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E.R.

PUS/L/1322

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WSE
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① Sir Ewart 227/2
② Miss Davis
Mr. Marshall
n/b

NOTE OF A MEETING HELD IN BELFAST ON 4 FEBRUARY TO DISCUSS HARLAND & WOLFF

Present:-

- | | |
|----------------|-------------|
| PUS | Mr Marshall |
| Sir Ewart Bell | Mr Burns |
| Dr Quigley | Mr Daniell |
| Mr Bloomfield | |

1. The meeting had before it Mr Bloomfield's paper which was about to be put to the Secretary of State through Mr Butler. The paper set out the options for the future strategy and funding of Harland and Wolff in the light of the two prospective orders which were being sought by the company - a large carrier for British Steel and seven smaller container ships for US Lines. The main points made at the meeting are recorded below.

2. In purely economic terms, there was no justification for keeping H & W open. As Sir Charles Carter had pointed out, government funds being used to support a company which had no prospect of long-term viability, would be better directed into areas such as housing, new industrial development, reducing energy costs for industry, etc. Furthermore, if H & W were to be kept in business by an exceptional level of government support, it was difficult to argue against similar action being taken in respect of De Lorean. There was a danger that the Secretary of State would use up his goodwill with the Treasury in continually having to seek special assistance for Harlands so that help would not be forthcoming in the future in relation to more deserving cases. On the other hand closure of the yard would carry with it serious political and social consequences and the Secretary of State's instincts were to keep it open, even at a high cost to the Exchequer; he had said as much in a meeting with the CSEU earlier in the week.

3. Ideally, the strategy should be to reduce the workforce at the yard from 6,500 to 4,500 with associated improvements in productivity. The management had always argued this to be impossible, but they had never been prepared to get to grips with reducing staffing to a realistic level. They feared that the disruption associated with the implementation of such a plan would be too much for the business to stand. Another manning problem was that the distribution of skills did not

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allow for the flexibility that was necessary in changing market conditions; for example H & W could not switch to building small ships as this would require fewer steel workers and more outfitters. Studies on possible diversification had pointed to the conclusion that the yard's future was totally dependent upon its ability to gain orders for and build large ships.

4. The management argued that the yard could not be run down in an orderly fashion. If Harlands failed to win further orders, the workforce would spin out the existing work, incurring increasingly high financial penalties for delays in delivery.

5. As for the two orders currently being sought, the US Lines deal was far from certain; if it fell through and there were no other firm prospects, then a run down of the yard towards closure was inevitable. The BSC order was of immediate importance in employment terms and if it were lost, there would be a serious danger of the labour situation at the yard degenerating to such an extent that existing and future work would become non-viable. The BSC were well disposed to the order, but only on very soft terms which would inevitably result in a loss for Harland & Wolff. Particularly worrying was the fact that the terms were based on productivity assumptions which in present circumstances were not attainable. It simply was not possible to negotiate an agreement with BSC that would stand up to commercial scrutiny. The question was whether in these circumstances it was worth trying to proceed purely for political reasons.

6. The political arguments against closure were in essence based on the belief that there would be a sense of despair and loss of confidence that would spread through the Protestant community. On the other hand a jolt of this sort might be no bad thing and encourage people to take the economic problems seriously. Moreover, it seemed inevitable that the yard would close at some stage; it might be that closure now would be less damaging than at some future date.

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7. Given that the Secretary of State wanted to keep the yard open, there might be ways of making government assistance conditional on improvements in productivity and management practice. The BSC order could be kept on ice for three months pending a final decision that would be taken in the light of whether performance at Harland & Wolff had improved. Another possibility would be to put in consultants to establish whether the firm could be made viable. It seemed unlikely that British Shipbuilders would be prepared to render assistance. However the only worthwhile performance test would be for the government to establish firm order parameters, limiting the ability of the Board to make unrealistic assumptions about productivity. If Harland & Wolff could not win orders within these parameters, then closure would be the only sensible way forward. The Secretary of State would have to keep options such as these as a fall-back position in the event of Cabinet colleagues not being prepared to agree to the BSC and USL packages as they stood.

8. The paper to be prepared for the Secretary of State to put to E(NI) would be difficult in terms of substance and of presentation. It would be necessary to have a meeting with the Secretary of State to put all the issues to him and seek a reaction, before preparing the draft.



J A DANIELL

PS/PUS

8 February 1982

Distribution:-

Sir Ewart Bell
Dr Quigley
Mr Bloomfield

Mr Marshall
Mr Burns
Mr Blatherwick