

Government intervention and the decline of British shipbuilding 1964-1970

**The role of negotiation and compromise between the Harland & Wolff shipyard, Belfast
and government institutions in determining programs of industrial modernization**

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Abstract

Since the partition of Ireland in 1921, the Protestant self-governing 'State-let' of Northern Ireland has used economic intervention to promote growth and preserve the fiscal viability of the enclave. This paper details the rôle of the Northern Irish and British governments between 1966 and 1975 in developing the Harland & Wolff shipyard, against the wider backdrop of sectarian violence and political instability. During a period when the company was technically insolvent, this paper will show that wider social and political concerns influenced government decisions more than economic factors, and questions whether during this period Harland & Wolff was a viable business.

Introduction

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 between the Northern Irish Government at Stormont Castle, the Shipbuilding Industry Board and the Labour government under Harold Wilson in London. Whilst only lasting 4 years, the developments in the years 1966 - 1970 radically altered the very nature of Harland & Wolff and acted as a pivot point 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 Abramovitz and Olson position, whereas this paper demonstrates that the wider political diorama and context heavily influenced developments which determined corporate outcomes beyond the narrow confines of management decision making as a response to changing market conditions.

During the 1960s, radical political and social upheavals in Northern Ireland had a profound effect not only on the relationship between the British government and residents of the 'state-let' but also on the relationship between industry and government. In 1966, Northern Ireland was a self-governing state within the United Kingdom, partitioned off from the Irish Free State in 1921 as a response to Protestant and Unionist agitation opposed to the creation of a nation state in which they would be a minority. As such, the bi-cameral Northern Irish Parliament at Stormont Castle, had extensive powers over the affairs of the North of Ireland (with monetary, foreign and defense policy reserved for the United Kingdom Parliament in London) and throughout its 51 years of existence it was dominated by the Protestant Unionist Party, despite Roman Catholics making up around 39% of the population of Northern Ireland.¹ In 1975, the government of Northern Ireland was no more, and as a response to worsening sectarian conflict within the province, London imposed direct rule in 1972. During this period, the fate of the Harland & Wolff shipyard was intertwined with that of the Northern Irish Parliament. From being a private company, which in 1966 had to borrow money from the government to survive, the shipyard was a nationalized company under British government ownership by 1975. This paper will demonstrate how the process occurred and will show that increasing government concern over the potential for widespread unemployment in Northern Ireland, particularly amongst the predominately Protestant workers of Harland & Wolff, led to a policy that stated the shipyard could not close at any cost.

My research studies the role of government policy in determining the fate of British industry during the so-called 'long boom' or 'Golden Age' of sustained economic growth between 1950 and 1973. Academic discussions concerning the change in the global status of the United Kingdom, particular the development of the 'declinist' paradigm over the past 20 years are of interest as the literature in this area is constantly creating many separate points of view. Indeed, the literature on British industrial decline in the face of competition from Japan and West Germany has focused on whether the decline was relative (Abramovitz 1986) or whether it was absolute (Olson 1982 and 1986) and in recent years the literature has developed two conflicting arguments, namely the Broadberry-Crafts 'productivity growth failure' hypothesis versus the Booth assertion that no British economic decline was evident in this period (Broadberry and Crafts 2003 and Booth 2003). Although based on the in-depth analysis of contemporary data covering a wide range of industries, it is my contention that a closer study of the relationship between government and a specific industry can significantly add to the theories outlined by these academics. As a specific industry, British shipbuilding in this period underwent a rapid transformation from being an important player in the global market to a small specialist industry, but whilst enjoying a privileged association with central government. Essentially, it is the study of these relationships that forms the basis of this paper.

The literature on the decline of British shipbuilding has focused on technological, institutional and political reasons for this decline. The first, advocates that British shipyards failed to modernize and increase productivity compared to those in Japan, West Germany and Sweden (Sträth 1987). The second is that British institutional arrangements and relationships were fractious when compared to arrangements found in overseas competitors (Lorenz 1991). The political economy analysis states that governmental failures exacerbated the problems of the shipbuilding industry and did not address the industry's concerns (Johnman and Murphy 2002). Taking the political economy approach, my research has studied the relationship between the Wilson Labour government of 1964 to 1970 and shipyards in areas where there was either political devolution; Northern Ireland, or administrative devolution; Scotland, focusing specifically on Harland & Wolff in Belfast and Scott Lithgow in Greenock (Connors 2007). The research question presented by these relationships is a simple one. Why did shipbuilding fail under the Wilson government, which actively intervened in industry during in this period in order to increase high value exports, especially when this was a period of exponential growth in shipbuilding globally, based mostly on the demand for large crude oil carriers of a type built by the aforementioned shipyards.

Focusing upon the relationship between the Wilson government's instrument of modernization, the Shipbuilding Industry Board (henceforth known as SIB) and the Harland & Wolff shipyard, this paper develops a contextual narrative of developments under the aegis of Chairman John Mallabar from 1966 up until 1970. This research has shown that government intentions to fund infrastructure development failed because a 5-year process of negotiation between shipyards and the SIB held up reconstruction, which led to a number of development plans that did not reflect the prevailing orthodoxy and best practice found in shipbuilding globally, but a compromise between government, the SIB and the shipbuilders. Not only did these negotiations involve the SIB and shipbuilders, but also central and regional government and any outcome reflected a myriad of views and opinions. Current literature on the post-war and Wilson governments demonstrates that this was not only confined to shipbuilding, but also reflected in the wider industrial economy (Tomlinson 2000 & 2003, Edgerton 1996 & 2006, Toyne 2003, Coopey 1993) and some theories of 'governance' have developed to explain these processes (Pemberton 2004). Therefore, my research places emphasis on the relationship between government (both central and regional) and industry to produce a synthesis between the declinist literature and works on the political economy of this government.

Based upon the recommendations of the Geddes Report (named after the chairman of the Shipbuilding Inquiry Committee of 1964 - 66) into the shipbuilding industry released in 1966 and set up in the same year, the Shipbuilding Industry Board was the end-result of a half-decade long process of inquiry and introspection by the British Government concerning the shipbuilding industry in the face of increasing overseas competition.² From the late 1950s onwards, Japanese and Swedish shipbuilders engaged in an extensive program of modernization aimed at increasing output and productivity, and by the early 1960s, the industries in both countries produced more tonnage respectively than the entire United Kingdom, with a much higher tonnage output per employee. Mostly, the shipyards in Japan and Sweden used a combination of 'Liberty Ship' technology developed during the Second World War and production control methods, such as 'Critical Path' and the 'Deeming Method' of statistical control, created by Du Pont and IBM respectively in the United States during the 1950s. Additionally, within a context of a rising demand for crude oil as a source of energy in OECD nations creating a need for larger and larger vessels, new technology combined with consumer demand led to an exponential rise in shipyard output built upon the construction of oil tankers around the 250,000 to 500,000 ton deadweight mark (Very Large Crude Carrying Tankers – VLCC).³ In the United Kingdom however, the adoption of such developments happened in a piecemeal fashion, if at all, and an environment of labor-management agitation restricted the scope of shipbuilding companies to introduce new

production methods which unions considered detrimental to their membership. Moreover, the short-term focus of management, a lack of strategic planning and complacency when dealing with traditional customers for their products led to the creation of a state of obsolescence for the British industry. Consequently, the Labour government under Harold Wilson empowered the Shipbuilding Industry Board to reinvigorate the British industry and bring about technical and organizational changes to enable companies in the United Kingdom to sell vessels on equal terms with those manufactured in competitor nations. However, the terms of reference given to the Shipbuilding Industry Board by the Geddes report hampered the efforts of the institution from the very start of its mandate. For example, Geddes recommended the merger of small regional shipyards into three, maybe four regional groups based on geographic proximity as a panacea to soothe the industries malady, but discounted the production methods of Japan and Sweden as being unrealistic and too capital intensive for the United Kingdom, disputing the merits of a ship factory constructed around a building dock.⁴ The SIB and civil servants eventually solved the situation by discounting the Geddes report and following international trends.⁵

In the late 1960s, three shipyards in the United Kingdom decided to enter the market for vessels over 250,000 tons deadweight; Swan Hunter in Newcastle, Harland & Wolff in Belfast and Scott Lithgow in Greenock, Scotland. However, the focus of this research is on Harland & Wolff, which had a long-standing relationship with national and regional government and was extensively involved with the work of the SIB. Indeed, the study of this shipyard is critically important to the narrative of shipbuilding and government in the United Kingdom during the 1960s, as the processes and outcomes of the negotiations between this company, government and the SIB varied widely. The 'Supertanker Boom' of 1967 to 1973 illuminates this relationship, as government at first acted to take advantage of the demand for large crude oil carriers and then reacted to prevent an entire industry from facing bankruptcy after the four-fold price rises of the 1973 OPEC oil shock cut the demand for oil tankers by 90%.⁶ The following section will use a case study of Harland & Wolff to demonstrate how the wider economic context affected these shipyards through the filter of its relationship with central and regional government.

Harland & Wolff and the Shipbuilding Industry Board, 1966 to 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.⁷ Indeed, the story of the Harland & Wolff shipyard in the period 1966 to 1973 would appear to be one of success, (financial results excluded) when compared to other shipyards in the United Kingdom. The company underwent a capital-intensive modernization; changing the layout of the yard to incorporate the world's largest building dock and replacing outdated equipment in the fabrication sheds. However, in this 10-year period, the shipyard never registered a profit and did in fact record losses on an unprecedented scale.

In 1966, despite being the largest UK shipyard in terms of physical size, workforce, output and financial turnover, the chairman of Harland & Wolff, Dr. Denis Rebbeck stated in his 1966 address to the company's shareholders that Harland & Wolff was vulnerable to Japanese competition and was unable to bring down labor 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. In order to survive, the company asked the devolved government of Northern Ireland for a loan to cover current and future losses.⁸ 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.⁹ However, with the resignation of Rebbeck as chair, Harland & Wolff required not just a Financial Controller to bring costs under control, but also a Chairman and possibly a Managing Director. The usual method of appointing such a position was a long-term process of developing an internal candidate over the course of decade and then appointing the favored person accordingly.¹⁰ Bizarrely, the eventual appointee, John Mallabar, a chartered accountant who ran his own firm of accountants J.F. Mallabar and Co in London, was unique in several ways, not only because he originated from outside Northern Ireland but also as he was originally Stormont's candidate for Financial controller.¹¹ Indeed, Mallabar had a reputation as a 'fixer' of companies undergoing financial difficulties, gaining a small amount of fame in the financial press whilst rescuing the engineering firm Ruston & Hornby as its chair in the years 1964-1966.¹² Mallabar made a quick start by making 500 underutilized workers redundant and a further 400 on shipbuilding and 100 on other engineering tasks within a week of his appointment.¹³ However, high unemployment in Northern Ireland acted as a brake on the ambitions of Mallabar as the redundancies were politically unpopular.¹⁴ Nevertheless, in December 1966, there were 279 further redundancies.¹⁵ However, 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. Although Mallabar's first priority was to

make redundancies and find savings, it was the creation of the long term development plan and strategy that was his legacy to the shipyard, which heralded larger sums of money and more state intervention in the shipyard, by both the Stormont and the Westminster Governments.¹⁶

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.¹⁷ Mallabar, through negotiations with the Shipbuilding Industries Board (SIB), knew that the potential funds available from the S.I.B and the Stormont government would pay for the reconstruction of the shipyard. Mallabar announced to the assembled media at the launch of the S.S. *Myrina*, on 19 September 1967, that the only way forward for Harland & Wolff was to construct a large building dock and manufacturing facilities similar to those found in Japan.¹⁸ With access to the Musgrave channel, (constructed in 1899 to the east of the shipyard to provide tidal moorings and was over 1000 meters 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, this 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.¹⁹ 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, with 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.²⁰

The government in Belfast and the Shipbuilding Industry Board in London supported the proposal, but the British government treated Harland & Wolff differently from other shipyards, because of the additional jurisdiction of the Northern Ireland Government.²¹ 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.²² However, whilst the debate over the rôle of Stormont, Whitehall and the SIB concerning the affairs of Harland & Wolff played a part, it was the 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

project gained favor in both Stormont and Whitehall. 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 high sustained growth.²³ Certainly, by advocating 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, Bayliss gave the minister the impression that the ship order was dependent on the modernization of the shipyard.²⁴

By January 1968, Whitehall was in favor 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.²⁵ Moreover, Whitehall rebuffed attempts at rescheduling Harland & Wolff’s debt to Stormont by merging the loans with those from the SIB because to do so was outside its jurisdiction. It is 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.²⁶ Therefore, on the 16th January 1968, William Swallow, the chairman of the SIB delivered his submission to Benn for his approval of an £8 million loan to Harland & Wolff. In his letter, Swallow emphasizes that with the ongoing order for the construction of the Esso tankers, approval needed to be swift.²⁷ 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 conditions of the proposed loan, certain rights held by both the Government and Stormont were proposed for the first time. These were, 1) the right to appoint a chair or chief executive, 2) the right for the government to appoint a director to represent its interests, 3) the right to approve any financial measures, such as loans and dividends and finally, 4) the right to request any information concerning the yard.²⁸ Consequently, the 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.

Despite this enthusiasm, elements of the central 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.²⁹ 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.³⁰ After a hurried two days of correspondence, the Chief Secretary gave his approval to the project on 18th January 1968.³¹

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 more than necessary on Harland & Wolff.³² Therefore, any additional funds would have to come from the budget of the SIB, which would be obligated to loan rather than grant additional amounts of money to Harland & Wolff.³³ This impasse was broken on the 10th April 1968, when a relaxation of budgetary restrictions for Northern Ireland enabled Stormont to fund the additional £1.5 grant, allowing the loan agreements to be signed and the project to progress beyond the early stages of construction.³⁴ 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 picture presented by Harland & Wolff in 1968 was highly positive³⁵ Certainly, Harland & Wolff were starting to sell more ships and by April 1969, £58 million in new vessel orders had been received.³⁶

By the fall of 1969, the second progress report to The Chief Secretary stated that whilst the situation was not critical, Harland & Wolff's circumstances had worsened. The main concerns were; a six month delay to the construction of the building dock, the potential for financial overruns on the building dock project, problems with the construction of ancillary equipment and purchasing 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 worked to make sure the political problems of Northern Ireland had not effected the yard and that orders had increased, with five VLCC tankers and nine large bulk carriers on order, which provided work for the yard until 1972.³⁷ 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; labor relations, low productivity growth and high material (steel) prices.³⁸ By 1970, many in Whitehall and Stormont had a high opinion of Mallabar, believing he had arrested the decline of Harland & Wolff. Certainly, in the early part of his tenure as Chairman, Chief Executive and Financial Controller he reduced the shipyard's losses. However, in 1969 a series of problems came to the fore that led to an unprecedented one-year loss in the company accounts, the nature of which the company's auditors, Price Waterhouse, could not immediately verify.³⁹ As reported in the company's preliminary results to the stock exchange in April 1970, Harland & Wolff lost £3,774,770 up to the 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.⁴⁰ This was a much larger figure than any losses previously recorded at Harland & Wolff; in 1967 and 1968, the losses were £1,156,000 and £755,000 respectively. Moreover, the company's auditors, Price Waterhouse stated that a further £3 million was not yet accounted for. Eventually, in 1971, the losses for 1969 were agreed at £8,330,000.⁴¹

Mallabar resigned in 1970, but did not leave without explanation in the annual statement to shareholders and the stock exchange. Opening by quoting the previous years 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, would have serious repercussions for the company.⁴² 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 early in 1969 in response to growing wage pressure. Consequently, labor 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 yards performance, but during the course of his final report as chair, it was, in his opinion, the attitude of labor that had reduced the yards performance.⁴³

The reaction of civil servants in both Whitehall and Stormont was not one of surprise; they knew that a large loss was likely for 1969. Indeed, 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.⁴⁴ 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 retired former managing director of British Motor Holdings Limited, a holding company for the eclectic survivors of the British automobile industry.⁴⁵ Edwards was technically retired and had no experience of the shipbuilding industry, but his appointment was supposed to be a temporary one until government 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, as 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 same troubles that gave Harland & Wolff a lifeline, as the government in London 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. Consequently, the government was quick to emphasize that any rescue package would include provisions for a high level of government involvement.⁴⁶ 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.

Nevertheless, even after a period of capital-intensive reconstruction, the shipyard was not economically viable. Mallabar was correct in copying 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. Firstly, 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. Secondly, with Harland & Wolff employing 7.5 per cent of the Northern Ireland's industrial workforce directly and a further 10 per cent indirectly, there was too much temptation for the government to provide a financial bailout to keep the peace. Finally, union agitation, based on sectarian issues and combined with a resistance to change was a strong combination that fatally compromised attempts at modernization. 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.

Harland & Wolff survived, and despite a number of high profile bids for the shipyard in 1970 by multi millionaire ship-owners, namely Aristotle Onassis and Fred Olsen, the shipyard remained in British hands, although from 1971 with a 47.5 percent government shareholding and a £14.1 million grant to write-off the shipyard's escalating debt.⁴⁷ Local opposition to both Onassis and Olsen, based in part on the unwillingness of both men to take on the companies debts, and of racially motivated opposition, sank the private bids and increased the government's fear of fuelling the conflict further, thus effectively tying the government's hands.⁴⁸ Whilst a new chairman recruited from the successful Odense shipyard in Denmark, Iver Hoppe, endeavored to continue to develop the shipyard into a facility capable of working 200,000 tons of steel a year by

1975, continuing labor disputes and financial instability plagued the shipyard, to such an extent that the oil crisis of 1973 threatened the shipyard's very existence as a commercial entity. As a result, the Labour government of Harold Wilson, elected in February 1974, nationalized Harland & Wolff in March 1975; with the Northern Irish government now defunct and with a manifesto pledge to nationalize shipbuilding, there was little opposition to such a move.⁴⁹ Harland & Wolff is still in existence today, but survives with a vastly reduced workforce, for despite a profitable 'Indian Summer' under the ownership of the Olsen concern in the early 1990s, the shipyard now survives on the few military orders that come its way and has not built a merchant vessel for many years.

Conclusion

Many academics that research shipbuilding attribute the precipitous decline of the British industry over the course of the 1960s to increased competition from overseas manufacturers taking larger and larger slices of a market that had traditionally been a British near monopoly. However, this is not the entire picture, as industries based in nations with a long tradition of shipbuilding grew at a faster rate than the British industry, and from 1965 the global demand for newly built vessels was such that shipbuilding in the United Kingdom should have experienced an increasing output. Traditional declinist narratives place emphasis on the rôle of trade union disputes and demarcation in Britain's industrial decline, whilst simultaneously linking this to the inability of the manufacturing sector to modernize methods and equipment. This paper, whilst not overtly contradicting the declinist view, demonstrates that a government-industry nexus of decision-making was an important influence on the decline of the British shipbuilding industry and therefore illuminates processes that effected British industry as a whole.

Since the end of the Irish union with the United Kingdom in 1921, Northern Ireland has existed 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. Consequently, by the middle of the 1960s, with increasing 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 within the society of Northern Ireland. Whilst these pressures were contained within Northern Ireland, the government in London did not pay attention to the situation in the statelet. 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. This is the context behind the government's relationship with the Harland & Wolff shipyard, which influenced the decision-making processes of both regional and national government when intervening decided its fate.

As this paper demonstrates, from the first government intervention in 1966 up until 1970 and the resignation of John Mallabar as chairman, the Harland & Wolff shipyard had the potential to become a large profitable shipbuilding company similar to those found in Japan at the time, but was instead economically unviable. 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 spiraled 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. As a result, both governments spent ever-increasing amounts of money on propping up the shipyard, regardless of the economic consequences.

These factors contextualized John Mallabar's chairmanship and whilst 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 knew that the special circumstances of Northern Ireland would provide more 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, but the underlying context, whilst advantageous initially, 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 trade unions or 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 trade unions knew that the central and regional governments would not allow the company to fail. On many occasions over the course of the following decade this was the prevailing view, ending with a series of government-sponsored bail outs and the eventual nationalization of the shipyard in 1975. As a result, this case of Harland &

Wolff demonstrates that without the fear of bankruptcy and collapse, the restructuring of an uneconomical company will fail, simply because there is very little incentive to succeed.

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 the shipbuilding industry 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 nor the fear of communal strife on economic policy. This paper shows that regardless of the prevailing orthodoxy within an industry and despite the commercial necessities a company faces daily, if the prospect of failure is no longer an incentive, and management and labor fail to work at an optimal level, 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, he failed to comprehend that this same environment removed incentives for his staff to follow his lead, and that was the underlying story of the Belfast shipyards' decline in the 1960s.

¹ Bew, P., Gibbon, P., and Patterson. H., *Northern Ireland 1921–1994: political forces and social classes* (London, 1995) and Hennessey, T., *A history of Northern Ireland 1920–1996* (London, 1997).

² See, *Research and Development Requirements of the Shipbuilding and Marine Industries*, Department of Scientific and Industrial Research, (HMSO, 1960), *Shipbuilding in Sweden: Report of a British Productivity Team*, British Productivity Council, (HMSO, 1960), *Shipbuilding orders placed abroad by British shipowners: Report to Minister of Transport by Messrs Peat, Marwick, Mitchell and Company*, Ministry of Transport, (HMSO, 1961) *Report of a subcommittee on prospects*, Shipbuilding Advisory Committee, Ministry of Transport (HMSO, 1961) and *Productivity in Shipbuilding: Report of the main committee under the chairmanship of James Patton, O.B.E. to the Joint Industry Committee*, Joint Industry Committee (London, 1961) (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 Marine and Engine-builders, with the chairman from the Productivity and Research Organisation).

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²³ TNA T334/76 submission to Minister of Technology, Anthony Wedgwood Benn by C.H. Bayliss dated 21st September 1967.

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²⁵ 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.

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²⁷ 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'.

²⁸ 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'.

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⁴⁹ TNA CJ 4/220 Letter dated 17th February 1971 from Iver Hoppe and Lord Rochdale, Harland & Wolff to R.J. Baillie, Minister of Commerce, pp. 1-2 and Moss, M & Hume, J.R. *Shipbuilders to the World: 125 Years of Harland & Wolff, Belfast 1861 - 1986* (Belfast: The Blackstaff Press, 1986).