



NORTHERN IRELAND Information Service

22 March 1989

HARLAND AND WOLFF

The following is the text of a statement made today by the Secretary of State for Northern Ireland, The Rt Hon Tom King MP, in the House of Commons about the future of Harland and Wolff.

"With permission, Mr Speaker, I wish to make a statement about Harland and Wolff. We announced in May 1988 that we were prepared to consider approaches from those interested in acquiring the Yard. Since then a number of possibilities have been pursued. These have recently been narrowed down to two serious contenders, namely BT Shipping and a Management Employee Buy Out team led by Mr John Parker, the current Chairman of Harland and Wolff, and supported by Mr Fred Olsen through two of his leading companies.

I can now advise the House that having considered the proposals made by these two contenders, I have today approved on behalf of the Government Heads of Agreement for the sale of Harland and Wolff plc to Mr Parker and his MEBO team, backed by Mr Olsen.

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The Management Employee team and the Olsen companies will subscribe for £15 million share capital to a new company. This company will then acquire the assets and the business undertaking of Harland & Wolff for approximately £6 million, net book value. The Government will advance to the new company £60 million of loan stock, on a repayment basis linked to performance.

Terms have been agreed under which the new owners will complete the SWOPS vessel for BP and the AOR for the Ministry of Defence.

The Government will provide grant assistance of £38.75 million towards the costs of rationalising the activities of the Yard - including new capital expenditure.

Under this Agreement, Olsen companies will order three Suezmax tankers of about 150,000 tonnes each. I have agreed to offer intervention aid on them within the limits permitted by the European Community. These initial orders will provide work at the Yard until the end of 1992.

The new company will therefore receive from the Government repayable loan stock and grant towards rationalisation of £98.75m and intervention aid on new merchant orders.

Furthermore, to enable the company to raise performance guarantees necessary for the financing of its operations in its early years, the Olsen companies have agreed to make a recourse commitment for use by the new company to support predelivery ship financing. The Government will match this.

The existing liabilities will remain with the old company and the Government undertakings in respect of these liabilities of Harland & Wolff will not extend to the new company.

Beyond the terms of the Heads of Agreement, the Government will not provide any other special support to the new company except intervention aid and other grants normally available to other private sector companies in Northern Ireland. In this respect, I plan to repeal my powers in relation to the Yard in public ownership contained in the Aircraft and Shipbuilding Industries (NI) Order 1979.

The terms of the Agreement are subject to contract and also a number of conditions including the approval of the European Commission with whom initial discussions have been held, and also the agreement of the Norwegian authorities. Critically also it depends on achieving the support of Harland & Wolff employees. In particular, they will be invited to invest in the new company. To this end a prospectus will be issued by the new company in the summer. Completion is planned for early September.

In respect of funding, provision was set aside in the Northern Ireland Block for support to Harland & Wolff under the present arrangements, and I hope to be able to cover the costs of disposal from within the Block without any disruption of other Northern Ireland programmes.

Mr Speaker, I am very pleased to make this announcement today which offers the hope of a much brighter future for Harland & Wolff. This famous yard has experienced a steady decline in employment over many years and the chances of its survival were bleak. This proposed transfer to the private sector under a Management and Employee Buy Out led by the present Chairman, Mr John Parker, and reinforced by the strength and well-established reputation of Mr Fred Olsen and his companies, offers the chance of a new beginning and comes at a time when there are signs of an improvement in the shipbuilding market.

A lot of us have worked hard to try and make it possible for Harland & Wolff to have this new chance and none more so than Mr John Parker, who deserves great credit for his unstinting efforts. The challenge now is whether he will get the support to bring it to reality. This is not the end of the challenge. This is just the beginning for all those in Harland & Wolff to show that they can succeed again in the tough and competitive world of shipbuilding. I believe that the management and employees at Harland & Wolff together with Mr Olsen and his colleagues are ready to meet that challenge and we wish them well.

Speaking afterwards Mr King said "This agreement puts an end to a long period of uncertainty at the shipyard and offers a real chance for a new beginning for Harland and Wolff. It is the outcome of a lot of hard work by many people and I should like to pay tribute to the efforts of all those involved, particularly Mr Parker and Mr Olsen".

The Minister with responsibility for Industry in Northern Ireland, Mr Peter Viggers MP, in welcoming the statement, said "The Government's programme for privatisation elsewhere in the United Kingdom can already claim many successes. This is the first major privatisation in Northern Ireland and I am confident that the workforce and the economy as a whole will feel its benefits".

Mr Baldwin 2377/JC

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DRAFT PARLIAMENTARY STATEMENT BY THE SECRETARY OF STATE *Mr. Jones'*

HARLAND AND WOLFF

*Changes made in
consultation with Mr. Bavin,
Mr. Gibson, Mr. Williams &
Mr. White.*

Harland and Wolff is a major shipbuilding company which has played a significant role in the economy of Northern Ireland over the last 126 years. During that period it has built more than 1700 ships and has also undertaken ship repair work and conversion and other large steel fabricating work. In 1975 it was taken into public ownership at a time when its former owners were threatening closure and since that time the Government has provided substantial amounts of funds to enable it to continue trading. Despite these funds, however, employment levels have declined and it now has ^{about} ~~under~~ 3,000 employees compared with the almost 10,000 at the time it was taken into public ownership. Clearly this public ownership has not been a friend of the company or its workforce and in May 1988 the Government announced that it would be prepared to consider expressions of interest from companies who wished to acquire Harland and Wolff.

*We will
see next
version.
J.C.*

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I am pleased to announce that I have today approved, on behalf of the Government, Heads of Agreement for the sale of Harland and Wolff plc to a Management Employee Buy Out team led by Mr John Parker which has obtained backing from companies within the Fred Olsen Group. As part of the Agreement, Olsen companies will place orders for three Suezmax tankers of about 150,000 tonnes each with an option for a further ship. I have agreed the offer of intervention aid on these orders, which will provide work at

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the Yard until the end of 1992, within the limits permitted by the European Community.

The terms of the Agreement represent a good deal for the taxpayer and provide a real basis for future viability at the Yard. I am greatly encouraged by the involvement and commitment of the Olsen companies. Mr Olsen is a greatly respected figure in the shipping community and apart from the orders and financial commitment which he brings to the deal, I believe that his involvement will introduce the private sector disciplines and responsibility so necessary for a successful future for shipbuilding in Belfast.

The terms of the Agreement are, of course, subject to the approval of the European Commission with whom we have been in discussion. Subject to their agreement, completion of the sale is planned for 1 September and before then it will be necessary to agree the formal contract of sale and for the new owners to obtain the participation of the workforce.

The Heads of Agreement provide for the new owners to acquire the assets and the business undertaking of Harland and Wolff for a sum of £6 million and they will do this by acquiring the share capital of a new company to which the assets of H & W will be transferred. The new owners have also agreed to complete the two existing orders of H & W subject to incentive arrangements to ensure early completion. For our part, we have agreed to provide

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Grant assistance of £38.75 million towards the costs of rationalising the activities of the Yard - including new capital expenditure.

The Management Employee team and the Olsen companies expect to raise up to £15 million share capital and we have agreed to advance to the new company £60 million of subordinated loan stock, the repayment of which will be tied to the success of the new company. [Furthermore, to enable the company to raise performance guarantees necessary for the financing of its operations in its early years, I have agreed to establish a recourse reserve of a maximum of £39 million which can be used by the new company as security in its dealings with financial institutions. This reserve will remain in the control of the Government.]

The new company will not, of course, enjoy the undertaking given by the Government in July 1974 that the liabilities of Harland and Wolff will be met by the Government in so far as they could not be met by the company. This undertaking will be withdrawn on 31 August except so far as the existing liabilities of H & W are concerned. These liabilities, including the outstanding loans due to the Department of Economic Development, will remain with the old company and be met by the Government. Furthermore, beyond the terms of the Heads of Agreement, the Government will not provide any other cash, guarantees or financial support to the new company except intervention aid on terms and conditions

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applicable at the time of application and other grants normally available to other private sector companies in Northern Ireland. In this respect, I plan to repeal my powers in relation to the Yard in public ownership contained in the Aircraft and Shipbuilding Industries (NI) Order 1979.

I am delighted to be able to make this announcement today. It has come at the end of a long period of negotiation and even last week I had two attractive alternative offers in front of me. A great deal of work has been put in by many people and I would wish to pay tribute to those who worked hard and yet, in the end, were not successful with their proposal.

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