards blamed the British government for Harland and Wolff's predicament and strongly believed that local institutions in the United Kingdom should come to the aid of the shipyard rather than millionaire businessmen from overseas.[611] On the following day, Stormont, the SIB and Whitehall asserted their rights over Harland and Wolff built up over the past five years using the conditions attached to the loans issued to the company.[612] Specifically, after Edwards' resignation Stormont appointed a new financial controller, D.H. Templeton (a Belfast accountant with connections to the Stormont government) and Alan Watt, the Managing Director of Harland & Wolff, became acting chairman until a replacement was found.[613] Although these actions by Stormont and the SIB were not a takeover of Harland and Wolff by government, it represented de facto control by both Stormont and Whitehall. Indeed, by December 1970 Harland and Wolff was in default on its interest payments to the Northern Ireland government for the 1966 loan and, in theory, this would have given more powers to Stormont and reduced the control that Onassis had as the largest shareholder in Harland and Wolff.[614]

At a meeting of the Stormont cabinet just before Christmas, the Minister of Commerce, Roy Bradford, put forward four proposals for the future of Harland and Wolff. Three involved the takeover of the yard by either the Onassis concern, Fred Olson or Swan Hunter. Bradford further proposed that Harland and Wolff continue in its current form but no specific ideas were advanced on how to do this. All four proposals required government finance and all provided for the restructuring of the company's management. The details for the three potential purchasers were as follows:

[611] ibid.
[612], 'Governments step in at Harland and Wolff', *The Times*, 10th December 1970.
[613] 'Three-month 'State control' for Harland' *The Financial Times*, 10th December 1970.
[614] TNA FV 36/90 Memo dated 11th of December 1970 from Sir John Eden, Secretary of State for Trade and Industry to the Cabinet, entitled 'Harland and Wolff: Memorandum by the Secretary of State for Trade and Industry'.

Table 6.1: Proposals for the take-over of Harland & Wolff, 1971

PROPOSAL	ONASSIS	OLSEN	SWAN HUNTER
GOVERNMENT AID	**£4.5 MILLION + A REDUCTION IN INTEREST PAYMENTS OF SOME £250,000 PER ANNUM.**	**£5.2 MILLION.**	**£12.193 MILLION + A REDUCTION IN INTEREST OF SOME £580,000 PER ANNUM BY REASON OF CANCELLATION OF DEBT AND REDUCTION OF INTEREST RATE.**
MANAGEMENT STRUCTURE	**MR. KLEHN, RETIRING MANAGER OF THE MAJOR GERMAN SHIPBUILDING GROUP H.D.W. TO BE MANAGING DIRECTOR, WITH MANAGERIAL AND TECHNICAL AGREEMENT WITH THE GERMAN FIRM; MR. A WATT TO BE CHAIRMAN.**	**MR. SIEN, AT PRESENT CHIEF EXECUTIVE OF THE AKER (OLSEN) GROUP TO BE CHIEF EXECUTIVE OF HARLAND & WOLFF, WITH PRESUMABLY MR. OLSEN TO BE CHAIRMAN.**	**MANAGERIAL EXPERTISE PROVIDED BY THE SWAN HUNTER GROUP.**

Source: PRONI CAB/4/1574/18 Stormont Cabinet Minutes dated 23 December 1970 'Belfast Shipyard: Memorandum by the Ministry of Commerce', pp 1-2.

All three potential suitors for Harland and Wolff proposed that more government money must be spent on the yard, but they also recognised that the level of debt at Harland and Wolff was such that debt relief was required for the yard's future success. Of the proposals, the choice that caused the fewest problems for both the SIB and Stormont was a takeover by the Olsen group of companies, as Stormont (despite a desire for a British owner) felt that Swan Hunter's proposals were financially unrealistic and was virulently opposed to any bid from the Onassis empire.[615] Indeed, although Onassis was the largest shareholder in Harland and Wolff, he was seen as an unsuitable candidate, not only because of the fact that the Onassis orders had contributed to the majority of the shipyard's recent losses (£3.4 million of the £5.5 million Onassis wanted written off as part of his takeover proposals), but also because of negative Whitehall reaction to his reputation as an unscrupulous business man threatening to use his large shareholding to block Olsen.[616] Onassis' difficult and fraught relationship with the government of Northern Ireland existed for reasons that are hard to define. During the 1960s and 1970s, Aristotle Onassis was a famous and well-known figure and his marriage to the widow of John F. Kennedy, Jacqueline Kennedy, only made him more so.[617] Therefore, Onassis' notoriety influenced perceptions of him within the Northern Irish government. Indeed, the same cabinet meeting agreed that of all the proposals, the one from Onassis was 'politically unacceptable'.[618] However, this did not mean that the Olsen bid for Harland and Wolff was a fait-accompli, as the potential for agitation concerning the future of the shipyard was a reality of which the Northern Ireland government was fully aware.

All the parties bidding for Harland and Wolff were aware of the socio-political situation of Northern Ireland. Indeed, Olsen and Onassis entered into talks with the local and national trade unions to mitigate any radical opposition to their plans. These talks were a public relations exercise with no agreed measures, but the unions based in Northern Ireland had links to the mainstream and radical Protestant and Unionist movements in Northern Ireland and therefore developing a friendly relationship was in the interest of all the bidders.[619] This was to Onassis' benefit, as the SIB changed its position and wrote to Nicholas Ridley in December 1970 stating that they now preferred the Onassis bid as a solution to the crisis at Harland and Wolff.[620] In the letter (penned by Barry Barker), the SIB quickly discounted Swan Hunter's bid and Harland and Wolff continuing on its own for the reason that both proposals required further injections of government funding and that Swan Hunter also had problems of its own.[621] Additionally, Olsen's inability to engage

[615] PRONI CAB/4/1574/18 Stormont Cabinet Minutes dated 23 December 1970 'Belfast Shipyard: Memorandum by the Ministry of Commerce', pp. 3-4.
[616] PRONI CAB/4/1574/18 Stormont Cabinet Minutes dated 23 December 1970 'Belfast Shipyard: Memorandum by the Ministry of Commerce', p. 2.
[617] Evans, P. *Ari: The life and Times of Aristotle Socrates Onassis* (New York, 1988) and Gage, N. *Greek Fire: The Story of Maria Callas and Aristotle Onassis* (New York, 2000).
[618] PRONI CAB/4/1574/17 Stormont Cabinet Minutes dated 23 December 1970 'Belfast Shipyard: Memorandum by the Ministry of Commerce'.
[619] 'Onassis tells unions of his plans for Harland' *Financial Times*, 15th December 1970.
[620] TNA FV 36/90 Letter dated 17th December 1970 from Mr. B. Barker, Director SIB to Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI.
[621] ibid, pp.1-2.

in a bidding process and modify its proposals in competition with the continual changes proposed by Onassis had alienated the SIB. Certainly, with the prospects of the Shell orders becoming more competitive as market prices increased, combined with the fact that Onassis offered to bring in his own resources as well, made him the SIB's preferred bidder. Indeed, with Onassis being the largest shareholder in Harland and Wolff he could '...block or at least delay any other scheme...' and therefore held the dominant position.[622] Certainly, the government in Westminster wanted a quick resolution and felt that a modern shipyard with new facilities could not continue with a caretaker management made up of temporary members.[623]

At the end of 1970, different government institutions preferred different bidders for the shipyard; the SIB was now in favour of an Onassis takeover, whilst the DTI favoured the Olsen bid. In Stormont, both bids as well as the Swan Hunter proposals (...financially out-of-court.[624]) were the cause of much concern, but the fact that Onassis already possessed the majority of Harland &Wolff's shares was used by the SIB as the reason for allowing the tycoon to purchase the shipyard.[625] Early in 1971, elements within both Stormont and Westminster governments promoted the idea of Harland and Wolff continuing as an independent company. The news media supported this view, which asked why an extensively renovated and modern shipyard should close and why it was important for a foreign investor to take control to prevent this?[626] Onassis proceeded as the preferred bidder and notionally at least Olsen was still interested in the shipyard. However, from January 1971 a change of tone appeared in the correspondence between the parties involved in the negotiations. The signs that the preferred bidder would not gain control of Harland and Wolff were apparent early in 1971; Onassis spoke to the media about quitting Harland and Wolff unless the government made a decision.[627] Olson withdrew on 8th January 1971, with a terse press release that stated, simply:

> 'The Fred. Olsen Aker Group announces that they have withdrawn from their negotiations to acquire control of Harland and Wolff. Their

[622] ibid p. 4.
[623] TNA FV 36/90 Internal Memo from I.T. Manley, Permanent Secretary to Secretary of State, DTI to Mr. S.W. Spain, Under Secretary, ECS, DTI dated 21 December 1970, entitled 'Harland and Wolff'.
[624] TNA FV 36/90 Letter from Harold Black, Northern Ireland Government, to P.J. Woodfield Esq. CBE, Home Office, Whitehall dated 29th December 1970, p, 2.
[625] ibid, p. 3.
[626] 'Harland and Wolff 'Feels it can make yard viable' *Financial Times*, 30th December 1970.
[627] 'Full Speed Ahead - or I'm quitting warns angry Ari' *The Daily Express*, 7th January 1971.

> withdrawal is due to the situation which has been created by the existence of competing proposals and the consequent delays in a final decision being reached.[628]'

The initial reaction in London was to try to force the completion of the Onassis proposals. To this end, Ridley circulated a memo at the DTI asking those involved within the DTI to take steps to conclude a deal with Onassis 'immediately'.[629] The civil servants within the DTI disagreed with the forceful nature of Ridley's intervention, and widely circulated doubts about the viability of the Onassis plan; Ridley was alone in his enthusiasm.[630] Indeed the wider view of the political situation in Northern Ireland came sharply into focus for the Minister of Trade and Industry, John Davies, who received daily telegrams from shop stewards at Harland and Wolff demanding local control.[631] Added to this were the increasing losses at Swan Hunter that effectively removed it from the running.

The fulcrum upon which events turned was a series of meetings with the merchant bank Schroder Wagg and the DTI during January 1971. The bankers had assessed the financial viability of the Onassis and Olsen bids at the DTI's request. In this meeting, despite Ridley's assertions to the contrary, the bank saw little merit in either the Olson or Onassis scheme and argued that the changes and fluctuations in the Onassis proposals were such, that they were unsure as to which proposals were current at any one time.[632] The bank pointed out that, with the amount of government funding required by all three potential owners in comparison to their own funds, it made little sense to transfer ownership in the light of the shipyard's potential with newly completed fabrication facilities. Therefore, the merchant bank proposed a five-year period where central government supported the shipyard's cash flow and new management would turn the shipyard into a viable concern, developing areas that thus far had not been modernised.[633]

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[628] TNA FV 36/90, Press Release dated 8th January 1971, Fred, Olson Limited, entitled 'Press Release'.
[629] TNA FV 36/90 Memo from Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI, to numerous recipients, DTI, entitled 'Harland and Wolff'.
[630] TNA FV 36/90, Letter dated 12th January 1971 from I.T. Manley, Permanent Secretary to Secretary of State, DTI to A.J. Suich, Head ECS, DTI, entitled 'Harland and Wolff'.
[631] ibid.
[632] TNA FV 36/90 Note of a meeting dated 'January 1971' between Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI and Mr Cator, Sir Henry Fisher and Mr Gladstone, Schroder Wagg Merchant Bank, entitled 'Note of a meeting: Schroder Wagg about Harland and Wolff'.
[633] TNA FV 36/90 Memorandum dated 9th January 1971 from V.A. Cooke and D.H. Templeton, Schroder Wagg to A.C. Brooke, DTI, entitled 'Harland and Wolff Ltd.' and Letter from Mr. F Cator, Schroder Wagg dated 21st January 1971 to Mr. S.W. Spain, Under Secretary, ECS, DTI entitled 'Harland and Wolff

Indeed, these proposals were popular with both S.W. Spain (the first to promote a 'UK-only' solution) and the Stormont Cabinet, which went on to circulate details of the proposal within Northern Ireland and Whitehall. Certainly, the press received details of the proposals through controlled leaks from Stormont.[634] The fact that Onassis used the withdrawals of Olsen and Swan Hunter from the race to attempt to gain further advantage and concessions from both Stormont and Whitehall, only served to promote the proposals of Schroder Wagg.[635]

Matters came to a head during a meeting between Nicholas Ridley, now a strong advocate of the Onassis takeover, and Roy Bradford, a strong opponent of Onassis and a continuing advocate of Harland and Wolff continuing along its current lines. Ridley admitted that there were many aspects of Onassis' proposals that were undefined and that important questions remained about financing, but he continued to advocate the Onassis bid as one that involved less government financing and direct control. Bradford, however, had a different point of view. First, he mentioned that the unions and political parties in Northern Ireland were opposed to any foreign control of the shipyard and that Onassis would face heavy opposition. Secondly, he stated that it would be politically difficult to propose the foreign ownership of a company that the government had spent over £20 million renovating. Third, he stated that Onassis had no experience of shipbuilding and the proposed relationships with other yards were not agreed and one, the HDW yard in West Germany, was making a loss at the time. Finally, Bradford doubted the intention of Onassis to make a long-term commitment to Harland and Wolff and feared that he would walk away if it started to lose money. [636] Bradford made a counter proposal, which was to support the refinancing of the shipyard and the introduction of new management with government in Northern Ireland taking a shareholding and exercising an increased level of control over its affairs.[637]

Therefore, the choice for the Stormont Government was between spending an additional sum of approximately £3 million on Harland and Wolff under its existing

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Limited'. Includes four page report comparing Onassis proposals with those advocating the yard 'Going it alone'.

[634] TNA FV 36/90 Letter from M. Williamson, Private Secretary to Roy Bradford, Minister of Commerce to Mr. Wilson, Private Secretary to Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI. Included is an attachment from the Belfast Telegraph, dated 13th January 1971.

[635] TNA FV 36/90 Letter dated 21st January 1971 from Mr. S.W. Spain, Under Secretary, ECS, DTI to Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI, entitled 'Harland and Wolff'.

[636] TNA FV 36/90 Note of a meeting on the 22 January 1971 between Roy Bradford, Minister and Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI.

[637] ibid,

ownership, or spending a larger amount of £7.5 million on the company under the ownership of Aristotle Onassis, but with the proven management expertise from successful overseas yards. Both proposals recognised (as was pointed out by Mallabar in his resignation address) that labour and management practices had to change (whether they actually wanted to or not), but the differences between the two proposals were very small. What differentiated the schemes, however, was that the Onassis proposal would lead to the yard ending up under foreign ownership.[638] This led to a difference of opinion between Stormont and Whitehall. The DTI was in favour of the Onassis proposal (reflecting the government policy of no intervention in the management or ownership of private enterprise) but the Stormont cabinet was opposed to the Onassis takeover because any legislation would be impossible to get past members of both houses of Stormont. The reasons given for opposing Onassis were his age (70), a lack of succession if he died or retired (he had sole ownership and management of his empire), no experience of building ships and lastly his known volatility and notoriety as a highly public figure. [639] In practical terms, the Stormont cabinet found the proposals of Onassis to be 'unrealistic', calling the offer to bring a retired Managing Director from a successful German yard unproven and instead advocating a younger man with industrial experience (not necessarily from the shipbuilding sector). Additionally, Stormont felt that Onassis' financial demands in combination with his proposals for improving the labour force of the shipyard were risky, and if they failed, would lead to the withdrawal of Onassis from the whole endeavour.[640] Finally, the cabinet strongly stressed that, as it was public knowledge in Northern Ireland that Onassis was paying less for the tankers that he had ordered from Harland and Wolff in 1969 than they cost to build, public and political opinion was against such a takeover.[641]

With the intransigence of both the Stormont government and protestant-unionist unions in Northern Ireland, (the latter released a statement on the 10th February 1971 stating that on no account would they support any proposal for the shipyard that removed local control), Westminster accepted the inevitable and worked towards making Harland and Wolff viable under its current ownership.[642] However, the government was also

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[638] PRONI CAB/4/1579/8 Stormont Cabinet Minutes dated 26th January 1971 'Memorandum on Harland and Wolff by the Minister of Commerce'.
[639] PRONI CAB/4/1579/7 Stormont Cabinet Minutes dated 26th January 1971 'Harland and Wolff: Views of NI Ministers - 26 January 1971' p. 2.
[640] ibid.
[641] PRONI CAB/4/1579/7 Stormont Cabinet Minutes dated 26th January 1971 'Harland and Wolff: Views of NI Ministers - 26 January 1971' p 4.
[642] TNA FV 36/91 Statement released 10th February 1971 by the Joint Shop Stewards Committee, Harland and Wolff entitled 'The Following message is issued to all Harland and Wolff employees by the Joint Shop Stewards Committee'. They did not specify whether 'local control' meant British or Northern Irish control.

dealing with the repercussions of two other prominent bankruptcies at the same time, Rolls Royce (Aviation Engines) Ltd and Upper Clyde Shipbuilders, and therefore had doubts about supporting another company with public money. The final deliberations, held in Whitehall between DTI ministers and civil servants, reflected this. In a February meeting there was still a tacit preference held by Ridley to allow Onassis to takeover the shipyard. Nevertheless, a paper prepared by the cabinet's Economic Policy Committee (EPC) outlined the benefits of the Harland and Wolff restructuring under the government's aegis Indeed the Treasury advocated liquidation as the first step of restructuring the shipyard.[643] There was now a move towards a convergence of opinion between London and Belfast. Nevertheless, in a final act of defiance lit by the waning light of the Shipbuilding Industry Board as it sped towards its demise at the end of 1971, Barry Barker wrote a letter to Nicholas Ridley (as well as a few others) ostensibly to report a few findings concerning his recent visit to Harland and Wolff, but in reality with a very different agenda. The report was not an objective assessment of the situation at the shipyard, but was an attack on the involvement of Stormont (referred to by Barker as NIG) in the bidding process. Barker described the government and unions of Northern Ireland as '...negative, parochial and regressive', deriding the sale of Harland and Wolff's assets outside Belfast (London, Glasgow, Southampton) and the desire for a chairman from Northern Ireland as part of a Stormont managed process of entrenchment at Harland and Wolff.[644] Barker's report was to no avail; the combined opposition of Stormont and civil servants in Whitehall (who were now joined by the Home Secretary, Reginald Maudling and the Prime Minister) to any proposal by Onassis acted in the interests of Harland and Wolff continuing under its current ownership.[645]

On 3rd March 1971, Roy Bradford made a statement to the Stormont House of Commons at the same time as Davies in London released a parliamentary written answer. In his address to the Stormont Commons, Bradford did not mention the previous negotiations with either Onassis or Olson, nor the role of Westminster, but he laid out four

[643] TNA FV 36/91 Memo dated 15th February 1971 from I.T. Manley, Permanent Secretary to Secretary of State, DTI to Mr. S.W. Spain, Under Secretary, ECS, DTI, entitled 'Harland and Wolff' and letter dated 16th February 1971 from L. Pliatzky, HM Treasury. to Mr. S.W. Spain, Under Secretary, ECS, DTI.
[644] TNA 36/91 Letter dated 19 February 1971 from Barry Barker, Director, SIB to Mr. Nicholas Ridley, Joint Parliamentary Secretary of State, DTI, entitled 'Harland and Wolff' Included with the letter was a report dated '19th February 1971' entitled 'Visit to Harland and Wolff, Belfast on 17-18 February 1971. Interestingly, Barker concluded with the apocryphal statement that '...the tide will sweep the NIG Canute along with it...'
[645] TNA FV36/91 Letter dated 23 February 1971 from P.J. Woodfield, Assistant Under Secretary of State, Home Office, to Pliatzky, Under Secretary, Treasury and letter dated 1st March 1971 from P. Gregson, Principal, Parliamentary Affairs, Civil Service Department to .T. Manley, Permanent Secretary to Secretary of State, DTI.

steps Harland and Wolff had to follow were it to be successful. 1) Harland and Wolff had extensively modernised in the past 5 years and would be a modern and viable shipyard if it were not for its financial difficulties. 2) A new management team, including chairman and financial controller, were to be appointed and the board of Harland and Wolff 'strengthened', 3) Unions and workforce were to be consulted and 4) Government money would be invested, but this would not continue into the 'long term'.[646] This resembled the previous commitments by Stormont and Westminster and many commentators in the media wondered aloud if Harland and Wolff would be successful.[647] However, before either government in Northern Ireland or Westminster could proceed, both had to conclude two formalities. First, two days after the announcement, Ridley informed Onassis in a telephone conversation of the government's decision. Onassis took the news calmly and stated that he 'fully understood the government's position'.[648] Secondly, the government in Westminster wanted assurances that Stormont, as the principal advocate of the 'go it alone' course of action regarding Harland and Wolff, would enact and bear responsibility for the proposals. Bradford communicated the agreement of Stormont a few days later.[649]

Therefore, despite a year long search for potential buyers and the negotiation with a number of parties, the only proposal to end the woes of Harland and Wolff was a 'status quo ante plus' solution that would change very little about the yard or its ownership. Indeed, whatever the view of management at Harland and Wolff, it was civil servants, such as S.W. Spain in London, that sympathised with the wishes of Stormont and it was their actions that led to Westminster approval for Stormont's plan to keep the shipyard under British ownership. However, the ministers in the Conservative government were of the opinion that the financial aid for the shipyard had to come from Stormont's coffers, but, despite the limited tax raising powers of the Northern Irish Government and share of central taxation handed over by Whitehall each year, it still had to rely on an injection of funds from central government in London.[650] Attitudes towards Stormont hardened in Whitehall once civil servants realised that the intention was not just to provide financial aid but also to purchase a share in the company of around 50%, ostensibly to prevent a hostile takeover bid (although some commentators thought this was more to prevent non-

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[646] Hansard (Northern Ireland) Commons, 3rd March 1971, col. 327.
[647] *The Financial Times*, 4th March 1971 'Harland and Wolff to retain control with State aid'.
[648] TNA FV 36/91 Note for the record dated 5th March 1971 from R.T.J. Wilson, DTI to numerous recipients, entitled, 'Note for the record: Harland and Wolff'.
[649] TNA FV 36/91 Letter dated 12th March 1971 from Roy Bradford, Minister of Commerce to Richard Sharples, Minister of State, Home Office.
[650] TNA T224/2189 Letter dated 5th March 1971 from P.E. Pickering to A. MacDonald, DTI.

protestants owning the shipyard).[651] As the stated policy of Edward Heath's Conservative administration was to pursue free market solutions in business, the proposed shareholding was a point of dispute in meetings between ministers from the two governments in the first half of 1971.[652] However, the Secretary of State for Trade and Industry, Sir John Eden realising the strong intent of Stormont, decided that as long as the media saw the decision as Stormont's alone, the plan did not contradict the stated non-interventionist policy of the Heath government.[653] Consequently, civil servants in London and Belfast prepared a draft letter outlining the terms and conditions of a rescue package for Stormont government to implement.[654]

In June 1971, the Stormont cabinet discussed the options for financial assistance to Harland and Wolff. Although the expressed goal was to return Harland and Wolff to commercial viability, politicians in both London and Belfast understood that, as the company was heavily in debt, it could not receive any more loans. Therefore, the Stormont cabinet supported paying £4 million in exchange for an equity stake of 47.5% in the company and the rest in the form of grants to cover the losses of the shipyard as they stood on 3rd March 1971.[655] The new NI Minister of Commerce, R.J. Bailie, gave the news to the Stormont Commons on 6th July 1971 and announced the choices for the position of Chairman of Harland and Wolff and Managing Director.[656] The role of chairman was reduced in its importance; the candidate, Lord Rochdale, would only be serving in a part time capacity and the position of managing director became essential to the operation of the company. The individual selected for that position, Iver Hoppe, had been the managing director of the Odense Steel Shipyard in Denmark, a modern shipyard that had been very successful during the 'supertanker boom' of the late 1960s and able to compete with the Japanese.[657] Nevertheless, now that Stormont had announced its intentions for Harland and Wolff, the financial controller at the time, D.H. Templeton, had to assess the required

[651] 'Why Ari Didn't Buy Belfast' *The Sunday Times,* 7th March 1971, The article quoted the following prayer from a Belfast mission: 'We give thee thanks Oh Lord that the hand of the foreigner has been taken from the throat of Ulster, and that our shipyard shall remain always Protestant. Amen.'.
[652] TNA T224/2189 Note of a meeting dated 17 May 1971 held at the DTI between Whitehall and Stormont civil servants, entitled 'Assistance to Harland and Wolff'.
[653] TNA T224/2189 Letter dated 24 May 1971 from C.J. Carey to Messrs. Pliatzky, Gedling and Middleton, HM Treasury, entitled: 'Harland and Wolff - Sir John Eden's letter of 20 May'.
[654] TNA T224/2189 Letter dated 10th June 1971 from A MacDonald, DTI to H.G. Walsh, HM Treasury, entitled 'Harland and Wolff'. Includes attached letter dated June 1971 from AC Brooke, Ministry of Commerce to The Secretary, Harland and Wolff Limited.
[655] PRONI CAB/4/1603/17 Stormont Cabinet Minutes dated 21st June 1971 'Harland and Wolff Limited: Cabinet Memorandum by the Minister of Commerce.
[656] Hansard (Northern Ireland Commons), Belfast Shipyard (Future, 6th July 1971) col. 471.
[657] Hansard (Northern Ireland Commons), Belfast Shipyard (Future, 6th July 1971), col. 471-474, and Strath, *The Politics of De-industrialisation,* p. 472.

amount of funding required to execute Stormont's plans by a deadline of 30th September 1971.[658]

The problem for management, Stormont, Whitehall and Westminster alike was that (due to poor financial record keeping by the company) the losses of Harland and Wolff since 1969 were difficult to quantify. Harland & Wolff made a loss of £302,000 in 1971, £182,000 in 1970 and once the auditors, Price Waterhouse, had agreed a figure in March 1971, the losses for 1969 were recorded as £8.33 million.[659] However, although the operating losses for 1970 and 1971 were less than those reported in 1969, all losses were carried over to the balance sheet and as a result, Harland and Wolff retained a £9.36 million deficit.[660] Moreover, losses continued to grow because of the unprofitable Onassis contracts and consequently any government grant would have to take into account the current deficit as well as any losses. Therefore, Brooke reported that the amount required to remove a threat of insolvency was £17.054 million and that this substantial increase over the deficit as shown in the 1971 Annual Report was attributable to cost escalations over the 12 months without hands-on management during a period of higher than usual inflation.[661] However, a percentage of these losses would never be recovered by debtors that had either gone into liquidation or had written the debts off and consequently, Templeton proposed that the amount of grant required to make Harland and Wolff, 'commercially viable' was £14.154 million.[662] This proposed grant was larger than expected and Whitehall was reluctant to make the payment, reminding Stormont of the understanding of the previous year that it was not liable for financing Harland and Wolff. However, there was some concern as to whether Stormont understood that this was the situation, especially when the decision to purchase a stake in Harland and Wolff and wipe off the debts of the shipyard was taken not only by Stormont, but with Westminster and Whitehall working behind the scenes. [663] However, the DTI was resigned to the fact that eventually the government in London would have to pay the grant to Harland and Wolff.[664]

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[658] ibid. p. 473.
[659] Annual Report 1971, Harland and Wolff Limited, p. 4.
[660] ibid. p. 4-5.
[661] TNA CJ 4/22O Letter dated 11th February 1972 from A.C. Brooke, Ministry of Commerce, to E.V. Marchant, DTI, entitled 'Harland and Wolff Limited'.
[662] ibid. p. 2.
[663] TNA CJ 4/220 Letter dated 23rd February 1972 from J.C.J. Thynne, DTI to C.J. Carey, HM Treasury entitled 'PAC - Harland and Wolff'.
[664] TNA CJ 4/220 Letter dated 3rd February 1972 from W.S. Ryrie to E.V. Marchant and Note of Meeting dated 2 March 1972 between The Treasury, The Home Office and the DTI on 2nd March 1972.

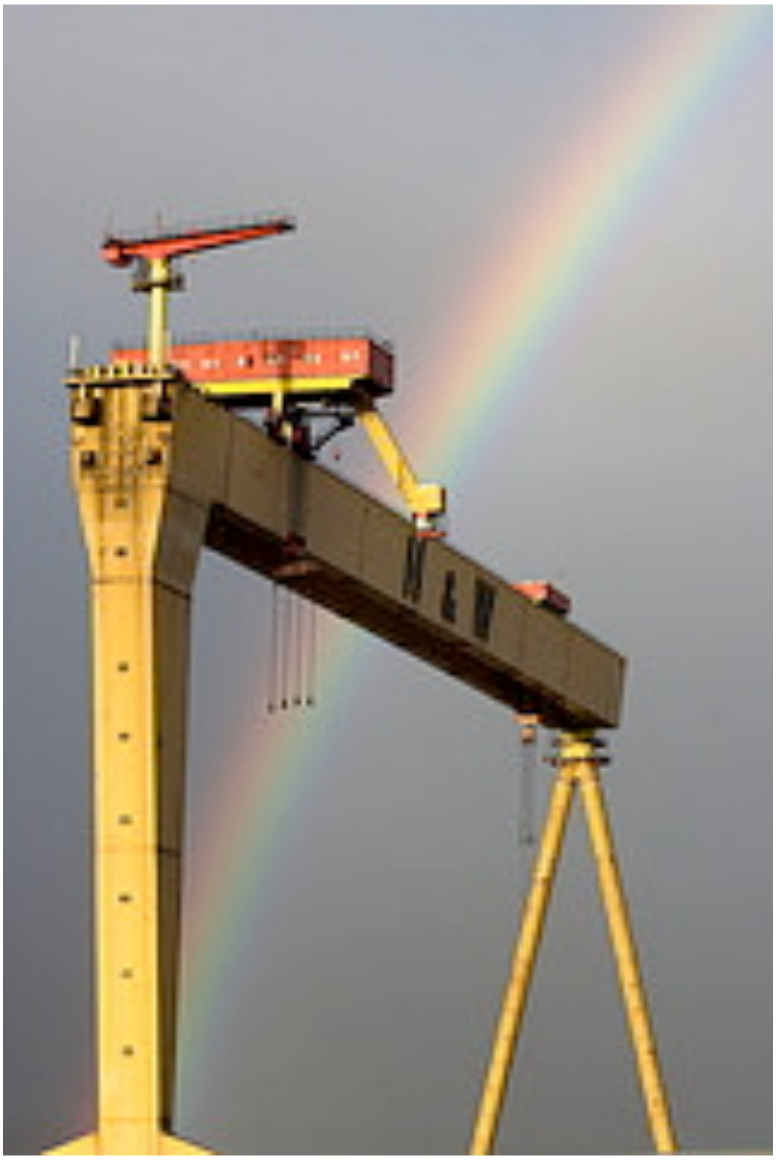
Conclusion: a brighter future for Harland and Wolff?

By July 1971, Stormont was the largest shareholder in Harland and Wolff and the £14.1 million grant paid had put the shipyard into a financially stable condition. Nevertheless, despite many millions spent on creating the building dock and associated equipment in the latter half of the 1960s, the new management was of the opinion that further investment would be needed to make the shipyard able to compete directly with its overseas competitors. This chapter has shown that whatever the government or indeed the owners of Harland & Wolff wanted for the future of the shipyard, the local context would always influence the decision-making process. Indeed, even without the ever-increasing sectarian tension and violence in Northern Ireland, the existence of the legislature at Stormont with powers that were both separate and overlapping with those of Westminster complicated the situation and made the development of a government support package that both institutions could agree upon difficult. Both legislatures were constrained by the political realities of Northern Ireland in the early 1970s and when it came to selling the shipyard to another private company, particularly one from outside the province or the UK, the combined forces of political nationalism in London and local unionist sympathies in Belfast prevented this from occurring, so the shipyard continued as a restructured and part nationalised company. It is unclear whether this was the optimal solution to the shipyard's crisis; even the bids to purchase the shipyard by Onassis, Olsen and half-heartedly by Swan Hunter required a substantial injection of government funding to provide develop funds and write off debt.

As a result of the financial collapse of Harland and Wolff in 1970, Westminster and Stormont had spent many millions of pounds in the form of grants and loans to prop up the company and as a result the question arose in both London and Belfast about whether more development could be undertaken in the shipyard to made it profitable and economically viable. Indeed, many in government in both London and Belfast were starting to see potential in Harland & Wolff: the shipyard was modern, large and capable of making the types of vessel heavily in demand at this time, so could it become a commercial success? The following chapter will answer this question and demonstrate that, despite further investment and management changes, the Harland and Wolff shipyard in Northern Ireland remained commercially unviable in the 1970s and was a hostage to the fortunes of a turbulent period in Irish history, on the one hand, and to rapid doctrinal and policy changes in the London government, on the other.

Chapter Seven

The end of Stormont and the effect of successive governments' policy on a private company: The nationalisation of the Harland and Wolff Ltd, Belfast, 1973 - 1975



Source: http://www.flickr.com/groups/worldflicks/discuss/72157601844387617/

Direct Rule in Northern Ireland and Changing Governments in the UK, Harland and Wolff 1972 – 1979

In 1972, Harland and Wolff was still experiencing difficult times. The shipyard continued as a loss making enterprise, but these were of a magnitude smaller than the losses of the late 1960s; the shipyard was no longer in a perilous position and was looking towards the future. With government support, the shipyard started a process of rejuvenation, called P200, which by the late 1970s would introduce a vastly improved level of productivity. However, the political environment changed for Harland & Wolff with the suspension and eventual abolition of the Stormont parliament in 1972. As a result the company operated under greater scrutiny by civil servants in London. Indeed, the shipyard had to fight for government funding during a period of monetary and economic instability and as a result could no longer enjoy the advantages it previously had with the local politicians in Northern Ireland. Nevertheless, the continuing and growing violence in the province at this time impacted upon the shipyard's relationship with government and funding decisions by the government always took into account the possible effects of Harland and Wolff's closure on the peace of Northern Ireland.

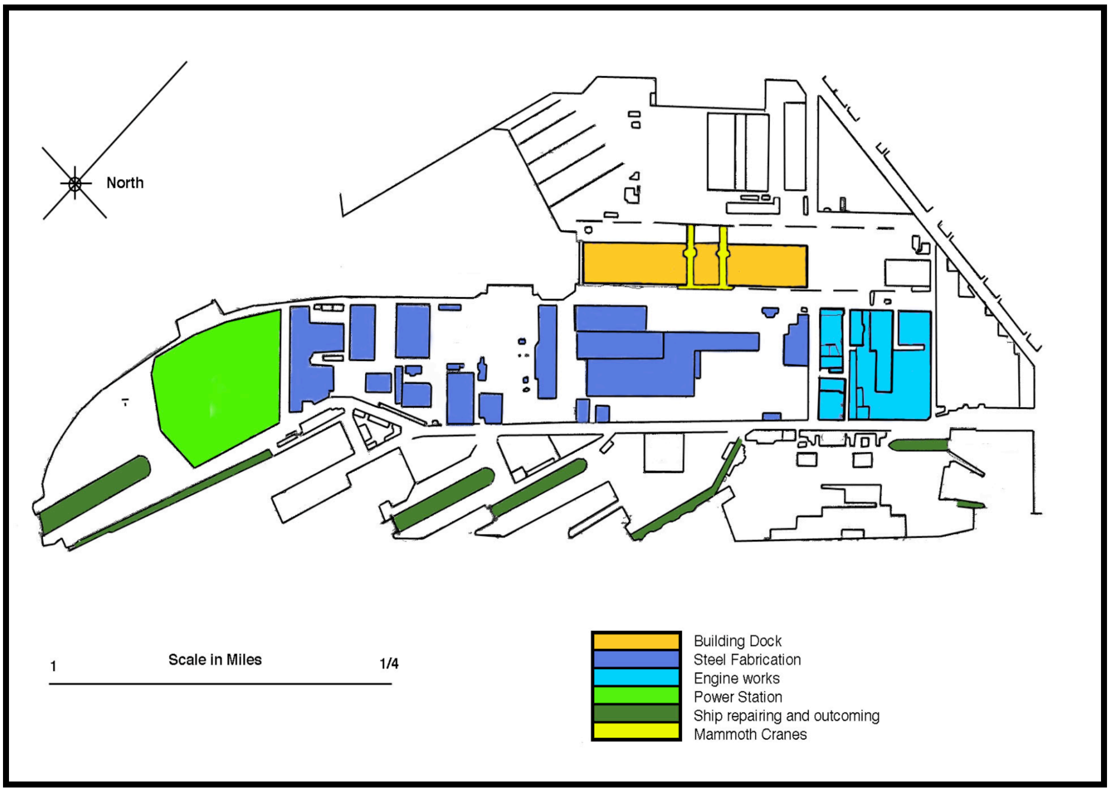
After its election in 1974, Labour pursued a fundamentally different policy to that of the Conservatives, preferring direct intervention in the affairs of the province and for the state to perform an active economic rôle. The development of policy concerning the economy of Northern Ireland by the 1974 to 1979 Labour government overlaps this case study of the Harland and Wolff shipyard over a nine-year period between 1966 to 1975 and, therefore, it is important to focus on two Labour party manifesto commitments made in 1974. First, in both the February and October manifestos, the party committed itself to nationalising the entire UK shipbuilding industry and second, to a United Ireland by consensual, democratic and non-violent means. Both had wide implications for Harland and Wolff and both coloured the judgement of politicians and civil servants in Whitehall in the second half of the 1970s. The following chapter will explore these themes and demonstrate the defining rôle of government in both Belfast and London in the development of Harland and Wolff from 1966 to 1975.

P200: The continued development of Harland and Wolff, 1972-1974

In February 1972, it became apparent to management that after making incremental performance improvements over the course of a year the shipyard required further development to guarantee its survival. However, politicians and civil servants in both London and Belfast barely agreed to the 1971 funding package and were still questioning the level of grant required to write-off the losses of the three previous years, and between 1966 and 1972, Harland and Wolff had received £ 40.1 million in government loans, grants and an equity purchase to prevent liquidation and modernise its equipment. Nevertheless, it was apparent to the Chairman, Lord Rochdale, and the MD, Iver Hoppe, that whilst Harland and Wolff had large facilities in terms of its building dock, cranes and workshops, it lacked the correct equipment to compete with foreign yards. Indeed, because of a focus on large vessels as opposed to improved production methods, it was not organised on lines of competing yards found in Japan and Scandinavia. Rochdale and Hoppe therefore lobbied the Minister of Commerce in Northern Ireland, R.J. Baillie, in February 1972 to discuss the future of the shipyard. The two directors of the shipyard stated, therefore, that whilst the government had injected a substantial amount of money over the past five years, it would require another intensive programme of renewal to make the business one of the largest of its type in operation.[665] Indeed, Rochdale and Hoppe pointed out that £133 per person monthly wage levels for engineering labour was now lower in Belfast than the £180 per person monthly wages in Japan. Therefore, Harland and Wolff had the potential to thrive as a shipyard, but only if productivity was at the same level as an equivalent yard in Japan. If this were the case, Harland and Wolff would be competitive on price and make a profit in the process.[666]

[665] TNA CJ 4/220 Letter dated 17th February 1971 from Iver Hoppe and Lord Rochdale, Harland and Wolff to R.J. Baillie, Minister of Commerce, pp. 1-2.
[666] ibid. p. 1.

Image 7.1: The layout of Harland and Wolff, 1973



Source: Moss, *Shipbuilders to the World*, p. 492 and *Belfast (Street Maps),* (Ordnance Survey of Northern Ireland, 2006)

In February 1972, Harland and Wolff sent details of the investment proposals to the governments in Belfast and London. First, the shipyard proposed increasing its steel processing ability from 120,000 to 200,000 tons by the introduction of new methods and techniques that would reduce the amount of time it took the shipyard to process steel, increase the size of steel that could be worked upon and reduce the planning required in the manufacturing process. Second, by improving productivity as well as output, the shipyard aimed to compete with similar yards in Japan on price, as well as improving quality control to guarantee delivery dates. Finally, to achieve both aims, the management of Harland and Wolff realised that improved labour relations and staff retraining would be a central part of any programme of development and proposed new methods of labour relations based on an improved relationship with the unions.[667] In effect, whilst Hoppe and Rochdale stated that Mallabar had been correct in developing the yard along build dock lines and rationalising the process of construction, they argued that he did not go far enough in developing improved techniques within the yard or improving productivity through the whole process.

[667] ibid pp. 1-7.

Harland and Wolff's management proposed incremental developments of the existing shipyard rather than another wholesale reconstruction. This included improved raw material handling combined with the creation of improved staff welfare, canteen, medical and training facilities, all of which were overlooked when developing the building dock. However, the proposed scheme was expensive, estimated at £30.4 million, with a net cost to government of £19.8 million (£11.9 million in the form of development grants and £7.9 million from 'N.I. Government Funds'), with the assumption that these would be provided by a loan. The final £10.6 million would come from the company's own resources, based on an assumed return to profitability by 1975 giving access to commercial credit.[668] Nevertheless, the management of Harland and Wolff also emphasised that, whilst they could promise a return to profitability by 1975, as new large shipyards opened in other parts of the world the capacity to make profits would be significantly reduced, again threatening the very survival of the company. This was an optimistic forecast by the company's management as many of their predictions relied on further government investment as well as a stable market for Harland and Wolff products.[669]

As had become the norm for Harland and Wolff in this period, the proposals, (now referred to as P200) were very popular in Stormont. Therefore, to promote the scheme with the Conservative government in Westminster, Brian Faulkner (NI Prime Minister) and R.J. Bailie (Minister of Commerce) wrote to their opposite numbers in London.[670] However, the proposed scheme was met with concern in Whitehall (although not at the same level of antipathy within Whitehall as the £14 million grant), particularly as other shipyards in the United Kingdom (UCS in Glasgow and Cammell Laird in Liverpool) were already receiving government funds to prevent bankruptcy.[671] Indeed, politicians in Westminster were aware that Scott Lithgow and Swan Hunters were competing in the same market as Harland and Wolff and argued that the Northern Irish yard was treated unfairly.[672] Moreover, with few Roman Catholics working at Harland and Wolff, it was noted that the Northern Ireland government had to make sure that a representative number of new jobs went to Roman Catholics as well as Protestants not only to reflect the wishes of the

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[668] TNA CJ 4/220 Report dated 17th February 1972 presented to the R.J. Bailie, Minister of Commerce, entitled 'Harland and Wolff Limited: The Project' pp. 3-5.
[669] ibid. p. 6.
[670] TNA CJ 4/220 Two identical letters dated 18th February 1972 from Brian Faulkner, Prime Minister of Northern Ireland to Edward Heath, Prime Minister and Reginald Maudling, Home Secretary.
[671] TNA CJ 4/220 Memo dated 22nd February 1972, from E.J. Lindley to numerous recipients, entitled, 'Memorandum by the Secretary of State for Trade and Industry EPC(72) 16'.
[672] TNA CJ4/220 Letter dated 15th March 1972 from Eric Wright, DTI to P.L. Gregson, Prime Ministers Office and letter dated 21 March 1972 from E.V. Marchant, DTI, to W.S. Ryrie, HM Treasury.

government in London concerning equal opportunities, but also to alleviate the economic difficulties of the province by providing a benefit to the largest number of people.[673]

To coincide with the publication of a detailed plan by Harland and Wolff's engineering advisors, MLH Consultants Limited, Stormont and the Ministry of Commerce were anxious to announce government funding for the proposed scheme in March 197.[674] As the stipulations for government support fell within the Industries Development Act [Northern Ireland] 1966 Stormont felt that the approval of Westminster was not necessarily required and most civil servants in Whitehall were of the same opinion. But the Treasury was concerned because of the system used to fund the Northern Ireland Government. Indeed, the financing for the project came under the devolved powers of Stormont, the loans given to Harland and Wolff by the now defunct SIB included certain decision-making powers over the shipyard now exercised by the DTI. Therefore, although London based civil servants had no formal power to influence the provision of £18.5 million to the shipyard by Stormont, the requirement that the SIB (now DTI) approve any loans and capital expenditure gave Westminster and Whitehall leverage over the P200 development plan.[675] Then the imposition of direct rule from London on the 30th March 1972 changed this situation. The devolved legislation of Northern Ireland still applied but the decision rested with the newly created Northern Ireland Office (NIO). In practice, despite the existence of separate ministries operating in Northern Ireland, the transfer of power to politicians sitting in Westminster gave the DTI and the Treasury a greater say in the affairs of the Northern Irish P200 scheme.

The appointment of the merchant bank J.Henry Schroder Wagg & Co. Limited at the request of the Treasury to advise the Department of Commerce in Northern Ireland signalled the start of a sustained involvement in the affairs of Harland & Wolff by civil servants in London. The bank was of the opinion that, whilst Harland and Wolff wanted loans as well as grants to fund the P200 project, it would be in the interests of the government to consider an increased shareholding as an alternative to lending the company further sums of money.[676] Although the Northern Ireland government had stated a year

[673] TNA CJ4/220 Memo dated 22nd February 1972 from Mr. Woodfield, Home Office (Northern Ireland Division) to E.J. Lindley, Home Office (Northern Ireland Division).
[674] TNA CJ4/276 Report by MLH Consultants Limited, London, dated May 1972, entitled, 'An Investment Appraisal of Harland and Wolff'.
[675] TNA CJ4/220 Letter dated 5th April 1972 from E.V. Marchant to W.S. Ryrie, included is a draft submission to John Eden, Secretary of State for the DTI, entitled; 'Draft Submission to the Secretary of State for Trade and Industry', undated.
[676] TNA CJ4/221 Letter dated 1st August 1972 from Mr. F. Cator, bank J.Henry Schroder Wagg & Co. to J.H. Armstrong, Northern Ireland Department of Commerce, entitled; 'Harland and Wolff, Limited.'

earlier that it was not averse to increasing its shareholding in Harland and Wolff, the official position of the NIO in August 1972 was opposed to nationalisation. This policy reflected the current government relationship with the shipyard, with its large shareholding the government treated Harland and Wolff like any nationalised industry.[677] The Treasury and the DTI had similar views, believing that the injection of funds into the company would increase the value of the privately held shares at the government's expense. Both ministries, however, were of the belief that government had every right to request certain actions of Harland and Wolff and demand up to date reports on developments. Therefore, both ministries recommended replacing the grants with loans so that the government could make a higher return on an already substantial investment.[678]

The Treasury was adamant that it could not agree to the purchase of an increased equity stake by the government and was not in favour of any more grants. Rather, the Treasury favoured increasing the level of loans to Harland and Wolff from the proposed £7.9 million to £12.5 million. This proposal, (which came from Patrick Jenkin, the Chief Secretary to The Treasury) was based on the view that the shipyard was now on a sounder financial basis than it had been two years previously after receiving over £14 million in 1971 to 'wipe the slate clean'.[679] Indeed, the Treasury argued that if the shipyard was not performing then the government should withdraw support at the end of 1973. This concerned both the NIO and the DTI, which were of the opinion that no further changes to the proposed funding were necessary.[680] This was not just because (in their view) an agreement had been made under the previous Stormont regime, but also because the trading conditions facing UK yards were still difficult (despite the ongoing demand for large tankers) with European yards competing for the same vessels and benefiting from unseen subsidies and therefore Harland and Wolff still required further funding to enable it to compete on commercial terms with the largest shipyards globally.[681]

[677] TNA CJ4/220 Letter dated 22nd August 1972 from J.Reid, Ministry of Finance (Northern Ireland) to W.S. Ryrie, HM Treasury.
[678] TNA CJ4/221 Minutes dated 11th September 1972 of a meeting held on the 8th September 1972 between Messrs. Carey and Simon, HM Treasury, Messrs. Kidd, Brooke and Jamieson, NIO and E.V. Marchant, DTI.
[679] TNA CJ4/221 Letter dated 19 September 1972 from W.S. Ryrie, HM Treasury, to R.H. Kidd, Ministry of Finance (Northern Ireland).
[680] TNA CJ/4221 Letter dated 20 September 1972 from W.J. Smith, Under Secretary, NIO to R.N.P. Lewin, Assistant Secretary, NIO and letter dated 21st September 1972 from R.N.P. Lewin, Assistant Secretary, NIO to W.J. Smith, Under Secretary, NIO.
[681] TNA CJ4/221 Letter dated 21 September 1972 from K.J. Jordan, NIO to R.N.P. Lewin, NIO, entitled, 'Harland and Wolff's Future Prospects'.

Harland and Wolff, however, found the proposed break clause unacceptable, as was the suggestion that it take on further loans.[682] However, once Harland and Wolff realised that the Stormont regime was no more and that the Treasury now had the final say in the finances of Northern Ireland, it agreed to an increase in the loans being included in the funding package. Indeed, the Ministry of Commerce communicated its decision in terms that limited any compromise the shipyard might try to seek.[683] Therefore, rather than the £7.9 million loan and £11.9 million grant to the shipyard originally envisioned, two loans of £5 million, and £8 million were made, a total of £13 million. Additionally, as Harland and Wolff could not guarantee funding from its own resources, the loans enabled the company to reduce its amount of funding by £2 million.[684] The Ministry of Commerce made its offer to Harland & Wolff on 5th December 1972, outlining its conditions, including the increased debt to fund the P200 project and the provisions for two reviews of funding to be made in December 1972 and again the following year. It must be noted, however, that the offer letter was sent just three weeks prior to the first review; if at any stage during the P200 project a financial review recommended that the shipyard should not continue, the government would withdraw financial backing. In reality, with the government's shareholding in the company and with the growing civil unrest in Northern Ireland, the collapse of Harland and Wolff would have had many adverse consequences and therefore was not an option the government could consider.[685] This was further complicated as the board of Harland and Wolff did not discuss the ratification of the offer letter from the Ministry of Commerce until mid January 1973 and therefore the scheduled review was delayed until later that month.[686] Nevertheless, Harland and Wolff accepted the offer of assistance from the government, subject to a favourable outcome to the first review of its finances, (which occurred in April 1973) and the project commenced in January 1973.[687] This is an important point to make, Harland and Wolff strongly believed any funding would be a fait accompli regardless of an conditions imposed by either London or Belfast.

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[682] TNA CJ4/221 Note for the file dated 22nd September 1972 written by K.J. Jordan, NIO, entitled, 'Harland and Wolff: Response to the Treasury's reaction to the proposed package of financial assistance'.
[683] TNA CJ4/221 Letter dated 6th October 1972 from R.H. Kidd, Ministry of Finance, NIO to W.S. Ryrie, HM Treasury.
[684] TNA CJ4/221 Letter dated 23rd November 1972 from W.S. Ryrie, HM Treasury to R.H. Kidd, Ministry of Finance, NIO.
[685] TNA CJ4/414 Letter dated 13th March 1973 from R.H. Kidd, Ministry of Finance, NIO. to W.S. Ryrie, HM Treasury.
[686] TNA CJ4/414 Note for the record, dated 14th December 1972, by K.J. Jordan, NIO, entitled, 'Harland and Wolff: Note for the Record'.
[687] TNA CJ4/414 Letter dated 13th March 1973 from J.H. Armstrong, Ministry of Commerce, NIO to The Secretary, Harland and Wolff and report, undated entitled, ' Harland and Wolff Limited: Review of P200 Project.'

It is also important to note that, whilst Harland & Wolff continued its P200 development plans, many problems continued to hinder the shipyard. First, steel had to be ordered (by law) from the state monopoly, British Steel, which itself was undergoing constant industrial strife and unable to deliver on time and in the quantities the shipyard required: indeed, this was the subject of an intervention by Edward Heath in 1972, who wrote to British Steel concerning the delays.[688] Second, industrial tensions continued to plague the shipyard with steel workers deliberately slowing their pace of work until the shipyard increased their wages. Third, workers were resistant to change: they exhibited a reluctance to learn new methods; there was a blanket refusal to take on new apprentices and demarcation still existed in unofficial forms.[689] Despite these issues, the yard had a brighter outlook as new orders came in, most notably one signed for six vessels of over 313,000 tons deadweight (with Maritime Fruit Carriers).[690] Consequently, by the summer of 1973 Harland and Wolff had its best prospects for almost a decade.

[688] TNA CJ4/221 Letter dated 20th November 1972 from C.W. Roberts, Prime Ministers Office to J.D.A. Roberts, DTI.
[689] TNA CJ4/414 Note of a meeting on 4th September 1973, dated 5th September 1973 by N.C. Abbott, Private Secretary, entitled 'Note of a meeting between the Secretary of State, Lord Rochdale and Iver Hoppe to discuss Harland and Wolff, held in Stormont Castle on 4th September 1973'.
[690] *The Financial Times*, 29th January 1973, 'Harland and Wolff £120m. order'.

The nationalisation of Harland and Wolff, 1974 - 1975

By the autumn of 1973, the security situation was having a profound effect on the decisions of the government, but regardless of the ongoing problems in Belfast, Harland and Wolff continued upon its P200 development plan. Nevertheless, the shipyard needed finance to survive long enough to take advantage of these new orders and the productivity increases created by the P200 scheme, which would not become apparent until 1975. After some discussion by the Cabinet, the government decided to give further financial aid to enable the shipyard to continue trading 'within the law'.[691] The government announced its decision to Parliament in November 1973, but the move was contentious.[692] To save face the government subsequently requested that the merchant bank SG Warburg & Co investigate the available options for providing Harland and Wolff with further financial support. The results were presented to government at a meeting in London between senior officials from the bank and civil servants in November 1973 and it became clear that the burden of debt taken on by Harland and Wolff in the previous 8 years was detrimental to the shipyard's survival. The bank, therefore, recommended that the government replace the loans with an equity stake of convertible preference shares ('B shares') that would have no voting or dividend rights, but that could be converted after 1977 into ordinary shares. This was attractive to the government, which wanted to avoid charges of intervening directly in industry and saw the potential of selling off the shares at a future date to recoup its investment. Furthermore, if the shipyard could come to an arrangement with private banks and the government acted as a guarantor for an overdraft facility, then it would be to Harland & Wolff's benefit. Therefore, the government proposed to replace the accumulated £10.262 million of government debt with 8.1 million non-preference, non voting shares of £1 in value and offered a guarantee for an overdraft of £10 million.[693]

Although ministers were in agreement with the arrangements, many felt that the Northern Ireland Ministry of Commerce, as the local economic ministry, should own the entire shareholding in Harland and Wolff.[694] However, the Department of Trade and Industry disagreed, arguing that the loans were from both the Northern Ireland government

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[691] TNA CJ4/617 Letter dated 13th November 1973 from Willie Whitelaw, Secretary of State for Northern Ireland to Edward Heath, Prime Minister, entitled 'Harland and Wolff'.

[692] Hansard, written answer 19th Nov 1973 and 'Harland & Wolff to get more aid', *The Times*, 20th November 1973.

[693] TNA CJ4/617 Minutes of a meeting held on the 16th November 1973, entitled, 'Meeting at the Northern Ireland Office on 16th November 1973 on Harland and Wolff.

[694] TNA CJ4/617 Draft Memorandum for Ministerial Committee on Economic Policy, undated, entitled, 'Harland and Wolff'.

and the SIB, and therefore asked for a fifty percent split between both London and Belfast. After the introduction of the Northern Ireland Government Act (1974) the DTI held many economic responsibilities in Northern Ireland and it therefore requested equal responsibility for Harland and Wolff.[695] Nevertheless, it was agreed in January 1974 that the loans from the Ministry of Commerce and the SIB would be converted into an equity shareholding held by the NIO and that the government would act as guarantor of a £10 million overdraft.[696] Harland and Wolff was optimistic, a view confirmed two weeks later when Iver Hoppe and Lord Rochdale met with the Secretary of State for Northern Ireland, Willie Whitelaw, to finalise financial arrangements and the shipyard reported improving output, cost effectiveness and ship orders even with a continuing undercurrent of poor labour relations.[697]

However, with an unexpected change of government from the Conservative Heath administration to the Labour administration of Harold Wilson in February 1974, the direction of government policy towards Harland and Wolff changed; the incoming government had a strong commitment to nationalising the shipbuilding and the aviation manufacturing industries and the Belfast shipyard was no exception to its plans.[698] Moreover, the new Secretary of State for Northern Ireland, Merlyn Rees, took a view that the management of Harland and Wolff was entirely responsible for the industrial relations strife affecting the yard. Indeed, Rees had a very poor and fractious relationship with the Managing Director of Harland and Wolff, Iver Hoppe, and from his first day as Secretary of State worked in opposition to many of his plans.[699] Two events conspired against Hoppe. The first was the ongoing collapse of the market for oil tankers from the fuel crisis of 1973, which affected all major shipyards around the world. However, the second, the Ulster Workers Council strike of 1974, compounded the issue. With the government

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[695] TNA CJ4/618 Memo, undated by from around December 1973 from Secretary of State for Trade and Industry in response to points made by the Secretary of State for Northern Ireland, entitled, 'Harland and Wolff: Points in Memo. by Secretary of State for Trade and Industry'.
[696] TNA CJ/618 Letter dated 14th December 1973 from G.E. Ress, Cabinet Office to D.B. Lodge, DTI, entitled, 'Harland and Wolff' and TNA CJ/618 Telegram dated 17th December 1973 from Alec Douglas-Home, Home Secretary to United Kingdom Representative, EEC (UKREP), Brussels and Telegram dated 10 January 1973 from UKREP to Foreign and Commonwealth Office, entitled, 'Harland and Wolff'.
[697]TNA CJ4/610 Brief for Secretary of State Northern Ireland dated 22 January 1974, entitled 'Brief for the Secretary of State's Meeting on 23 January with Lord Rochdale. the chairman, and Ivor [sic] Hoppe, the managing director of Harland and Wolff.' and Note of a meeting dated 28 January 194 by D.G. McNeill to various recipients NIO, entitled 'Note of a Meeting between the Secretary of State and Lord Rochdale and Iver Hoppe, Harland and Wolff Limited, Held in Stormont Castle on 23 January 1974'.
[697] TNA CJ4/610 Note of a meeting dated 28 January 194 by D.G. McNeill to various recipients NIO, entitled 'Note of a Meeting between the Secretary of State and Lord Rochdale and Iver Hoppe, Harland and Wolff Limited, Held in Stormont Castle on 23 January 1974'.
[698] *Labour Party Manifesto*, February, 1974.
[699] Rees, M. *Northern Ireland: A Personal Perspective* (London, 1985) pp. 57 – 58.

refusing the shipyard any further assistance until the strike was over, the company's commercial prospects were seriously compromised.[700]

Government policy shifted towards nationalisation in April 1974, which was seen as the only viable option for the continuation of Harland and Wolff. With the potential for increased civil strife in Northern Ireland, liquidation was politically untenable. Also, with the government as the majority shareholder in Harland and Wolff, it would be responsible for most of the company's debts. The government, therefore, was against any further assistance to Harland and Wolff as a private company, because it already owed large debts to the government and private banks. As a result, civil servants in London and Belfast met on a number of occasions in 1974 to develop a plan of action and work out the details of any changes in the shipyard's status.[701] Additionally, civil servants presented nationalisation as a way of mitigating the industrial disputes affecting Harland and Wolff, as in their opinion, 'the unions would be better (served) in a nationalised concern responsive to their needs'. [702] This comment demonstrates that, whilst the government was still concerned with making Harland & Wolff viable c, from this point onwards a number of other concerns came to the fore that affected this.

With the appointment of Merlyn Rees, the attitude of government changed markedly towards industry in the province. After a career as a teacher and as an official for the National Union of Teachers,) Rees became a notable member of the Labour Party.[703] Consequently, Rees attributed the majority of blame for the shipyard's circumstances upon the management and believed that the company's management treated unions unfairly.[704] In his first contact with the shipyard, Rees wrote a confrontational letter in April 1974 to the chairman of Harland and Wolff, stating that he found the inability of the shipyard's management to negotiate with unions vexing. Rees stated, therefore, that he would use the powers that the government had inherited from the Shipbuilding Industry Board and the old Ministry of Commerce to remove the authority of management to resolve pay claims.

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[700] Moss, M & Hume, J.R. *'Shipbuilders to the World: 125 Years of Harland and Wolff, Belfast 1861 - 1986*', pp. 456 – 457.

[701] CJ4/610 Minutes of a meeting dated 23rd April 1974 between W.S. Ryrie, HM Treasury and numerous attendees with civil servants from the Department of Industry (Marchant, Neville-Jones, Bryant), NIO (Smith, Lewin, Jordan), NIO Ministry of Commerce (Bell, Hawkins), NIO Ministry of Health and Social Services (Quigley, Scott) and NIO Ministry of Finance (Green) entitled, 'Note of a meeting in Mr Ryrie's room, Treasury at 2.30 pm on Thursday 18 April 1974.'

[702] CJ4/610 Submission to ministers dated 1st May 1974 by R.N.P. Lewin, NIO, entitled, 'Cabinet, Ministerial Committee on Economic Policy, Harland and Wolff, Memorandum by the Secretary of State for Northern Ireland'

[703] Rees, M. *The Public Sector in the Mixed Economy*, (Batsford: London, 1973) pp. 126-127.

[704] Rees, M. *Northern Ireland,* pp. 57 – 58.

Indeed, Rees also stated that he was unsure whether to continue with the debt for equity swap agreed only a few months earlier.[705]

Rochdale was enraged, writing back to Rees demanding that the government return the power to negotiate pay claims on its own, but also honour the assurances made by the previous government.[706] Rochdale continued, stating that, whilst union and labour difficulties held up the P200 expansion plan (with demarcation and restrictive practices the norm amongst the shipyard's workforce), the main problem was one of rising costs caused by inflation and uncertainty over the status of the shipbuilding industry caused by the 1973 oil crisis. However, Rochdale stated that Rees' position towards the workforce was naive, particularly considering the nature of Northern Ireland:

> 'I have no hesitation, therefore, in suggesting that, provided our present problems are solved, the Company's long term future can still be regarded as bright but we must recognise and have on record that fifteen months of refusals to accept change and less than full co-operation in the shipyard will make it more difficult to effect rapid changes than it otherwise might have been. I need hardly add that political unrest and the terrorist campaigns do nothing to soften these attitudes.'[707]

Despite Rochdale's letter defending Harland and Wolff's management's position, by May 1974 the government in London was actively working to change the management of the shipyard, although neither politicians nor civil servants admitted to doing so openly. Using a number of reports from Northern Irish politicians and civil servants that attributed the antagonism between the unions to Iver Hoppe as justification, the government in London worked towards the removal of Hoppe as Managing Director.[708]

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[705] TNA CJ4/610 'Letter dated 24th April 1974 from Merlyn Rees, Secretary of State, Northern Ireland to Lord Rochdale, Chairman, Harland and Wolff.
[706] TNA CJ4/610 letter dated 1st May 1974 from Rochdale to Rees.
[707] Ibid.
[708] TNA CJ4/611 Memo dated 2nd May 1974 from Minister of Manpower Services (NI) to the Northern Ireland Executive, entitled, 'Harland and Wolff Limited: Labour Dimension, Memorandum to the Executive by the Minister of Manpower Services and TNA CJ4/611 Note of a meeting dated 4th May 1974 by Martin Reid, NIO, to numerous recipients, NIO.

Indeed, Hoppe was aware of such moves and called E.V. Marchant in the Northern Ireland Office to discuss the situation, stating that the board of Harland and Wolff was on the verge of resignation because of Rees' interference, which Marchant, (to his embarrassment as he was aware of the situation at Harland & Wolff) knew was not the case.[709]

Matters came to a head on 18th July 1974, when the management of Harland and Wolff declared that unless additional aid was forthcoming, the company would close on the 22nd and liquidate its assets as, in the board's opinion, the company was no longer trading legally. Indeed, when the board of Harland and Wolff adjourned for lunch at 12.30 at their meeting on the 18th July, it told the government that it had one hour to respond to their request.[710] Therefore, to prevent the immediate closure of the shipyard, the government gave a verbal commitment to swap all debts for an equity stake, despite a concern that the rescue would eventually cost the government around £35 million.[711] In reality, the Labour administration's actions were a continuation of the proposals put forward by the previous Conservative government to exchange the shipyard's accumulated debts for a majority shareholding in the company.[712] The move was not uniformly popular; the workforce expected more from the government and the Conservative opposition, (which was moving its economic policy to one of government non-intervention and deregulation) questioned whether the survival of the shipyard was worth the money.[713]

However, a growing dislike of Iver Hoppe by government tinged its commitment to provide further financial support and from July 1974 onwards, politicians and civil servants at the Northern Ireland Office conspired to remove him from his position. Rochdale was complicit in these actions, but documentation from the time shows that he was motivated more by self-preservation than animosity towards Hoppe, which was a pointless exercise since the Labour administration was intent on his removal as well.[714] Therefore, the Northern Ireland Office employed two senior civil servants, Frank Cooper and John Smith, to organise the removal of Hoppe and both men spent the early summer of

[709] TNA CJ4/611 Letter dated 6th May 1974 from E.V. Marchant to W.E. Bell, entitled 'Harland and Wolff'.
[710] Moss, M & Hume, J.R. *'Shipbuilders to the World,* pp. 458 - 459.
[711] TNA CJ4/615 memo from K.J. Jordan to Secretary of State, dated 25 Sep 1974, entitled, 'Background brief for the Secretary of State' and Benn, A.W. *Against The Tide: Diaries 1973-76* (London, 1989) p. 197.
[712] Ibid.
[713] 'Powell shock for shipyard men: subsidies policy rapped', *The Irish Press*, 8th October 1974.
[714] TNA CJ4/614 letter dated 26th July 1974 from, a member of (signed but illegible) Linklakers and Partners, London EC2V 7JA, entitled 'Private and Confidential

1974 researching the use of Harland and Wolff's articles of association to find a lawful mechanism to force the resignation of Hoppe. Two clauses appeared to be of use to Cooper and Smith: article 81(f) in which he could be removed from his post by the board and article 81(b), where the Ministry of Commerce could remove him.[715] Moreover, both discussed who would take over managing the shipyard if Hoppe left, indicating that, while the action was planned well in advance, the notice given to Hoppe would be minimal and therefore Harland and Wolff would have to operate under caretaker management.[716] All these activities were hidden from normal civil service life; when reporting to the Secretary of State for Northern Ireland, both Cooper and Smith would leave details of the scheme at the very end of apparently mundane documents reporting their daily activities.[717]

The government acted covertly until the end of July 1974; in ministerial meetings any discussion of Hoppe's dismissal were minuted independently and referred to in official minutes as 'a matter dealt with separately'.[718] Finally, in a meeting held on the 29th July 1974, Merlyn Rees came out as the principal organiser of Hoppe's imminent demise orchestrating the actions of Cooper and Smith. Rees stated that the entire situation at Harland and Wolff was caused by Hoppe's inability to work with trade unions combined with his 'heavy handed' attitude towards the company's employees and therefore he had decided through consultations with trade unions that Hoppe had to be removed from his position with 'all due haste'. [719] Few in the meeting supported Hoppe, but W.E. Bell (a Northern Irish civil servant who was an important player in the rescue plan of 1966 and had known Hoppe since he started in Belfast) disagreed with Rees' views. Indeed, Bell stated that whilst the shipyard was suffering commercially, it was the commercial flair of Hoppe in obtaining orders whilst planning for the company's future that had kept Harland and Wolff competitive.[720] Nevertheless, the Bell's intervention was to no avail. After a final, futile, argument between London and Belfast over which department had appointed Hoppe, the Permanent Secretary of the NIO wrote to Hoppe on 5 August 1974, asking him

[715] TNA CJ4/614 letter dated 30 July 1974 from Cooper to W.J. Smith & F.W. Armstrong, entitled, 'Future Management Harland and Wolff'.
[716] TNA CJ4/614 letter dated 30th July 1974 from Frank Cooper to J. Smith, NIO, untitled, Frank Cooper wrote to J.Smith asking whether a Mr Watt would be prepared to be interim Managing Director of Harland and Wolff, 'if Hoppe resigned'.
[717] TNA CJ4/614 memo dated 29th July 1974 from J. Smith, NIO(L), entitled, 'Harland and Wolff: Board Directors, Interim re-structuring of the board'.
[718] TNA CJ4/614 memo from A.J. Joreak dated 6 Aug 1974, entitled 'note of a meeting held in Stormont Castle on Thursday, 1 August 1974, at 4 pm.'
[719] TNA CJ4/614 memo dated 29th July 1974 from J. Smith, NIO(L), entitled, 'Harland and Wolff: Board Directors, Interim re-structuring of the board'.
[720] Ibid.

to resign or be removed with immediate effect from the board of Harland and Wolff.[721] Hoppe resigned and left Northern Ireland; within a few weeks, he suffered the first of many strokes, which began a downward spiral that let to his premature death.

Once Merlyn Rees had engineered the removal of Iver Hoppe, the debt for equity swap paved the way for the government to achieve its ultimate goal: the nationalisation of Harland and Wolff.[722] From the very first discussions between the two parties, the government openly declared the intention to purchase the majority of shares in the company regardless of either the current ownership of the shipyard or the external pressures of the situation in Northern Ireland.[723] Despite a number of initial consultations, (in particular with the Northern Ireland executive set up by the Sunningdale agreement) the Labour government prevaricated over the issue of nationalisation and a number of ministers of state (in particular Michael Foot and Shirley Williams) focussed instead upon peripheral issues of employee vetoes and involvement in the power structure of Harland and Wolff.[724] By the start of 1975, however, Tony Benn, as Secretary of State for Industry agitated for the nationalisation of Harland and Wolff as soon as practicable. In the early half of 1975, Benn worked towards solving the fundamental problem holding up nationalisation, the status of the government in Northern Ireland and the legal rights held by the London government.[725]

The nationalisation of the shipbuilding and aviation manufacturing industries was contentious; the legislation that created British Shipbuilders and British Aerospace in 1977 required the use of the Parliament Act (1911 & 1949), which allowed the House of Commons to force legislation through Parliament in the face of opposition from the Lords.[726] In Northern Ireland the authority for such a decision rested initially with the

[721]Moss & Hume, *'Shipbuilders to the World, 1986*', p. 459.
[722] *Let us work together - Labour's way out of the crisis: Labour Party Manifesto* (Labour Party, February 1974) and *Britain will win with Labour: Labour Party Manifesto* (Labour Party, October 1974).
[723] TNA CJ4/614 letter dated 18th July 1974 from Frank Cooper to Rochdale, untitled.
[724] TNA CJ4/614 minutes dated 22nd July 1974, entitled 'Harland and Wolff, Statement to Parliament' by Orme and memo dated 8th August 1974 from, W.J. Smith to Orme, entitled, 'Harland and Wolff; Consultation with the Executive', TNA CJ4/615 note from M.J. Vile, APS/Secretary of State for Industry to Cooper, Orme, Smith and Pickering and TNA PREM 16/490 letter dated 20th January 1975 from Joel Barnett, Treasury Chambers, to Merlyn Rees, Secretary of State for Northern Ireland, entitled, 'Harland and Wolff Limited'. Also, Foot was notorious for his views on worker participation and their involvement in government and the workplace, 'For Labour, democracy means more than voting every five years. It means involvement by working people in running the economy and society' (from Foot, M Another Heart and Other Pulses (London, 1984) appendix B, p. 183).
[725] TNA PREM 16/490 letter dated 20th January 1975 from Joel Barnett, Treasury Chambers, to Merlyn Rees, Secretary of State for Northern Ireland, entitled, 'Harland and Wolff Limited' and letter dated 30th January 1975 from AW Benn, Secretary of State for Industry to Joel Barnett, Chief Secretary to the Treasury, entitled, 'Harland and Wolff Limited'.
[726] Johnman, L. & Murphy, H. *British Shipbuilding and the State,* pp. 205-211.

Stormont Parliament and Northern Irish Government, which had been replaced by the Northern Ireland Office (NIO) in 1972. The legislative authority of Stormont had been replaced by wide ranging reserve powers held by the Secretary of State for Northern Ireland, who could rule the province by decree, but mostly used the powers as a reflection of London government's will. This was the main debate in government circles concerning the nationalisation of Harland and Wolff and indeed by 1975 the government held a substantial equity stake and exercised a vast range of financial and managerial responsibilities. Therefore, the nationalisation of Harland and Wolff merely put the shipyard under total rather than partial government ownership. However, which government would own the shipyard, London or Belfast?

It was the advocacy of Tony Benn that pushed the situation forward; he was adamant that as the government in London held (through the Secretary of State for Northern Ireland) Royal Prerogative powers to legislate in the province, then it should do so even if the course of action was outside the scrutiny of Parliament.[727] Therefore, instead of a long drawn out legislative process in Parliament, Benn proposed the use of an 'Order in Council', which is an order emanating from the Privy Council stating the will of the government.[728] This was not uniformly popular in Cabinet, Harold Lever, the Chancellor of the Duchy of Lancaster, said that to use such legacy powers would damage the standing of the United Kingdom as a democratic nation and was unnecessary when the company was almost in total government control.[729] Nevertheless, the intervention of Lever was in vain, influential members of the cabinet, namely Michael Foot and Shirley Williams wanted increased worker participation in the shipyard and therefore supported the Benn's proposals as a way to achieve this aim. When combined with a Home Secretary, Roy Jenkins, who feared that the closure of Harland and Wolff would create widespread unrest in Northern Ireland, the order in council became a fait accompli.[730]

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[727] TNA PREM 16/490, letter dated 6th March 1975 from AW Benn to Rees, entitled, 'Harland and Wolff'.
[728] Bradley, A.W. & Ewing, K.D. *Constitutional and Administrative Law*, (London, 1997) pp. 242 - 274. An order in council is is an order emanating from the Privy Council stating the will of the monarch, but in reality the prerogative powers previously held by the throne, which since 1689 government ministers has exercised instead.
[729]TNA PREM 16/490, letter dated 6th March 1975 from Harold Lever, Chancellor to the Duchy of Lancaster to AW Benn.
[730] TNA PREM 16/490 letter dated 25th March 1975 from Rees to Lever, letter dated 3rd March 1975 from Michael Foot, Secretary of State for employment to Merlyn Rees, Secretary of State for Northern Ireland, entitled, 'Harland and Wolff: Worker Participation', TNA PREM 16/490 letter dated 5 March 1975 from Shirley Williams, Secretary of State for Prices and Consumer Protection to Merlyn Rees, Secretary of State for Northern Ireland, entitled, 'Harland and Wolff: Worker Participation' and Note of Ministerial Committee on Northern Ireland Meeting IRN(75)9 on 17th March 1975 by John Hunt, entitled, 'Harland and Wolff'.

On 26th March 1975, Stanley Orme as Minister of State for Northern Ireland announced to Parliament that the government would bring Harland and Wolff into full national ownership using an Order in Council. With the death of Aristotle Onassis in the days preceding the announcement, the government stated that the nationalisation was a response to the shareholding of Onassis coming on the market. However, in reality, regardless of the circumstances, the government was intent on nationalising the shipyard, and indeed the entire shipbuilding industry.[731] The only differences for the Northern Irish shipyard were the wider consequences of the shipyard's closure on the peace process and the disputed sovereignty of the province. Indeed, Labour Party policy proposed to bring about the peaceful re-unification of Ireland and therefore Orme stated that the use of an Order in Council guaranteed the ownership of Harland and Wolff remained with the people of Northern Ireland regardless of the status of the territory, be it a devolved government or merged with Éire.[732] Consequently, with little fanfare and no change in management, Harland and Wolff was taken into full government ownership on 13th August 1975, two years before the rest of the shipbuilding industry and with little controversy.[733]

When researching the nationalisation of Harland and Wolff, many historians portray the actions of the Labour administration in 1975 as a response to an ever-increasing crisis within the company.[734] Indeed Harland and Wolff lost over £60 million in 1974 because of the collapse of the oil tanker market and in 1975 had few viable orders.[735] However, this section has argued that, whilst it is clear that the government responded to a serious crisis, it was also the case that government ministers had many separate and conflicting motives. First, Merlyn Rees wanted the removal of Iver Hoppe because of his own prejudices and therefore agitated for his removal at the earliest opportunity. Secondly, members of the cabinet, such as Foot and Williams, were interested in promoting their own campaigns, regardless of the economic and commercial reality at Harland and Wolff. Finally, the government was intent on nationalising as many industries as possible and proceeded to achieve that aim. To conclude, the nationalisation of Harland and Wolff represented not only the rescue of a corporation by government, but also the interwoven desires of that government superimposed upon a private company.

[731] Hansard, 13 March 1975, vol 888 col. 790-3.
[732] Ibid.
[733] Moss & Hume, '*Shipbuilders to the World, 1986*', p. 461.
[734] In particular, Michael Moss, Lewis Johnman and Hugh Murphy.
[735] Moss & Hume, '*Shipbuilders to the World, 1986*', p. 458.

Conclusion, Harland and Wolff 1966-1979

The story of Harland and Wolff between 1966 and 1975 is complex and multifaceted and intertwined with the wider context of conflict in Northern Ireland. From the appointment of John Mallabar in 1966, through a number of financial crises up to nationalisation in 1975, any proposal concerning Harland and Wolff faced the scrutiny of not only both governments in Belfast and London, but also a variety of interested factions in Northern Ireland. Therefore, regardless of the motivations of the shipyard's management and what experts at the time agreed was the correct course of action, the solutions presented for Harland and Wolff would only follow a path amenable to those who had a stake in the shipyard's survival. Consequently, the local context of Belfast and Northern Ireland influenced decisions of Harland and Wolff beyond the rational, commercial concerns of running a profitable company. Indeed, from 1960 to 1980, Harland and Wolff only recorded a profit once, in 1975:

Table 7.1: Harland and Wolff, Profit and Loss, Vessels Built and Gross tonnage, 1960 - 1980.

Year	Number of Vessels	Gross Registered Tonnes (x 000)	Work force	Fixed Assets (£ x 000)	Net Profit (£ x 000)	Profit/ Loss per Gross ton (£)	Profit/Loss per employee (£)
1960	9	50	n/a	8,799	**210**	n/a	**n/a**
1961	14	50	n/a	9,347	**140**	280.00	**n/a**
1962	8	48	12,582	9,950	**123**	256.25	**9.78**
1963	7	85	11,372	10,030	**144**	169.41	**12.66**
1964	4	90	11,681	7,848	**-327**	-363.33	**-27.99**
1965	2	70	13,019	7,434	**-1,932**	-2760.00	**-148.40**
1966	5	80	11,454	6,633	**-4,146**	-5182.50	**-361.97**
1967	3	55	10,049	6,134	**-1,156**	-2101.82	**-115.04**
1968	5	244	9,007	8,652	**-755**	-309.43	**-83.82**
1969	1	58	9,274	11,308	**-8,330**	-14362.07	**-898.21**
1970	4	196	10,007	13,482	**-302**	-154.08	**-30.18**
1971	3	240	9,129	13,172	**-182**	-75.83	**-19.94**
1972	3	190	9,950	14,211	**-513**	-270.00	**-51.56**
1973	2	195	9,996	19,713	**-33,012**	-16929.23	**-3302.52**
1974	2	200	9,947	26,524	**-16,711**	-8355.50	**-1680.00**
1975	2	226	9,657	32,610	**-4,884**	-2161.06	**-505.75**
1976	3	220	9,236	33,424	**2,591**	1177.73	**280.53**
1977	2	230	8,706	32,039	**-1,907**	-829.13	**-219.04**
1978	1	70	8,212	30,469	**-25,452**	-36360.00	**-3099.37**
1979	3	143	7,542	28,335	**-43,296**	-30276.92	**-5740.65**
1980	4	357	7,370	25,612	**-31,997**	-8962.75	**-4341.52**
Total	**52**	**528**			**-6944**		**-52.58**

Source: '*British Shipbuilding 1972'*, A report to the Department of Trade and Industry by Booz-Allen & Hamilton BV, Cmnd 4942, HMSO, London, Chapter 17 'Finance and Accounting' pp 174- 186, Lloyds Register of Shipping 1960-1973, Lloyds, London and Moss, M & Hume, J.R. (1986) *'Shipbuilders to the World: 125 Years of Harland and Wolff, Belfast 1861 - 1986*' (Belfast: The Blackstaff Press).

From 1966 onwards John Mallabar worked hard to increase output and productivity in the shipyard, but was compromised by the environment in Northern Ireland. Mallabar had the foresight to create a shipyard capable of building vessels over 250,000 tons capable to compete with equivalent shipbuilders in Japan, even if this contradicted government policy at the time. Mallabar also benefited from the special circumstances of Northern Ireland, with its own local legislature, and therefore received more funding from both governments than was available to comparable shipyards in the rest of the UK. For four years this was a successful policy and the shipyard increased its output, but the underlying context, whilst advantageous in some ways also provided the fatal blow to Mallabar's career. Indeed, whilst Mallabar cut costs, reduced staff, increased output and modernized equipment, he could not understand nor effectively communicate with the sectarian based unions of Northern Ireland and, as a result, the strikes, go-slows and work to rules of 1969/70 wiped out the gains of the previous 5 years in a few short months.[736]

Harland and Wolff could have been sold as a going concern in 1970; both Aristotle Onassis and Fred Olson expressed interest in purchasing the shipyard. However, negotiations between government in London and Belfast and the prospective owners were fraught with complications; many institutions, whilst not overtly involved in the process, claimed a vested interest in the shipyard (namely trade unions, Northern Irish political factions and the Shipbuilding Industry Board in the final year of its existence). Therefore, from the very beginning the attempt by both tycoons to gain control of Harland and Wolff was doomed to failure against the dynamic complexities of Northern Ireland in the early 1970s. Moreover, with economic nationalism in the UK and the need to keep Stormont and the Northern Irish workforce happy, the eventual continuation of an independent Harland and Wolff, with all debts written off by the UK government, did not come as a surprise to many.

By the end of 1973, after three years of stability and investment under the management of Iver Hoppe, Harland and Wolff was still only just viable as a going concern. The shipyard had not made a profit since 1963, and the accumulated losses in the ten years to 1973 amounted to £50.038 million, notwithstanding the £64.9 million the government had advanced in loans, grants and the equity purchase of £4 million worth of shares in 1971. With the P200 expansion scheme, the shipyard had increased its output in tonnage markedly since 1971 and certainly, the shipyard received many orders and delivered vessels on time. Nevertheless, from 1966 Harland and Wolff did not make any profits and relied upon government intervention and funding to remain in existence. The losses of 1969 were a foretaste of the situation to come, as the losses increased in size again in 1973 after 3 years of improvement.[737] However, (profit and loss aside) Harland and Wolff had been successful in gaining contracts for the construction of large crude oil supertankers and was the pre-eminent shipyard in the United Kingdom in this sector, building thirteen to Scott Lithgow's four vessels and Swan Hunters' eight.[738]

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[736] TNA CJ 4/219, 27th February 1970, 'Shipbuilding Industry Board: Third Progress Report on Harland & Wolff Ltd., Belfast.'

[737] Lloyds Register of Shipping 1960-1973 Lloyds Register of Shipping 1960-1973 and Moss, M & Hume, J.R. (1986) *'Shipbuilders to the World: 125 Years of Harland and Wolff, Belfast 1861 - 1986'* (Belfast: The Blackstaff Press).

[738] *Lloyd's Register of Shipping*, 1960-1980. It should be noted that Mitsubishi in Nagasaki built over 100 such vessels in the same period and European shipyards such as Chantiers D'Atlantique in St Nazaire, France and NSDM/Velrome in The Netherlands built over 30 vessels each. All three shipyards were comparable to Harland and Wolff, Scott Lithgow and Swan Hunter in 1960.

Unlike other shipyards in the United Kingdom, however, Harland and Wolff had a hinterland of a semi-independent government. Sectarian violence between two divergent communities was used by local politicians to preserve the advantage of a Protestant, Unionist government at Stormont Castle and to persuade central government in Whitehall to advance larger and larger sums to businesses in Northern Ireland based on the fear of mass unemployment in Belfast. Harland and Wolff employed approximately 7.5% of the industrial workers in Northern Ireland (with unemployment in Northern Ireland higher than the UK average). With 95 percent of the workforce from the Presbyterian working class of East Belfast, the closure of the shipyard would have had a profound effect on the political process of Northern Ireland. Therefore, from 1970 onwards the conflict in Northern Ireland influenced government decision making in both Belfast and London towards Harland and Wolff and the failure to agree terms with Onassis or Olsen, as well as the large sums of money injected into the business, reflect this. In comparison, the P200 scheme to increase the shipyard's output to two-hundred thousand tons per annum was a commercial decision based upon contemporary market conditions not a reaction to the pressures of being an employer in a troubled city. Nevertheless, by the early 1970s decisions made by management or government about the future of Harland and Wolff never truly followed commercial criteria and instead reflected the multifaceted requirements of a wide variety of factions with a vested interest in the shipyard.

With the return to power of the Labour party under Harold Wilson in 1974, the situation for the shipyard changed yet again. Whilst the local context of sectarian conflict in Northern Ireland remained the same, new cabinet ministers in London brought an entirely new set of opinions and prejudices that descended upon Harland and Wolff. The company's fate was determined by two factors, firstly a manifesto commitment to nationalise the aviation and shipbuilding industries and, secondly, the personal agendas of cabinet ministers (such as Michael Foot and Shirley Williams). The first factor is highly important in the national context and in 1977 the legislation to nationalise the industries required the Parliament Act (1911 & 1949) to overcome opposition by the House of Lords, but in the case of Northern Ireland the personal views of individual politicians are much more important. The days of Iver Hoppe and Lord Rochdale in charge of Harland and Wolff were effectively numbered the moment Merlyn Rees became Secretary of State for Northern Ireland as he proceeded to intervene and interfere in whatever way possible in the affairs of the shipyard. At first this limited the management's commercial decision making powers, but as Rees continued in his position, he worked covertly to remove Hoppe and

Rochdale from Harland and Wolff, regardless of the consequences that would befall the shipyard or indeed the individuals concerned.

Nationalisation proceeded slowly at first. As has been shown, ministers were initially more interested in mapping their own particularly ideologies onto the company. Nevertheless, the project was driven forward by a minister with his own obsession for nationalisation, Tony Benn, and early in 1975 the Northern Ireland Office and the Department of Trade and Industry worked to bring Harland and Wolff into state ownership. However, because Stormont was no more and efforts to return legislative independence to Northern Ireland had failed the way to proceed was not clear. With a small minority in Parliament, the Labour government chose to use an Order in Council to bring Harland and Wolff into national ownership. This was controversial; whilst the executive in the United Kingdom at the time exercised a number of prerogative powers these were limited in scope and execution. In the case of Northern Ireland, all the legislative functions exercised by Stormont through a democratic process were now within the prerogative powers of the Secretary of State for Northern Ireland. Therefore, while strictly legal under the Northern Ireland (Temporary Provisions) Act 1973, the government used what was in effect a short-term measure until local democratic rule could be restored to Northern Ireland. At the time, ministers and civil servants in London questioned whether this was a correct action for a democratic nation to undertake in peacetime. Nevertheless, the government intended to nationalise Harland and Wolff and therefore used whatever means possible to achieve this end.

Harland and Wolff are still in existence today, but as a general engineering company with a vastly reduced workforce. Despite a profitable ‘Indian Summer’ under the management of the Olsen concern upon privatization in the early 1990s, the shipyard has survived on the few military orders that come its way and has not built a merchant vessel since the last cargo ship, the MV *Anvil Point* (subsidized by the UK government and on long term military charter) left the building dock in 2005. It is unlikely that Harland and Wolff will ever build a vessel again and the city government in Belfast has decided to create a new commercial district called Titanic Quarter on land that once belonged to the shipyard. What was once an important industry in Northern Ireland that held the fate of so many in its hands and had a symbiotic relation with governments in London and Belfast has gone the way of industrial obsolescence, superceded by shipyards in countries such as Korea and China, which do the same work as Harland and Wolff, but on time, to budget and for a much lower cost to the customer. This thesis argues that government intervention played an active, but inadvertent, rôle in the decline of the British shipbuilding industry. In the case of Harland and Wolff the government intervened aplenty but a combination of poorly executed good ideas and promoting the bad propelled the company onto its eventual fate, but at least it has continued to survive in the three decades after the events described in this chapter, a claim that cannot be made for Scott Lithgow.

Chapter Eight

Conclusion

The relationship between government and shipbuilders as a cause of the industry's decline

This thesis argued that under the guidance of the Shipbuilding Industry Board, government ministers and civil servants agreed a series of publicly funded interventions to modernise British shipyards. However, the actual plans agreed upon did not represent the best practice nor the prevailing orthodoxy found in more productive shipyards in Japan and Scandinavia, but were a series of compromise positions agreed over the course of months, sometimes years, between the wishes and views of government and shipbuilding companies. As such, the implementation of these modernisation plans hindered rather than helped the industry, with short-term gains in output and productivity wiped away, first by overseas competition for orders and, second, by the 1973 OPEC Oil shock. Also, this thesis has argued that a diorama of wider relationships between government and the shipbuilding industry constrained the industry's development, by creating a mechanism for compromise instead of following the correct course of action. This conclusion will show how this thesis has demonstrated the above argument.

As this thesis has shown, government and the SIB attempted to engage with the shipbuilding industry to the full extent of its powers, but the shipbuilding industry itself was unwilling to allow the SIB to pursue the full extent of its remit and therefore sought negotiation and compromise from an early stage. However, whilst shipyards were unprepared to allow the SIB full reign, they could not ignore the potential for lucrative grants and low interest loans. Consequently, the decision making process from the start, whilst following the plans for negotiation outlined with the SIB's mandate (which was not allowed to act without a shipyard's consent), was compromised by a number of conflicting viewpoints held by a number of major actors within the process.[739] Nevertheless this was to be expected, as the entire process leading up to the creation of the SIB from the initial murmurings about the fate of British shipbuilding in the early 1960s under the Conservative to the creation of the Shipbuilding Inquiry Committee under Reay Geddes was intertwined with the desires of a number of different actors from wide ranging backgrounds.

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[739] Johnman & Murphy, *British Shipbuilding*, pp. 200 -201.

As shown in chapter one, the development of an interventionist stance by the Wilson in opposition and in government owes much to the policy deliberations of the Labour Party in the 1930s and 40s and the development of the centralised government machinery under the Atlee government.[740] However, if the influences behind Labour's policies up to 1964 are broken down and treated as a policy network, three distinct interest groups are at the fore of decision-making. First, membership of the Labour party, from general members to politicians to unions, play an important part, if not in formulating policy whilst in government then by providing the diorama upon which particular themes evolve. This is an important point when taken in light of the work on 'inventing' decline by Tomlinson and Supple and certainly in light of Edgerton's work on technology in the 1960s.[741] Consequently, in the 1960s the movement away from nationalisation to the promotion of scientific management reflected the prevailing zeitgeist of the day, which was also reflected in the flirtation with planning by the Conservatives in the late 1950s and 60s.[742] Second, following the same theme, the relationship between academia, the Labour Party and government is important in comprehending the development of a Keynesian paradigm after 1945, reflecting the influence not just of John Maynard Keynes after 1940, but also the influence of academics such as Kaldor at Cambridge and Balogh at Oxford.[743] Whilst an influential formal relationship existed between government and academia, the informal environment is important as well in terms of the propagation of ideas to the decision-making classes, which define the prevailing economic orthodoxy of the time.[744] Third, the development of a large civil service with wide ranging powers during the Second World War and perpetuated by the Atlee and the Conservatives up until 1964 is an important factor in defining policy developments in this period. In the context of developing policies that advocated and recognised the rôle state intervention as an economic mechanism, the existence of a state machinery that once a government was elected would be able to enact programmes from day one of a Labour election victory was a power factor. Moreover, the relationship between the civil service and academia, on the one hand, and academia and the Labour Party, on the other hand acted as an axis upon which policies of industrial intervention and scientific economic management travelled.

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[740] Toye, *The Labour Party* pp. 227 - 229.
[741] Supple, B. 'Fear of failing: economic history and the decline of Britain' *Economic History Review,* 47:3 (1994), pp 441 – 458 and Tomlinson, J. 'Inventing 'decline': the falling behind of the British economy in the post-war years' *Economic History Review*, 49: 4 (1996), pp 731 – 757.
[742] Ringe, A. & Rollings, N. 'Responding to relative decline: the creation of the NEDC', *Economic History Review*, 53 (2000), pp. 331-353,
[743] Booth, A. 'Britain in the 1950s: A Keynesian Managed Economy' *History of Political Economy*, 33:2 (2001), pp. 283 -313.
[744] Ibid.

Nevertheless, whilst this provides the diorama upon which this study depends, it cannot truly explain the development of policy towards shipbuilding in this period.

Chapter two discussed the creation of the Shipbuilding Inquiry Committee and the Shipbuilding Industry Board. The development of both institutions owes a lot to the influence of shipbuilders and ship-owners, the shipbuilding unions and the influential economic and trade media. In the case of the first grouping, from the 1950s British builders and owners of shipping had lobbied the government for assistance to address the effects of foreign competition. The response from the Conservative administrations was, firstly, to promote a joint British Productivity Council/Government/Shipbuilding industry inquiry and report into the industry, which occurred during 1961 to 1962 and, secondly, to provide cheap credit to those wishing to purchase merchant vessels in British shipyards.[745] The productivity recommendations were never implemented and the Shipbuilding Credit Scheme created only a moderate boom in shipping orders and therefore neither solved the innate problems of the industry. After the election of the Labour party in 1964 the Shipbuilders and Repairers National Council (the owners of vessels and shipyards) were lobbying the government to develop policies to deal with the industry's malaise.[746] The TUC made a similar approach on behalf of the shipbuilding unions, which lived with the fear of mass redundancies from both overseas competition and the introduction of new methodologies.[747] However, the views of the individual unions and the TUC diverged on the point of new technology and demarcation, with the shop stewards being against the introduction of new methods and the TUC seeing the modernisation of the industry leading to greater output and more employment.[748] Finally, the print media had become more active in its defence of British shipbuilding since the 1950s and opinion pieces concerning the demise of an industry were widespread in the following decade. Whilst individually editorials demanded government action over shipbuilding (as well as other industries) were of little direct influence, as a sum total of the parts, the creation in the media of debates concerning Britain's effectiveness as an industrial and technologically advanced nation were powerful indeed.[749] Consequently, whilst the 1964 Labour Party Election manifesto made no mention of shipbuilding as an industry, it did propose that industry would be managed and controlled by new government departments and bodies and therefore the

[745] Shipbuilding Conference, *British Shipbuilding Facilities & Services 1962,* (London, 1962) and Joint Industry Committee, *Productivity in Shipbuilding: Report of the main committee under the chairmanship of James Patton, O.B.E. to the Joint Industry Committee*, (London, 1961).
[746] Johnman and Murphy, *British Shipbuilding,* p.145.
[747] Shipbuilding Inquiry Committee, 1965-1966, *Report,* Cmnd 2937 (HMSO, 1966), pp. 342 – 356.
[748] ibid.
[749] 'The Plight of British Yards', *The Motorship*, April 1960, p. 2.

creation of a body such as the Shipbuilding Industry Board in response to pressure from interested parties was have been a logical step.[750]

However, it is hard to find a relationship that demonstrates that a comprehensive dialogue took place either between the SIC and shipbuilding or the SIC and government. From the appointment of Reay Geddes, chairman of the Dunlop Tyre Company, to the methodologies of visits and submissions, solicited or otherwise, the committee did not incorporate in its membership individuals from the shipbuilding industry.[751] This was a different situation compared to the shipbuilding industry inquiries of the previous four years, which had involved the British Productivity Council, the British Shipbuilders Research Association, the Shipbuilding Advisory Committee at the Ministry of Transport and the Department of Scientific and Industrial Research. By contrast, individuals external to the industry staffed the Geddes committee.[752] Even the methodology of the Geddes committee differed from the previous inquiries by focussing heavily on evidence from government departments at the expense of enquiring further into the affairs of the shipbuilding companies, particular as these had submitted only scant evidence to the committee. That the government economic departments, specifically the Department of Economic Affairs, the Ministry of Technology and the Treasury, had scant interest in the shipbuilding industry did not help matters, either. What is curious about the eventual report is that whilst the previous reports provided prescriptive recommendations to implement modern methodologies and equipment, Geddes' main recommendation was the creation of larger groupings through mergers. These proposals mirrored developments in other countries, particularly Japan, where larger shipbuilding groups had sprung up in the early 1960s, but they did not address the core issues of redundant working techniques and obsolescent shipyards. Indeed, Geddes discounted the creation of shipyards built around a dry dock and ship factory as those found in Japan as being unnecessary, (despite the views of the Minister responsible for shipbuilding at the time of the committees inception, Roy Mason, who visited Japanese shipyards in 1964) yet this strategy was being adopted in the rest of Europe on both sides of the iron curtain.[753] Mergers would help reduce overheads and lower costs, but in 1966 the shipbuilding industry in the United Kingdom needed to

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[750] *1964 Labour Party Election Manifesto "The New Britain"* (Labour Party, 1964).
[751] The membership of the committee was: Anthony Reay Geddes (Chairman), Anthony George Burney, David Fraser. Prof Michael Lighthill, Bowman Scott, Charles Smith and Prof Thomas Wilson.
[752] See, Department of Scientific and Industrial Research, *'Research and Development Requirements of the Shipbuilding and Marine Industries'* (HMSO, 1960), London, Shipbuilding Advisory Committee, Ministry of Transport '*Report of the Sub-Committee on Prospects'*, (HMSO, 1960) and British Productivity Council '*Shipbuilding in Sweden: Report of a British Productivity Team'*, (HMSO, 1960).
[753] Board of Trade, *Japanese Shipyards: A report on the visit of the Minister of State (Shipping) in January 1965*, (HMSO, 1965).

change its production methods to reflect the prevalent orthodoxy elsewhere in the world and the Geddes report did not address this, indeed saw the entire subject it as an expensive and time consuming distraction[754]

Creating a defining model for the processes of the Shipbuilding Inquiry Committee is difficult, as the body has proven itself to be both enigmatic and distant in its dealings with the shipbuilding industry. However, any institution charged with developing policies reflects the views and opinions of those who make up its members. Therefore, this thesis proposes that the Geddes Committee did not reflect either the wider views of government or the views of management and labour within the industry. Rather, the conclusions of the committee reflected the response of its members to the submissions made and visits undertaken rather than a complex model of policy formation in the fashion of Rhodes/Hall/Pemberton.[755] This is not to discount the value of external relationships between the committee and its members with the government or shipyards, but the evidence available does not point to a complex set of relationships. However, this is not the case of the Shipbuilding Industry Board, which found itself at the nexus of a wide series of relationships between government and the shipbuilding industry. The SIB did not have the powers to impose programmes of action on the industry.[756] Indeed, it was dependent on negotiations with shipbuilders to decide upon a plan of action and its case was not helped by the remit and provisions of the Geddes report that proposed modernisation and mergers, but did not prescribe the exact form this would entail. This was magnified in the case of its relationship with Scott Lithgow, where the process of negotiation over funding took four years to complete in the face of intransigence and undefined plans.[757] Therefore, whilst the SIB attempted to follow the guidance of the Geddes Report to the letter, it quickly found this to be an inadequate way to proceed and after 18 months diverged from its remit. Indeed, at first the board took the guidance of the report to such an extent that it refused to negotiate with the John Brown shipyard in 1967, over a proposed scheme to turn Newshot Island on the River Clyde into a modern Japanese style shipyard capable of producing

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[754] Shipbuilding Inquiry Committee, *Report,* Section 13.

[755] Pemberton, H. 'Policy Networks and Policy Learning: UK Economic Policy in the 1960s and 1970s' *Public Administration*, 78:4 (2000) pp 771-792. See also, Marsh, D. Rhodes, R.A.W. *Policy Networks in British Government* (Oxford, 1992), Rhodes, R.A.W. 'The Hollowing out of the State', *The Political Quarterly*, 15:2 (1994), pp 138 - 151, Rhodes, R.A.W. 'From Prime Minister to Core Executive', *Prime Minister, Cabinet and Core Executive* (Basingstoke, 1995), Rhodes, R.A.W, *Understanding Governance: Policy Networks, governance, reflexivity and accountability* (Buckingham, 1997) and Smith, M.J. 'Reconceptualizing the British State: Theoretical and Empirical Challenges to Central Government', *Public Administration*, 76 (1998), pp 45 - 72.

[756] Shipbuilding Industry Act, 1967.

[757] TNA FV 37/21 Letter dated 25th April, 1968 from B.Barker, SIB to C.H. Bayliss, Ministry of Technology.

vessels of over 500,000 tons deadweight, instead forcing the yard into a merger with other local shipyards to create Upper Clyde Shipbuilders (UCS).[758] However, 12 months later in 1968 the SIB questioned the Geddes report to such an extent that it did not dispute funding the building dock proposal at Harland and Wolff.[759] Indeed SIB personnel mostly came from a non-shipbuilding background; the chairperson, Sir William Swallow, was formerly of the Vauxhall Car Company and the staff were seconded from a multitude of civil service departments. Therefore, the SIB changed over the course of its existence as the board's cognisance of the shipbuilding industry increased, but from 1967 as other Whitehall departments became increasingly involved, so did the government. Consequently, the process of the Geddes Report and the creation of the Shipbuilding Industry Board represented a typical example of Hall's Second Order change, the fact that over the lifecycle of the SIB the institution evolved from its original mandate and represents in itself a process of institutional change in relation to changing perceptions.[760]

When setting up the Shipbuilding Industry Board the Labour government did not intend to involve either the Ministry of Technology or other Whitehall ministries (the Treasury in particular) directly in the decision making process. Powers given to ministers or civil service departments were either for the purposes of consultation or for overall accountability towards the funding applications at the final stage of their development. However, once the SIB started to evolve from the provisions of the Geddes Report and shipyards disputed the Geddes plan, then civil servants from other departments and government ministers became involved.[761] This had a number of distinct causes, most notably the efforts to restrict government expenditure as a result of the 1967 Sterling crisis and the recommendation by the Geddes Report that all military construction be focussed in a maximum of three shipyards, but also because of the sheer inertia at Scott Lithgow and the political situation of Harland and Wolff in Northern Ireland.[762] In the first instance, the Treasury objected to large development schemes without comprehensive justification for the expenditure and acted to restrict the amount of finance given. In the second instance,

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[758] Johnston, I. *Ships for a Nation, 1847 - 1971: John Brown & Company, Clydebank* (West Dumbartonshire, 2000), pp. 102.
[759] 'Was Geddes Wrong?' *The Motorship*, December 1970, p. 394.
[760] Hall, P.A.& Taylor, R.C.R, Political Science and the Three New Institutionalisms, *Political Studies*, 44(5), 1996, pp. 936-957. See also Hall, P. *The political power of economic ideas*, (Princeton, 1989), Hall, P. 'From Keynesianism to monetarism', *Structuring politics: Historical institutionalism in comparative analysis*, (Cambridge, 1992), Hall, P. 'Policy Paradigms, social learning and the state: the case of economic policy making in Britain', *Comparative Politics*, (April 1993) pp. 275 - 296, Hall, P. 'The role of interests, institutions and ideas in the comparative political economy of the industrialised nations', *Comparative Politics: rationality, culture and structur*e (Cambridge, 1997)..
[761] TNA FV 37/21, SIB Board Minutes, dated 31st December 1968.
[762] *Shipbuilding Inquiry Committee 1965 - 1966*, 'Shipbuilding Groups', pp. 89 - 92

shipyards that had previously received strong orders from the Admiralty decided in most cases to dispute the fact with the relevant minister, or in many instances their local MP, who would campaign on the shipyard's behalf.[763] In all cases, intransigence from the Treasury over funds and the shipyards over naval contracts substantially held up negotiations for government funding. This thesis has demonstrated in the case of Scott Lithgow in chapter three that these negotiations were responsible for holding up plans of action by developing compromise positions between Government, the SIB and shipbuilders. In the case of Harland and Wolff, as shown in chapter five, a plan of action developed quickly, but the government in London still had to make allowances for the Northern Irish government in Stormont. These solutions may have developed a common ground between the different groups that led to action, but this was not necessarily the correct course for the industry, as the two case studies in this thesis have demonstrated.

The case study of Scott Lithgow in chapters three and four demonstrated the flaws inherent in the negotiation process between the Shipbuilding Industry Board and an individual shipyard. In theory, at least, the merger of Scotts and Lithgows looked like a sensible proposition, both shipyards were located close to one another in Greenock and shared local suppliers.[764] Moreover, being on the lower Clyde 40 km from Glasgow the shipyards in Greenock had very different wage and cost bases compared to the yards in the city of Glasgow and therefore when they proposed a merger to the SIB in 1967, it was taken as a welcome sign of progress for the shipbuilding industry in Scotland.[765] However, the issue of bidding for and being guaranteed military orders by the government almost unhinged the entire process, as did the reluctance of the senior management at both Scotts and Lithgows to give any definite plans or funding requests to the SIB for its consideration.[766] On the first condition, the Royal Navy had little confidence that Scotts was capable of making the technologically advanced vessels it needed and on the second the SIB attempted in 1968, with little success, to impress upon Scott Lithgow the limited

[763] Edgerton, *Warfare State*, pp. 191 -269.
[764] Shipbuilding Conference, *British Shipbuilding Facilities & Services 1962,* (London, 1962), Johnman, L and Murphy, H 'A Triumph of Failure, British Shipbuilding and the Offshore Structures Market 1960-1990. A Case Study of Scott Lithgow Limited', *The International Journal of Maritime History*, XV1-I, June 2002.
[765] 'A Rebuilt British Shipyard' Completion of a £3-million Reconstruction Scheme on Lithgows' Kingston Yard at Port Glasgow, *The Motorship*, June 1961 pp 154-155 & '250 Years of Progressive Building: The Growth and Development of Scotts' Shipbuilding and Eng. Co. A modernised Shipyard for Ships up to 40,000 tons d.w. Scotts' Contribution to Marine Engineering' *The Motorship*, October 1961, pp 312-314 and TNA FV 37/21 letter signed Binder, Hamlyn and Co from the company to Lithgow, dated 11th September 1967, entitled 'Proposed Merger'.
[766]TNA FV 37/, Letter dated 22 November 1967, to C.H. Bayliss at the Ministry of Technology from B. Barker, director of the SIB, entitled, 'Segregation of Naval Work'.

timeframe that it was working with.[767] This was to no avail and Scott Lithgow went on to claim that military work was essential to its very existence, despite evidence to the contrary and the decision by the Geddes committee to focus military construction in three high technology shipyards.[768] The SIB increasingly despaired of the shipyard's position and even Anthony Wedgwood Benn, the Minister for Technology, was fed up with Scott Lithgow's attitude.[769] In the end, Benn had to write personally to Ross Belch stating that the companies' position was unacceptable and if they did not agree to the government's offer of assistance, then none would be forthcoming.[770]

Whilst an entity called Scott Lithgow had existed since 1967, this was little more than a token company with a value of £100 and the two shipyards did not complete a merger until the 31st December 1969, almost four years after starting negotiations and did not receive government assistance until March 1970.[771] As diagram 3.1 in chapter demonstrated, Scott Lithgow was in effect a holding company for Scotts and Lithgows, which for all extents and purposes continued as separate entities.[772] The shipyard continued to be run as two operations and proposed a plan to develop facilities capable of building the largest crude oil carrying tankers demanded by shipping companies. The plan, however, relied heavily on using existing facilities being developed to build the tankers in two halves, which ran counter to the developments in other nations that used purpose built facilities.[773] Belch justified the company's decision by stating that due to the naturally uncertain nature of the market for new shipping, he felt following a path of fiscal conservatism would protect Scott Lithgow's interests in the long run better than following the current trends in the shipbuilding industry.[774] By doing so and as its insistence on military orders demonstrated, Scott Lithgow followed a policy of building a range of

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767 TNA FV 37/21, SIB Board Minutes for 9th Oct 1967 and TNA FV 37/21 Letter dated 30th January 1967 from B. Barker, director SIB to M.A. Sinclair Scott, chairman of Scotts' Shipbuilding and Engineering Co. Ltd. and carbon copied to Sir. William Lithgow, chairman of Lithgows Limited.

768 TNA FV 37/21 letter dated 3rd April 1968 from M.A. Sinclair Scott, chairman of Scotts' Shipbuilding and Engineering Co. Ltd., to C.H. Bayliss, Ministry of Technology and *Statement on Defence Estimates: 1966. Part I: The Defence Review*, Cmnd 2901, (London, 1966).

769 TNA FV 37/21 letter dated 8th April 1968 to C.H. Bayliss, Ministry of Technology from B. Barker, director SIB and Letter dated 19th April 1968 from C.H. Bayliss, Ministry of Technology to B. Barker, SIB.

770 TNA FV 37/21 Draft letter dated 11th November 1968 sent to V.I. Chapman, Ministry of Technology and C.H. Bayliss, SIB, to be sent to M.A. Sinclair Scott, chairman Scotts' Shipbuilding and Engineering Co. Ltd. and William J. Lithgow, chairman Lithgows Limited.

771 GUAS GD 320/3/16 Notes dated 4th November 1969, entitled, 'Scott Lithgow Merger - Accounting Arrangements: Notes for Meeting - 4/11/69 at 2.15'.

772 ibid.

773 TNA FV 37/21 Memo dated 28th May 1969, by G.W.S. Reed, entitled, 'Note of a visit to Scott Lithgow on Wednesday, SIB, p.1.' and 'Melania: Largest Tanker built in Holland' *Shipping World and Shipbuilder*, February 1969, pp. 331-332.

774 GIAS GD 323/1/4/16, Scott Lithgow Group Development Plan 1968, p. 2-3, Marketing Section p. 3-5, GUAS GD323/1/1/50, Scott Lithgow Group Development Plan, 1970, GUAS GD 323/1/4/6, Scott Lithgow Group Development Plan, 1971, Appendix B, p.1 and Appendix F.

vessel types in small market segments, rather than focusing on the main vessel type in demand at any particular time. Scott Lithgow did build and sell large crude oil tankers, but in very small numbers and with a minimum of resources, particularly when compared to competitor shipyards in Europe or Japan.[775] In theory, Scott Lithgow should have been well placed to benefit when the global market for shipbuilding collapsed at the end of 1973 by being able to build whatever vessel the market required, but this was not the case. In the government-sponsored Booz Allen and Hamilton report of 1973, Scott Lithgow was heavily criticised for taking £18.5 million of public money from the Shipbuilding Industry Board and yet achieving little in the way of integration or development.[776] Therefore, when in 1973 the shipyard was left with cancelled orders and partially completed tankers, it was ill prepared to deal with the consequences and had to again ask for government assistance. Government assistance was not just about the nationalisation of Scott Lithgow in 1977, as argued by Johnman and Murphy, it was about a wide ranging and varied relationship between the British government and the shipyard.

Chapter four compared the two ways in which Scott Lithgow reacted to the cancellation of contracts for the construction of supertankers. In the case of the Angelicoussis company, when it cancelled its orders for two tankers of 134,000 dwt in 1975, Scott Lithgow was apparently taken unawares, despite the contract being moribund for over a year.[777] Scott Lithgow dealt with the situation by attempting to recover costs through negotiation but despite an offer from Anglicoussis to convert the orders into a number of smaller bulk carriers, the relationship between the two parties broke down in 1975, with both sides wanting compensation for their losses.[778] The problem for Scott Lithgow was that Angelicoussis prevaricated and could not accept that the orders were cancelled or ended, forcing Scott Lithgow to take legal action to recover its costs.[779] By 1976, the dispute had finally petered out in Scott Lithgow's favour, but only in as much as

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[775] TNA FV 37/21 Submission dated 3rd May 1968 from SIB Secretariat, entitled, 'Lower Clyde Shipbuilding, Interim Submission in Connection with Proposed Scott/Lithgow Facilities'.
[776] Johnman and Murphy, *Deja Vu all Over Again*, p. 236-237.
[777] GUAS, GD 323/1/3/38 letter dated 14th January 1974 to Lithgows Limited from Jon G. Kincaid & Co. Limited Marine Engineers "Ship no 1197 - Engine No. K440 For Anangel Fame Compania Naviera S.A." and GUAS, GD 323/1/3/39 Minutes dated 7th February 1975, from H.M. Currie to numerous recipients, entitled, "Record of telephone conversation with George Hone of C.W. Kellock & Company Limited".
[778] GUAS, GD 323/1/3/39 Two letters dated 22nd May 1975 to Lithgows Limited from Mr. C. Tsapralis of Agelef Shipping Co. (London) Ltd on behalf of Anangel Fame and Anangel Grace Compania Naviera S.A. "New Construction Hull Tanker No. 1197" & "New Construction Hull Tanker No. 1198" and two letters dated 26th May 1975, addressed to Anangel Grace Compania Naviera SA and Anangel Fame Compania Naviera SA, c/o Agelef Shipping Co. (London) Ltd, entitled, "New Construction - Oil Tankers - Yard No. 1198" & "New Construction - Oil Tankers - Yard No. 1197".
[779] GUAS GD 323/1/3/39 "Opinion" by G.K. Davidson QC dated 18th May 1976.

it was entitled to retain the money Angelicoussis had already handed over and therefore managed to limit any damage.[780]

In comparison, the cancellation of the Maritime Fruit Carrier contracts affected the shipyard to a much great extent and the process of resolution required the intervention of national government. Maritime Fruit Carriers (MFC) had ordered nineteen large crude carriers in 1973 from UK shipyards, none of which would have sailed to or from an Arabian port under the Israeli flagged MFC.[781] Rather, the orders were for resale to another company, taking advantage of the demand for supertankers in the early 1970s.[782] By 1976, Maritime Fruits Carriers was insolvent and could not afford to complete the carriers, but in the UK both Scott Lithgow and the British government still recognised the company as a functioning corporation.[783] This compounded the problems of Scott Lithgow and the government, and chapter five demonstrated that this continued assumption concerning MFC created a situation whereby both parties were in negotiation with a failed corporation that had no financial assets.[784] The government, however, was worried about unemployment in industrial areas and acted in November 1976 to have the two uncompleted vessels that Scott Lithgow was building for MFC taken into the ownership of the Bank of Scotland, which provided the funding for both vessels.[785] The intention was to resale the vessels to another shipping line, but in a heavily depressed market with an oversupply of supertankers, this could only happen with a further supply of government funding.[786] In the end, Maritime Fruit Carriers went to its demise and the two remaining vessels were sold to the Greek Niarchos shipping line after many disputes that led to a price reduction and with a further injection of £25 million in government subsidies.[787] Chapter four showed that the way in which Scott Lithgow and government dealt with the cancelled Maritime Fruit Carriers and Angelicoussis contracts led to the shipyard's eventual demise, as it attempted to sell unwanted vessels in a depressed market, not to

[780] GUAS GD 323/1/3/39 handwritten note dated 14th September 1976 from Ross Belch to Alan McNeilage written on a letter from Neill, Clerk & Murray to Alan McNeilage, "Anangel Fame Compania Naviera S.A. Ship No. 1197, Anangel Fame Compania Naviera S.A. Ship No. 1198".
[781] Israel did not have diplomatic relations with the Arab petroleum producers until the mid 1990s, when Jordan, Mauritania established diplomatic relations and Qatar and Oman open up for trade. Israel had a diplomatic relationship with Iran up until the revolution in 1979.
[782] "Discussions on MFC tanker sales", *The Times*, p. 25, Sep 19, 1973
[783] BT 321/214 Telegram dated 27th February 1978 to Department of Industry from Bank of Scotland, 'notes of a conversation with Mr Hensel, Israeli Lawyer, with Anthony Harvey, Bank of Scotland'.
[784] Scott Lithgow halts work on tanker for ailing MFC affiliate" The Times, 10th May 1976 and PRO BT 321/213 Memo dated 8 March 1976 from S.J. Irwin, D.T.I to Mr. Lawrence, DTI.
[785] BT 321/213 Letter dated 29th November 1976 to Captain Brener (Maritime Fruit Carriers) c/o I.F.R. Services, London, from Mr. J de Pauley, Department of Industry.
[786] BT 321/213 Memo dated 6th December 1976 from S.J. Irwin, Department of Industry to J. de Pauley.
[787] "State to foot bill on any loss in £20m tanker sale" *The Times*, 15th December 1976.

further its commercial prospects, but to keep the shipyard open by any means possible. Which, in many ways sums up Scott Lithgow and its relationship with government in the 1960s and 1970s; it was a company that wanted to continue trading and survive in a changing market for its products and yet was unable to use a substantial amount of government funding to change its fate, using the funds to prop up the business rather than adapting to a changing world.

The case study of Harland and Wolff in chapters five, six and seven provided a comparison to the relationship between government and the Scott Lithgow shipyard. Harland and Wolff had an additional layer of government to contend with in the form of the devolved Northern Irish administration based in Stormont Castle, Belfast. While the same themes of preventing unemployment and arresting decline are prevalent at Harland and Wolff as they are at Scott Lithgow in this period, these are contextualised by sectarian conflict in the Northern Irish shipyard. Harland and Wolff was first provided what was supposed to be a temporary lifeline in 1966, when the Northern Irish Government loaned the company £3.5 million to stave off temporary difficulties. In return, Stormont requested that a series of powers be given to the government to appoint a financial controller and have oversight of the company records, which resulted in the government's candidate for financial controller, John Mallabar, becoming the chair and chief executive of Harland and Wolff.[788] As chapter five showed, Mallabar worked quickly to cut Harland and Wolff's costs and promoted a scheme to construct a large ship factory and building dock analogous to the developments in Scandinavia and Japan. After receiving funding from the SIB to build the scheme, the shipyard underwent a large increase in orders for supertankers.[789] However, much as Mallabar's plan developed the shipyard to take advantage of the Supertaker boom of the 1960s and early 1970s, a combination of disruption to production during the construction of the building dock, low level industrial strife and poor accounting practices led to record losses for the Northern Irish shipyard and in 1970, Mallabar resigned, though not before he poured scorn over those he considered responsible for the company's fall from grace.[790]

Chapter six detailed the aftermath of Mallabar's fall and the detrimental effect it had on the future prospects of Harland and Wolff. The governments in Belfast and London felt this in two specific ways. First, they had already loaned and given the company

[788] PRONI CAB/4/1340/8 Stormont Cabinet Minutes 24th August 1966.
[789] 'Harland & Wolff: Plan for the Future' *The Times*, 26 Apr 1967.
[790] 'Harland & Wolff Chairman Resigns' *The Times*, 10th April 1970.

substantial amounts of funding over the previous four years with few results; the shipyard may have increase its output, but it had not become profitable in the process. Second, a burgeoning civil rights conflict in Northern Ireland was having a serious effect on day-to-day life and, with Harland and Wolff employing 7.5% of the population of the state-let directly, (and around one in ten indirectly) the potential for widening the conflict if all these people lost their jobs overnight was huge.[791] However, a paradigm shift had occurred in London with the election of a Conservative administration unwilling to provide investment for failing companies and therefore the shipyard could not expect the government to provide a further bailout.[792] As a consequence of this, the government in London stated that it would only become involved with Harland and Wolff if the company met certain minimum standards and that it alone would act a the principal mediator in negotiations aimed at providing a buyer for the company, which it saw as the best solution to its woes.[793]

Two buyers came forward almost immediately, the Greek-Argentine shipping magnate Aristotle Onassis and his Norwegian competitor Fred Olsen and over the course of 1970 they battled it out to impress the governments in London and Belfast.[794] However, there was little to choose between the two bidders and many politicians in London and Belfast wondered aloud whether it would be in the national interest to let Harland and Wolff be taken over by a foreign company and they started to work on an alternative scheme for the shipyard to be taken over by Swan Hunter in Newcastle.[795] This was a pyrrhic exercise, as table 6.1 shows, bar nationality, there was little between each bid and all three would have needed major injections of government funding for the company to survive.[796] The government, therefore, decided that rather than provide funding and then hand ownership of the company to another private enterprise it would keep Harland and Wolff under its current ownership and swap the debts of Harland and Wolff for a

[791] Hewitt, V.N. 'The Public Sector', in Harris, R.I.D., Jefferson, C.W. & Spencer, J.E. (edit) *The Northern Ireland Economy: A Comparative Study in the Economic Development of a Peripheral Region*, (Harlow, 1990) p. 368.
[792] Taylor, Industrial Policy, p. 156 and Heath, *The Course of My Life,* pp. 339 – 42 & pp. 346 – 8.
[793] TNA FV 36/88 Letter dated 24th July 1970 from D.R.E. Edwards, Ministry of Commerce to Mr Sharples, Minister of State, Home Office entitled 'Harland and Wolff'.
[794] TNA FV 36/88 Letter dated 8th September 1970 from S.Y. Dawbarn, British Embassy Athens to V.I. Chapman, Ministry of Technology entitled 'Onassis/Harland and Wolff' and FV 36/88 Memo dated 8th September 1970 from R.W. Baird, ADAS6, DTI to recipients unknown entitled 'Harland and Wolff Ltd: Comments On The Olsen Proposals'.
[795] TNA FV 36/88 Memo dated 11 September 1970 from S.W. Spain, DTI to Nicholas Ridley, Parliamentary Under Secretary of State for Industry, entitled 'Harland and Wolff'.
[796] PRONI CAB/4/1574/18 Stormont Cabinet Minutes dated 23 December 1970 'Belfast Shipyard: Memorandum by the Ministry of Commerce', pp 1-2.

government owned equity stake.[797] This came with a further condition: new management had to be introduced into the yard to restructure operations back to a sound commercial basis and Stormont achieved this by recruiting Iver Hoppe, the managing director of a successful supertanker shipyard in Odense, Denmark.[798] In 1971, therefore, with a modern shipyard, no debts and new management, the future looked bright for Harland and Wolff.

By 1974, events had started to overtake Harland and Wolff and again its future was in doubt. For the first two years of Iver Hoppe's time as Managing Director, he scored notable successes in reducing losses and bringing in new orders for supertankers.[799] His major contribution to the company's development was the P200 development scheme, which aimed to increase the through-put of steel at the shipyard from 120,000 tons a year to 200,000 by improving the material handling processes to make the most use of the building dock.[800] If the demand for supertankers had continued upon its exponential curve, then such a course of action would have given Harland and Wolff much improved commercial prospects. However, the oil crisis of 1973 dented orders and after the imposition of direct rule from London in 1972, the shipyard had to deal with a worsening security situation on its doorstep as well as losing its special relationship with the Stormont assembly that had kept it well supplied in financial assistance for so long. [801] The relationship with government was an important factor. In comparison with the case study of Scott Lithgow; Harland and Wolff had a symbiotic relationship with the government in Belfast and a much closer relationship with the central government in London. This was to Iver Hoppe's detriment; the incoming Labour government of spring 1974 was committed to nationalising the entire UK shipbuilding industry, but what was worse for Hoppe was the extreme personal dislike that the Secretary of State for Northern Ireland, Merlyn Rees had for him.[802]

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[797] TNA FV 36/91 Letter dated 12th March 1971 from Roy Bradford, Minister of Commerce to Richard Sharples, Minister of State, Home Office and TNA CJ 4/220 Letter dated 3rd February 1972 from W.S. Ryrie to E.V. Marchant and Note of Meeting dated 2 March 1972 between The Treasury, The Home Office and the DTI on 2nd March 1972.

[798] Hansard (Northern Ireland Commons), Belfast Shipyard (Future, 6th July 1971), columns 471-474, and Strath, B. *The Politics of De-industrialisation: The Contraction of the West European Shipbuilding Industry*; (Beckenham: Croom Helm Ltd, 1987).

[799] TNA CJ 4/220 Report dated 17th February 1972 presented to the R.J. Bailie, Minister of Commerce, entitled 'Harland and Wolff Limited: The Project' pp. 3-5.

[800] TNA CJ4/414 Letter dated 13th March 1973 from J.H. Armstrong, Ministry of Commerce, NIO to The Secretary, Harland and Wolff and report, undated entitled, ' Harland and Wolff Limited: Review of P200 Project.'

[801] TNA CJ4/617 Letter dated 13th November 1973 from Willie Whitelaw, Secretary of State for Northern Ireland to Edward Heath, Prime Minister, entitled 'Harland and Wolff'.

[802] *Let us work together - Labour's way out of the crisis: Labour Party Manifesto* (Labour Party, February 1974), Moss, M & Hume, J.R. *'Shipbuilders to the World: 125 Years of Harland and Wolff, Belfast 1861 - 1986'*, pp. 456 - 457.

By March 1975 Iver Hoppe had been forced to resign from the board of Harland and Wolff and the shipyard was in government ownership. The shipyard had not made a profit for over 9 years (as table 7.1 shows, it did so in 1975) and had been inextricably linked with government in both Belfast and London through ever increasing sums of money that came with ever more stringent conditions for the shipyard to follow. Nationalisation was the last act in a decade long process of government entrancement at Harland and Wolff, the majority of the shares in the company were already in the hands of the government and therefore, without a parliament in Stormont to dispute the measure and with the passing of Aristotle Onassis removing one obstacle, the state ownership of the shipyard in 1975 was little more than a fait accompli.[803] The end of the tale of Harland and Wolff is not as sad as that of Scott Lithgow; the company still exists and is still working, although not building ships anymore. Purchased by Fred Olsen in 1990, the company had an 'Indian Summer' building commercial and military vessels, but it must be emphasised that it is no long a major player in the shipbuilding market and in the 1990s only made a fraction of what Japanese and South Korean yards did.[804]

The case studies of Scott Lithgow and Harland and Wolff demonstrate the crucial rôle that central and regional government played in the development of the shipbuilding industry in the 1960s and 70s. Both relied upon government funding to develop facilities and both had to rely upon the government to help alleviate trading difficulties. However, there are important differences between the two cases, the most important of which is the nature of the relationship each shipyard had with government, both local and national. Scott Lithgow had a distant relationship with both the government and the Shipbuilding Industry Board, seeing them not as partners in developing facilities, but as a source of funding to be negotiated with. This was to the detriment of the shipyard as its reluctance to show its hand or even commit to a solid plan of action delayed developments for four years until 1970, leaving the company with only a three year window of opportunity to take advantage of the demand for supertankers. Harland and Wolff had a different relationship with government, in particular with the Northern Irish parliament at Stormont Castle. This is a vitally important difference between the two case studies, the administrative devolution of the Scottish Officer mattered little to Scott Lithgow, but the Belfast shipyard was seen as a cornerstone of a politically distinct Northern Irish state. Therefore, when Harland and Wolff entered into negotiations with the Shipbuilding Industry Board it did so

803 TNA CJ4/614 minutes dated 22nd July 1974, entitled 'Harland and Wolff, Statement to Parliament'.
804 *Lloyds Register of Shipping 1990 – 2000* (Lloyds, London, 1990-2000).

with the additional participation of Stormont and the additional funding the government in Northern Ireland could provide.

This relationship could be seen further in the way each shipyard dealt with the demise of the market for tankers: Scott Lithgow started a commercial debt recovery process with the lost Angelicoussis contracts, but soon needed government support when the Maritime Fruit Carrier company dealt it a near fatal blow. Harland and Wolff relied on local and regional government much more than the Scottish shipyard and received much more in financial assistance, not least because of the fear in government circles that the collapse of the shipyard could precipitate a civil war in Northern Ireland, but also because of the protestant workforces relationship with the Unionist Party and the Orange Order, the de facto hegemony in Northern Ireland. What is apparent in both case studies is the rôle particular individuals and politicians had in influencing the eventual direction the company took and these relationships illustrate the core of the hypothesis. In the case of Scott Lithgow, Ross Belch and William Lithgow held up negotiations for almost four years, until the Minister for Technology, Anthony Wedgwood Benn, insisted that they come to an arrangement with the SIB or lose out on funding. Furthermore, the efforts to recover from the lost Angelicoussis and Maritime fruit carrier contracts were played out against the interacts of Belch, the Angelicoussis family, Chaim Refaeli and numerous civil servants at the Ministry of Industry. Harland and Wolff, from 1966 onward, held the attention of senior politicians in both London and Belfast and when it almost collapsed in the 1970s had the attention of the Prime Minister Edward Heath. When the Labour Party returned to power in 1974, the management style of Iver Hoppe drew negative attention from the Secretary of State for Northern Ireland, Mervyn Rees and the shipyard was eventually nationalised in 1975 through the intervention of Anthony Wedgwood Benn.

This argument is strengethened by the circumstances of the Shipbuilding Industry Board's demise and the continued rôle of the government in the industry once it had ceased to exist. With it's commitments to liberalise the economy, removing government controls and closing down institutions tasked with economic planning functions, the Heath government closed down the Shipbuilding Industry Board in 1971.[805] However, by 1972, the Heath government had undergone many economic trials and tribulations; a number of companies went bankrupt during the course of the year and Heath responded with nationalisation. The potential for mass unemployment and union agitation was such that

[805] *1970 Conservative Party Election Manifesto, A Better Tomorrow: The Conservative Programme for the next 5 years* (Conservative and Unionist Party, 1970).

the Heath government underwent a policy ‘u-turn’ in 1972 and not only continued to provide government assistance to the shipbuilding industry, but, in conjunction with the Northern Irish government, de facto nationalised Harland and Wolff.[806] Whilst at first the Heath government refused to lend assistance, agitation from the management of Scott Lithgow in Scotland and government pressure in Northern Ireland forced the government’s hand and the creation the Industrial Development Executive in 1972 restored many of the old planning structures put in place by the Wilson government. A crisis atmosphere was prevalent within the Conservative government (and was not helped by a miners’ strike coinciding with the 1973 Oil Crisis) and the Labour opposition, and by the 1974 general election state economic controls were advocated by both major parties. Labour also proposed the wholesale nationalisation of all the large-scale industries in the United Kingdom, particularly shipbuilding, aerospace and automobiles.

When returned to power after the first inconclusive spring election of 1974, Harold Wilson and the Labour government worked towards nationalising the shipbuilding industry and the aerospace manufacturers. The relationship between shipbuilders and government changed again, although on this occasion it was a case of compulsory government ownership rather than state assistance and guidance. The impetus for Labour had changed during the 1970 to1974 spell in opposition in response to the agitation of Tony Benn, but also the prevailing zeitgeist in the international and British economy had changed as well.[807] Whereas during the long boom of 1950-1973 the focus was on scientific management and control of the economy in a government and industry partnership, by 1974 a wave of bankruptcies in the private sector was discredited many companies in the eyes of voters. Consequently, a slender majority of three created pragmatic relationships with other parties, such as the Liberals and the nationalist parties, and Labour backbenchers held more individual control over policy than usually occurs when a government has a large majority. Therefore, the move to nationalisation was not merely a reaction to circumstances. That shipyard owners and managers supported nationalisation, particularly in Scotland on the Clyde and on the Tyne in North West England, reinforced the sense of crisis and the need to act to prevent the industry’s demise. Passed in 1977 after 3 years of deadlock (and using the Parliament Act (1919) to overrule the House of Lords), legislation created British Shipbuilders from the merger of all the remaining private shipyards, bar Harland and Wolff, which was nationalised in 1975 under the remit of the

[806] TNA CJ 4/22O Letter dated 11th February 1972 from A.C. Brooke, Ministry of Commerce, to E.V. Marchant, DTI, entitled ‘Harland and Wolff Limited’.
[807] Benn, A.W. *Against the Tide: Diaries, 1973-77*, (Arrow Books, London, 1990), Benn, A.W. *Conflicts of Interest: Diaries, 1977-80* (Arrow Books: London, 1991).

Northern Ireland Government. British shipbuilders only lasted six years, until the Thatcher government dissolved the corporation into smaller private companies in 1983, most of which had closed down by the mid 1990s.[808]

[808] Johnman and Murphy, *British Shipbuilding,* pp. 216-243.

The last few words

This thesis rests upon the interaction of a series of institutions at the centre of British industrial and economic policy between 1945 and 1979. In reaction to both a perceived and genuine weakening of the United Kingdom's status as an economic power, caused in part by genuine relative decline in the face of competitor nations creating a heightened (and some might say irrational) obsession with national decline amongst the establishment, an incremental increase in government control over the economy took place. The tripartite efforts of the Conservative government from 1957 with the creation of the British Productivity Council aimed to bring management, government and labour into a series of informal, but influential, bodies to decide the economic goals for the economy, the National Economic Development Council and Office being the two prominent examples.[809] However, these bodies, depending largely on the goodwill of participants lacked the authority to impose solutions on industry. As the example of the reviews into shipbuilding by the Conservatives in the early 1960s demonstrated, the bodies could recommend the correct course of action, but without some form of central guidance, compulsion and planning, this was to little, or no, avail.

With the election in 1964 of the Wilson Labour government a fully fledged system of state planning and guidance for industry was implemented, but this still replied upon the agreement of the parties involved as, despite having an enthusiasm for scientific planning and control, the government shied away from mandatory schemes and preferred a system of consultation prior to the creation of any body.[810] This preference is behind the story of government's relationship with shipbuilding between 1964 and 1970. This thesis has shown how an excess of inquiry, a lack of compulsion and a surplus of negotiation produced outcomes unsuitable to the industry during the 1960s and early 1970s. The relationship between shipbuilders, ship-owners, government, trade unions and, in a wider sense, the media left a distinct mark on the schemes implemented by the Shipbuilding Industry Board and is reminiscent of the three institutionalisms theory of Hall and Taylor.[811] However, there are certain ambiguities in this model. First, the Geddes

[809] Ringe, A. & Rollings, N. 'Responding to relative decline: the creation of the NEDC', *Economic History Review*, 53 (2000), pp. 331-353.
[810] Tomlinson, J. *The Labour Governments 1964-1970: Economic Policy* (Manchester, 2002).
[811] Hall, P.A.& Taylor, R.C.R, *Political Science* and the Three New Institutionalisms, *Political Studies*, 44(5), 1996, pp. 936-957.

Committee interviewed and took evidence from interested parties concerned with the shipbuilding industry, but those parties were not central to the process and the decisions concerning the recommendations of the committee rested solely on the views of the committee's composition. The Geddes Report proposed a limited modernisation of obsolete equipment in British shipyards and yet discounted changes in yard layout and practices found in Japan and other competitor nations in Western Europe, which was to the industries cost.[812] Second, the creation of the Shipbuilding Industry Board represented a second order change as per the Hall model and that a policy network existed between the board, shipyards, unions and government, but this cannot explain how the decisions of the board took the form they eventually did. This thesis showed that the SIB 'learnt on the job' and changed its views as it evolved over time and that protracted negotiations with shipyards diluted the measures of the board to such an extent that with a decade the industry was all but removed from the British industrial environment.[813] Finally, the management of the shipyards themselves, whilst an interested party and part of the policy network surrounding the SIB, rarely desired the creation of modern shipyards as found in Japan and Western Europe, but preferred to bid for lucrative and safe Royal Naval contracts and commercial contracts subsidised by central government.[814] The thesis illustrated the inspiration behind such decisions and demonstrated the seclusion of British shipyard management from wider influence and also the distorted commercial environment created in part by the reliance on military orders over the course of two centuries, but also by increasing reliance on government aid and intervention.

To conclude, this thesis has shown that the extended processes of consultation under the aegis of the first Wilson Labour government, from the public inquiries of its early years to the negotiations with companies concerning state aid from 1966 onwards, restricted efforts at introducing modern working practices and equipment into British shipyards. This is not to state that the neither government nor the shipyards were unaware of developments, rather it is to show that the government was hindered by a report recommending a process bearing little relation to the prevailing orthodoxy found in global shipbuilding, by the shipyard's reluctance to move away from the comfort zone of Royal Naval orders and subsidised commercial contracts and, finally, by external and internal political pressures. The Shipbuilding Industry Board institutionalised many of the

[812] Shipbuilding Inquiry Committee, *Report,* Section 13.
[813] TNA FV 37/21, SIB Board Minutes, dated 13th February 1968. Two letters, first dated 8th January 1968 to C.H. Bayliss, Ministry of Technology from B. Barker, director SIB, second dated 22nd January 1968 to B. Barker from C.H. Bayliss in response to the first letter.
[814] Johnman and Murphy, *Deja Vu all Over Again*, p. 236-237.

industry's problems and therefore the verbatim imposition of the Geddes report on to the shipbuilding industry by the Wilson government actively sped up the decline of the industry. As the case study of Harland and Wolff showed, the government did move away from the provisions of the Geddes report, but the eventual outcomes for the industry rested upon negotiations between a small group of individuals and as such represented not the best plan of action for any particular shipyard, but only a compromise position between different points of view. This diorama of interested parties in the industry was varied and complex, but from the mid 1960s it was the government that decided to act as the saviour of shipbuilding and as such it should have exercised a more defining centralised rôle. However, the government did not and instead of bringing about a new epoch of growth in the shipbuilding industry, it instead exacerbated existing problems and eventually changed its rôle from helping shipyards deal with the future to helping them deal with the consequences of failure.

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PRONI CAB/4/1579/7 Stormont Cabinet Minutes dated 26th January 1971

PRONI CAB/4/1579/7 Stormont Cabinet Minutes dated 26th January 1971

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