

4. CONFIDENTIAL
BACKGROUND NOTE FOR LORD GOWRIE FOR THE COUNTERPOINT PROGRAMMEHARLAND AND WOLFF LIMITED1. Financial Assistance

Since the company was taken into public ownership in 1975, Government has provided financial assistance totalling some £191M. This includes £46M provided during the current financial year. In addition during this financial year H & W will - with Government approval - borrow some £10.9M from commercial sources, to be repaid from future funding (this support is equivalent to £8,000 per person employed by the company).

The company's trading loss for 1980 was £26.2M and £24.1M in 1979.

2. FUTURE STRATEGY TOWARDS H & W

H & W submitted a Corporate Plan to Government, in May last, covering the period to 1985. The Plan was predicated on the flow - production of a series of large bulk carriers and tankers. The subsequent downturn in the market and H & W's failure to win new orders has made the Plan no longer credible.

Ministers have agreed instead, proposals for H & W based on the financial year 1982/83 alone. No public announcement has yet been made. If pressed the Minister is recommended to say that he expects an announcement will be made shortly.

3. CURRENT ORDER BOOK

AIRCRAFT AND SHIPBUILDING DIVISION

15 MAY - The order book comprises four ships (2 LPG carriers and 2 oil tankers) for delivery between March 1982 and June 1983.



4. EMPLOYMENT

H & W currently employs 6,800 workers.

5. TOPICAL ISSUES

H & W has not won a new shipbuilding order since June 1980 (for 2 BP tankers) and there is an acute awareness of the serious position which the company is facing as work on the existing order book runs down. There is widespread talk about substantial prospective redundancies at H & W.

(a) Bulk Carrier Order from the British Steel Corporation

H & W has been negotiating with the BSC about an order for a large bulk carrier. It is understood that BSC is prepared to place the order and Ministers have agreed terms on which H & W may accept the order. Negotiations are at a final stage and it is hoped that an announcement can be made in the near future. The Minister is recommended to say that negotiations are continuing, that the Government is aware of the position, and that he hopes for a positive outcome.

(b) Redundancies

Further redundancies at H & W are inevitable this year. H & W has commissioned a consultancy investigation into ways of streamlining the Yard to make its facilities more compatible with the lower annual steel throughput which now prevails. Until that exercise is completed in the Spring the company will not be able to say how many redundancies there will be.

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