

*20-11-87
Miss Drummond to see + return for Shorts file
Jh 31/13*

20 March 1987

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*cc Mr Drummond ✓
Mr Wilson ✓
Mr Wolstencroft*

SECRETARY:

file - see SHORTS.

FAIR EMPLOYMENT - SHORTS

You invited me to make a first attempt at a draft letter to Sir Philip Foreman, following my conclusion as a result of discussion in Washington that we need to establish the facts of the religious breakdown of employment at Shorts; and that the company's own estimates/statements lack credibility and 'clout' with the MacBride audience.

The attached draft is lengthy and no doubt could be reduced dependent on how much of the background you feel it necessary to spell out. No doubt Sir Philip is already aware of some of this background; I have included it in order to emphasise the full consideration we have given to the matter and the importance we attach to the whole subject.

Copy recipients may wish to comment to you on the draft.



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DRAFT LETTER TO SIR PHILIP FOREMAN

From your contacts with Boeing, as well as wider media coverage of the issue, you know of the campaign ~~in the United States~~ ^{US} to pressurise companies ~~there~~ (with investments in Northern Ireland) to adopt the MacBride Principles in respect of ~~employment in~~ ⁱⁿ their operations here; and ~~this is extending to~~ ^{unless} companies who do business with Northern Ireland, ^{and the country, unless pressure} the aim being to ensure that their suppliers ~~here~~ ^{in Northern Ireland} also sign up for MacBride. As you know, the Government, ~~right from the outset~~, has opposed this pressure because we believe that it is ~~unnecessary in view of the law here~~ ^{misconceived} and counter-productive. ^{Especially for employment law in NI} In that, by imposing another requirement on investors or potential investors it will act as a disincentive to investment, and hence job-creation, which is our greatest need in trying to correct both the unemployment problem and the Protestant/Catholic imbalance in the workforce. In case you have not seen it I am enclosing a copy of the Government statement (recently updated) setting out its position.

^{In actuality} We ~~are of course actively engaged in~~ countering this campaign. We are not claiming that the employment balance is satisfactory nor that the law here does not need some strengthening, but rather that Government is fully committed to equality of opportunity in employment and is taking firm steps to improve the position significantly. In this regard we are ~~therefore~~ promoting the Consultative Paper, issued last September, and indicating that, subject to the result of consultations, the types of action proposed there (particularly the more stringent Declaration of Practice, including monitoring, and linked tender acceptance) reflect Government intentions.

Despite this, the MacBride ^{is not way on} ~~campaign~~, continues to run, and laws passed in some State legislatures ~~as well as~~, shareholders' resolutions, ~~being tabled~~ - and even in at least one case, a product boycott ^{campaign} ~~threat~~ - ^{have encouraged and given} ~~all these are giving comfort~~ and a degree of credibility to the MacBride sponsors. On the other side of the coin, we have had a number of influential people publicly expressing doubts on MacBride and opposition to ^{any} ~~action~~ which puts jobs at risk.

We are, therefore, not without friends in the matter. ~~and~~ ^{Indeed} although they have not taken public action there are a number of people of influence in the Washington scene who are sympathetic to our position and would be willing to help. This is particularly important just now and over the next several months because there has been a proposal for legislation (actually two proposals, one

in the Senate and the other the House) tabled in Congress by Senator D'Amato and Congressman Fish. If this comes to the stage of serious consideration we will need to mount a strong lobby to achieve its rejection and the people to whom I have just referred will be crucial to our success.

Eric Mayne has recently returned from the United States where a major element of his programme was to get an overview of the position. He has confirmed ~~and that~~ ~~emphasised an attitude and view that we have been conscious of (in perhaps less definite terms) for some time.~~ Our allies in Washington (and elsewhere) want to be helpful but ^{they} they feel ~~that they are~~ very badly hampered by the lack of real evidence - that is, evidence which will convince their political contacts - that the Government is committed unequivocally to prompt and effective action on fair employment. Their message is quite clear - words are not enough, there must be facts, figures and action. They gave Eric Mayne a tough time on two subjects - one was the time being taken to get the Consultative Paper proposals into law and the other was Shorts.

On the Consultative Paper proposals ~~I recognise that~~ Parliamentary procedures will not allow us to get measures on to the Statute Book before mid to late 1988; ~~and I recognise too that~~ to the average American that seems unduly long if we think - as they do - that it is an urgent problem. We have made some proposals/options in the Consultative Paper for interim measures which could be adopted administratively and I will be looking at these very shortly to see if they can be quickly and effectively implemented and given full publicity. This will help to convince our friends ^{and} ~~and hence~~ their contacts, ^{and} that we mean business, as we ^{most} certainly do.

~~I, US eyes~~
~~So far as Shorts is concerned, the case put from the US can be simply stated in their terms.~~ Shorts is a Government owned company and the flagship of a modern industry - it is therefore a touchstone of Government sincerity and commitment on fair employment. They repeatedly hear ^{claims} of actions by the company to progress fair employment but they have no figures by which to judge other than applications and recruitments in the 1983/84 period. They find it incredible that in February 1987 they are not able to get properly authenticated recruitment figures beyond December 1984 and that we cannot provide actual figures and percentages for the total workforce which would at least serve as a benchmark for the future. From my own experience I have heard at least one opponent claim that pre-1983 the workforce was only 5% Catholic and four years later (with a considerable increase in the workforce) it is still that

Whatever we may think of these claims, and

percentage. ~~These claims of course are not based on facts~~ but they can only be effectively countered with hard facts which our US contacts advise must be confirmed/authenticated by a source independent of the company. Their case is simply that if we mean what we say we should produce, as quickly as possible, a breakdown of the current workforce as well as figures which indicate the pattern of recruitment between 1983 and the end of 1986. ^{known their clients in how says} This would give our friends ^{in the} something to counter misrepresentation and feelings ^{we need to give} that Government and publicly owned industry is adopting a cosmetic approach. ^{will be sufficient pressure to counter the weight of allegations against the company}

I cannot over emphasise that I believe we are approaching a crucial phase in countering MacBride and that I think Shorts ^{is a key consideration in countering} can play a very significant part in ^{the benefit, which could be used} that. ^{in my view} It is for this reason that I would like you to consider whether it would be possible for you to initiate a thorough-going audit of the religious breakdown of the existing workforce which can be seen (by Americans) ^{to be} impartial and independently ^{would contribute to the thinking of the company, and even to the} How it is done would be a matter which I would be happy to discuss with you but one way which occurs to me is to dedicate a team of 3 people to the task - one from the company, one from DED and one from FEA. It would probably take 6 to 8 weeks but I would certainly be willing to make a suitable member of my staff available - I cannot of course speak for Bob Cooper and have not discussed the matter with him. Alternatively you might prefer a group of independent 'auditors' by commissioning reputable consultants; and I would be sympathetic towards DED bearing the cost. I believe that if you made it known publicly that you were taking an initiative of this kind it would ^{add} considerably ^{would be} to the standing of the company both at home and abroad; and if such work bears out the estimate - attributed to you - of about 10% Catholic this effective doubling of the percentage over a period of a few years (taking account of the 5% claim I have referred to) would be a major point in destroying opposition credibility.

I have written at considerable length because I want to give you the full picture as I perceive it and to stress the importance of the issue and our response to it. I therefore urge you to consider my suggestion in that light; and if you would like a meeting to discuss I am available and willing.

Yours sincerely

as interests of parent good faith. Equally I believe that it should be possible for our company, ^{concerns} particularly religiously, ^{credibility} ^{is} ⁱⁿ ^{the} ^{US} ^{which} ^{can} ^{damage} ^{the} ^{company's} ^{credibility}

^{will be sufficient pressure to counter the weight of allegations against the company}
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^{to be}
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^{add}
^{would be}

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for Scott's file

1. FAIR EMPLOYMENT

Background

Early in 1983 the Fair Employment Agency and Shorts agreed an Affirmative Action Programme; at that time the FEA had established that pre-1983 the percentage of Roman Catholic men employed by Shorts in the skilled sector was somewhere between 3% and 8%, and that only about 6% of apprentices came from Roman Catholic schools.

The FEA have monitored recruitment in Shorts from January 1983 to December 1985, and their most recently published (December 1985) Report shows that in 1984 the level of adult Catholic appointments had risen to 14%-16.6%, and the level of Catholic apprentice appointments had risen to 23.9%. The Agency has yet to report on their monitoring of the period January-December 1985.

The three year monitoring period agreed with the FEA ended in December 1985 but the company is continuing to monitor recruitment patterns and procedures.

Tavistock Report

The Fair Employment Agency, in its Report on the Third Monitoring period from April-December 1984, noted that while applications from Catholics for adult employment increased to 26.6% overall, only 14% of new starts were Catholics. As Shorts and the FEA could not agree on the reasons for this discrepancy the FEA commissioned the Tavistock Institute of Human Relations to conduct an independent analysis of recruitment during the period in question.

The Report, which examined the appointment of semi-skilled, clerical and graduate workers, was published in December 1986 and found no statistical evidence that Shorts was discriminating or failing to afford equality of opportunity.

Line to Take

Mr Scott can cite the Affirmative Action Programme agreed between Shorts and the Fair Employment Agency in 1983 as clear evidence of the company's commitment to provide equality of opportunity for all sectors of the community. As evidence that the company's commitment to equality of opportunity for all is working in practice, Mr Scott can refer to the most recently published Report by the FEA which shows that in 1984 the level of Catholic apprentice appointments had risen to 23.9% and the level of adult Catholic appointments had risen to 14%-16.6%. Mr Scott can say that the company is continuing to monitor recruitment patterns and practices but is advised not to mention the fact that the three year monitoring agreement with the FEA ended in December 1985.

It may also be worthwhile drawing attention to the recently published Tavistock Report which found no statistical evidence that Shorts was discriminating or failing to afford equality of opportunity.

2. WEST BELFAST FACTORY

Background

Shorts West Belfast factory was opened in November 1985 partly as a "counter" to allegations by the Irish National Caucus that Shorts did not provide

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equality of opportunity for Catholics. It was intended that the factory would employ 100 people one year after production started and some 200 people by the end of three years.

Protracted inter-union problems about the representation of employees in the new factory has adversely effected the build-up of the workforce and the amount of work being channelled into the factory. The inter-union problems have now been resolved and the company plans to increase the workforce.

At present there are 25 people employed in the factory of whom 19 are production workers involved in making locker doors, galley units and other furnishings for the Shorts SD360 aircraft. It is expected that the workforce will number approximately 75 in 9 months' time.

Line to Take

Mr Scott is advised to avoid detailed comment on the numbers currently employed in the factory. It can be stressed that the inter-union problems in the factory have been resolved and that the management is committed to increasing the workforce over the next 2-3 years. Mr Scott will want to welcome the establishment of the factory in an area of high unemployment, and cite its establishment as another aspect of Shorts' fair employment policy.

3. FLAGS, EMBLEMS AND ALLEGED INTIMIDATION

Background

In the week commencing 11 August, a small number of time cards belonging to Catholics disappeared at Shorts. Notices then appeared in the plant, put up by Shorts Peoples' Loyalist Council, claiming that the cards of some Catholics had been removed, allegedly to reveal them as Republican activists. The company called in the RUC to investigate these matters and this investigation is ongoing.

The Management subsequently (22 August) issued a letter to all employees which required that all flags, bunting, political posters and emblems be removed from the workplace. On the following Friday a further letter was issued to employees accepting the permanent flying of the Union Flag at the company's headquarters on the understanding that no insignia would appear inside its factories. Many of the flags and much of the bunting was subsequently removed by the workers and the remainder was removed by management. The situation remains tense.

Line to Take

Mr Scott can acknowledge that the RUC was called in to investigate alleged charges of intimidation (a criminal offence) but decline to comment further on the grounds that it would be inappropriate to do so in the face of an ongoing RUC investigation.

On the permanent flying of the Union Flag at the company's headquarters, it is standard practice for many UK and US firms and companies to fly their national flag.

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As a general comment, Mr Scott may wish to say that he supports the company's commitment and efforts to ensure that there is an atmosphere within the workplace where all employees feel comfortable and free from intimidation of any kind.

4. SHORT BROTHERS/BOEING AND COMPTROLLER GOLDIN

In November 1986 Comptroller Goldin of New York City wrote to the Secretary of the Boeing Corporation proposing, on behalf of the New York City Employees' Retirement Scheme (NYCERS), to offer a shareholder resolution at the next Boeing AGM which would require the company to report to shareholders on its relationship with Short Brothers and call on Short Brothers to adhere to Boeings own non-discrimination employment policies.

In December 1986 the Boeing Corporation wrote to the Securities and Exchange Commission contesting the above Goldin proposal on the grounds that it made false and inaccurate statements (eg the claim by Goldin that only 350 Shorts employees are Catholics). This submission by Boeing was based on information supplied by Shorts. The company has now confirmed that 10% (some 700) of the workforce is Catholic. This figure of 10% has not been corroborated by the FEA.

Goldin has since replied to this submission rejecting some of Boeing's arguments and we (DED) have now supplied further information to the Washington Embassy in an effort to give greater credence to Boeing's contesting of the original Goldin proposal.

Line to Take

Nigel Sheinwald of the Washington Embassy is of the opinion that there is no prospect that the Goldin resolution would be carried but it could produce an unwelcome political debate which Boeing would normally hope to avoid. Accordingly, Mr Scott is advised to avoid commenting on this issue but, if necessary, can fall back on Shorts' Affirmative Action programme as detailed in line to take on Fair Employment.

5. US MARKET

Background

The US is a principal market for the sale of Shorts commuter aircraft, particularly the SD360 (some 60% of deliveries to date).

Shorts has a long-established relationship with Boeing and is a sub-contractor for the supply of Boeing 737 rudders, 747 doors and 757 wingflaps. Shorts also currently participate in the V2500 project with Rohr of California by making nacelles for the V2500 engine.

US Air Force Options

The US Air Force ordered 18 Sherpa aircraft from Shorts in 1984 and at the same time took options on a further 48 aircraft. In November 1986 the USAF extended its options for a further four years. The terms of the four year extension allow for the USAF to order further aircraft at the same basic price as the first 18 but adjusted to take account of currency fluctuations and inflation.

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Starstreak

The award of the UK High Velocity Missile contract to Shorts' Starstreak system was announced in December. Shorts have already offered their revolutionary Starstreak system as the solution to the weapon component of the US Army Forward Area Air Defence requirement. A decision has yet to be made on the Starstreak proposal for this US Army FAAD programme. Shorts have established an "awareness team" in Washington to brief US Department of Defence officials on Starstreak.

BOEING AWACS

The UK Airborne Early Warning contract was awarded to Boeing in January 1987 and Shorts could also benefit from "offset" as a result of Boeing winning this contract; this "offset" could include Boeing supporting Shorts' efforts to sell C23A aircraft to the US Forces, or the Tucano to the US Air Force; Boeing could also be supportive of Shorts' bid for the US Army Forward Area Air Defence System (FAADS) with their Starstreak missile system.

Line to Take

Mr Scott can refer to the importance of the US market for the sale of Shorts' commuter aircraft and the successful industrial links which the company has forged with US contractors especially Boeing, on various aerostructure projects. Mr Scott should welcome the recently announced extension of the USAF Sherpa options and stress that the exercising of these options is very important to the company.

On Starstreak Mr Scott can draw attention to the system being awarded the UK High Velocity Missile contract and stress the company's belief that Starstreak more than meets the demanding pre-planned product improvements required by the US Army for its Forward Area Air Defence programme.

Mr Scott may wish to refer to Boeing being awarded the AEW contract and draw attention to the possibility that Shorts could benefit from "offset" arrangements as a result of Boeing's success in winning the contract.

Industrial Support Division
Department of Economic Development

13 March 1987

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