

SP/PA/2/8/97

**FROM: ANGELA DULLAGHAN**  
Security Policy & Operations Division  
2 September 1997



cc Mr Steele  
Mr Leach  
Mr Perry  
Mr Margetts  
Mrs Todd  
Mr Myles

PS/MR INGRAM (B&L)

**MR INGRAM'S MEETING WITH JEFFREY DONALDSON**

Thank you for your note of 7 July.

2. I now attach the security briefing as requested. It includes de-escalatory measures, legislation on the North Report and Decommissioning.

*Angela Dullaghan*

**ANGELA DULLAGHAN**  
SHA Ext 27035

Backo

## Current security situation and de-escalatory measures

### Background

Since the Provisional IRA cease-fire was called 6 weeks ago there has been a marked decrease in terrorist activity.

The murder of James Morgan on 27 July was described by many as sectarian and there were reports in some newspapers that those who carried out this murder may have been connected to the LVF. The RUC do not believe this to be the case.

The car bomb in Lisbellaw on 31 July has not been claimed by any organisation. There is speculation that it may have been the work of the Continuity Army Council. This group, along with the INLA and the LVF, have not called a ceasefire. The LVF, on 31 July, issued a statement indicating that it would not call a ceasefire because of 'Dublin interference in Northern Ireland'.

On 20 August the Golden Hind Bar in Portadown, frequented by LVF members, was wrecked by 30 men claiming to be "Tiger Bay UVF". Twelve men were arrested in a follow up operation and have since been charged.

### Security force response to the ceasefire

#### Lines to take

Shortly after PIRA's July reinstatement of their ceasefire, the Secretary of State met the Chief Constable and GOC to discuss the security implications. We were keen to take advantage of the new situation to lessen the impact of intrusive security measures on the people of Northern Ireland, but without dropping our guard. You will be aware that groups such as the INLA, RSF/CAC and LVF have not declared a ceasefire and the security forces will continue to maintain a high level of vigilance.



- ckgr
- In the past 6 weeks the lower level of threat has enabled the RUC and Army to respond positively and imaginatively to the new situation. In just a few weeks security has been scaled down to levels which were not reached till months into the previous ceasefire.
  
  - Amongst the de-escalatory measures already taken are; a very significant reduction in the level of army support for the RUC across Northern Ireland, with an end to routine military patrolling in Belfast city centre and elsewhere; a reduced number of security force patrols across the Province; a relaxation of physical security measures in a number of town centres and in other areas; and a reduction in helicopter activity and use of military vehicles. Soldiers no longer wear helmets, and body armour is no longer routinely worn by police officers or soldiers. The scope for further moves towards normality, and the implications for force levels and other issues, are kept continually under review.
  
  - In addition, many of the de-escalatory measures taken during the previous ceasefire had not been re-introduced: for example, none of the 104 re-opened border roads were closed, none of the security force bases and sangars which had been removed were reinstalled, few of the traffic restrictions and control zones in town centres were re-activated, and Army patrols were not increased to pre-August 1994 levels.
  
  - This Government is committed to a return to complete normality as soon as possible, and we will continue to respond as positively and swiftly as the security situation allows.

## North

- The Government has committed itself to implement the recommendations of the North Report and has demonstrated this commitment by setting aside legislative time in the autumn for this purpose. This will enable proposals to be subject to full democratic scrutiny by Parliament. However, can assure you that legislation will be in place in time for next year's marching season.
- When the Bill comes into operation, it will give the Parades Commission the responsibility for making decisions on parades (taking over from the RUC in this respect). It will introduce a new criterion for the Commission to take into account, that of the wider impact of the parade on the community. Guidelines will set out how this criterion is to be interpreted in practice. The Bill will provide for a Code of Conduct regulating the conduct of marchers and protesters. The Commission will be empowered to take into account past breaches of the Code by either side in coming to future decisions on parades.
- The Government's principle is parity of esteem for the two communities. The Commission is neither a rubber stamp for the marching orders, nor is it in the business of curbing all marches. Its powers are intended solely as a last resort, if local accommodation cannot be achieved.



## Decommissioning

### Lines to take

- The Government and the Irish Government remain resolutely committed to the total disarmament of all paramilitary weapons.
- Convinced that the only way of achieving this is on the basis recommended in the report of the International Body chaired by Senator Mitchell - that is decommissioning in parallel with inclusive political negotiations.
- The UK Government will be working closely with the Irish Government to ensure that all the necessary practical arrangements are in place to establish an Independent International Commission on Decommissioning to begin work for the start of substantive political negotiations on 15 September.



COVERING CONFIDENTIAL

29 August 1997

To: PS/Mr Ingram (DED & NIO)

cc Secretary  
Mr Gibson  
Mr Gamble  
Mr Templeton

From: D Mercer, Strategic Planning Unit

**MEETING WITH JEFFREY DONALDSON MP**

Background

Mr Ingram is to meet Mr Donaldson, UUP Spokesman on Trade and Industry, on Wednesday, 3 September at 11.00am to discuss economic development. (~~The meeting is also to cover security, on which NIO is providing briefing separately.~~)

The meeting was arranged initially at Mr Donaldson's request; we understand it will act also as one of the meetings which the Minister recently requested with representatives of the Parties to discuss economic affairs.

We gather Mr Donaldson has not yet indicated whether he is to be accompanied or whether there are any specific issues he wishes to raise with the Minister. The briefing provided therefore includes material on some issues raised recently by Mr Donaldson's UUP colleagues.

Briefing

The following is provided to assist the Minister:

Annex A - A personality note on Mr Donaldson.

Annex B - General briefing, including bull points on the economy and on strategic issues.

Annex C - Current issues which Mr Donaldson might raise, and lines to take, concerning DED and its agencies.



DEPARTMENT OF ECONOMIC DEVELOPMENT  
An Equal Opportunities Organisation



Personality  
Note

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**JEFFREY DONALDSON MP**

UUP MP FOR LAGAN VALLEY

Background

Jeffrey Donaldson is the youngest member of the UUP Executive committee in the recent history of the party. A native of Kilkeel. He became the youngest member of the NI Assembly in October 1985 when he was successful in a by-election for South Down. He briefly served on the Environment and Health and Social Services Committees.

Deeply interested in local politics, and became a member of the Orange and Black institutions as soon as he was the relevant age. Established himself as the backroom assistant to the sitting MP Enoch Powell. The job of constituency work came naturally to him and whilst he did not share all of Powell's views on political development in Northern Ireland he proved a willing and dedicated worker.

Following Powell's defeat in 1987, Donaldson continued to maintain his interest in politics and the party and became Chairman of the Young Unionist Association. He succeeded Powell on the UUP Executive and subsequently became Honorary Secretary of the Ulster Unionist Council and in 1989 one of the four Honorary Secretaries of the Party. Following the election of David Trimble as Party Leader his political career continued to develop and he was nominated as one of the UUP's delegates to the multi-party Talks which commenced in June 1996. He has been an active participant, together with Reg Empey, and has made a significant contribution to the UUP's representation. In 1997 he was successfully elected as MP for Lagan Valley, following the retirement of Jim Molyneaux.

Personality and Political Views

Jeffrey Donaldson gained a reputation during the 1992 Talks around as being one of the more liberal and moderate members of the UUP team. Since then, his stance has been less easy to pin down. Some would say that his

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Briefing/OS/J-Donaldson



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determination to become an MP led to a fairly astute re-positioning of himself in order to appear more acceptable to the party heierarchy; and certainly, his continued rise in the face of the right wing shift in the UUP's centre of gravity since Trimble's accession might be read as a tribute to his skills in that regard. A thoughtful individual, and not devoid of personal charm. He has visited the United States on a number of occasions both to put the unionist case and also increase his political skills. A good public speaker.

June 1997

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Briefing/OS/J-Donaldson



## **NORTHERN IRELAND ECONOMIC BULL POINTS [UPDATE AUGUST '97]**

### **EMPLOYMENT [Quarter 1 1997 latest figures] [Source: (1) & (2) DED Statistics] [(3) T&EA]**

- (1) 580,500 EMPLOYEES IN EMPLOYMENT, EXCLUDING SELF EMPLOYED, AT QTR 1 1997, HIGHEST MARCH FIGURE ON RECORD.
- (2) INCREASE OVER YEAR TO MARCH 1997 OF 6,570 (1.1%) IN NUMBERS OF EMPLOYEES IN EMPLOYMENT COMPARED WITH 1.6% GROWTH IN GB. [OVER LAST FIVE YEARS EMPLOYEES IN EMPLOYMENT ROSE BY 6.9% COMPARED TO 1.7% IN GB]
- (3) IN THE PERIOD APRIL-JUNE 97 ALMOST 14,969 PEOPLE WERE PLACED INTO EMPLOYMENT BY THE TRAINING AND EMPLOYMENT AGENCY. (IN 1996/97 46,018 PEOPLE WERE PLACED INTO EMPLOYMENT BY THE T&EA).

### **UNEMPLOYMENT [JULY '97 latest figures] [Source: DED Statistics]**

- 60,500 (7.9% OF THE WORKFORCE) AT JULY 1997, IS AT ITS LOWEST LEVEL FOR 17 YEARS (5.5% IN GB).
- JULY '97 FIGURE SHOWS DECREASE OF 3.4% (2,100) ON PREVIOUS MONTH AND DECREASE OF 30.2% (26,200) ON JULY '96.
- LONG TERM UNEMPLOYMENT HAS FALLEN BY 30.9% (13,900) OVER THE YEAR TO JULY 1997.

### **UNFILLED JOB VACANCIES [JULY '97 latest figures] [Source: DED Statistics]**

- AT 4 JULY 1997 THERE WERE 7,436 UNFILLED VACANCIES AT OFFICES OF THE TRAINING & EMPLOYMENT AGENCY.

### **MANUFACTURING OUTPUT [Source: DED Statistics]**

- BETWEEN QTR 4 1996 & QTR 1 1997 MANUFACTURING OUTPUT IN NI INCREASED BY 1.3% COMPARED WITH AN INCREASE OF 0.5% IN THE UK AS A WHOLE.
- OVER THE YEAR INCREASED BY 3.2% IN NI COMPARED TO INCREASE OF 1.4% IN THE UK AS A WHOLE.
- OVER PAST 5 YEARS NI MANUFACTURING SECTOR HAS INCREASED ITS OUTPUT BY ALMOST 21% - TWICE THE RATE OF GROWTH NATIONALLY.

### **GDP [Source: NI Statistics & Research Agency]**

- NI GDP PER CAPITA HAS RISEN FROM 82% IN 1994 TO 83% IN 1995, THIS REPRESENTS £8,410 PER HEAD OF POPULATION. (TRADITIONALLY NI HAS HAD LOWEST GDP PER HEAD AMONG UK REGIONS BUT RECENT ECONOMIC GROWTH HAS BROUGHT NI'S GDP PER HEAD UP TO A LEVEL APPROACHING THAT OF WALES, (£8,440).



- OVER 5 YEAR PERIOD (1990-1995) NI'S GDP PER CAPITA HAS INCREASED FROM 78% TO 83% OF THE UK AVERAGE. (IN 1993, LATEST FIGURES AVAILABLE, ROI GDP PER CAPITA EQUAL TO 82% OF UK AVERAGE).

#### **ECONOMIC SURVEYS [Source: DED Daily Digest]**

- NI MANUFACTURING COMPANIES SURGING AHEAD OF COUNTERPARTS IN MOST OF BRITAIN IN BOTH OUTPUT AND NEW ORDERS ACCORDING TO LATEST SURVEY BY CBI & BUSINESS STRATEGIES (SURVEY COVERED PERIOD APRIL - JULY '97). SURVEY REVEALS THAT HIGHEST LEVELS OF OPTIMISM ABOUT BUSINESS PROSPECTS ARE IN N.I. - A POSITIVE 23% BALANCE COMPARED WITH MINUS 6% NATIONALLY. TWO FIRMS OUT OF THREE ABLE TO REPORT INCREASED ORDER BOOKS COMPARED WITH LESS THAN HALF THAT NUMBER IN THE REST OF BRITAIN. ONLY SCOTLAND EXCEEDS N.I. IN EXPECTATIONS OF INCREASED EMPLOYMENT IN THE REST OF THE YEAR.
- NI FIRMS GROW THROUGH ACQUISITION REPORTS SURVEY CONDUCTED BY COMPANY BROKING CONSULTANTS (MERGERS AND ACQUISITIONS SPECIALISTS), IDENTIFIES SIGNIFICANT CHANGE OF FOCUS IN 1997 BY NI BUSINESSES WITH FEWER THAN HALF THE RECORDED TRANSACTIONS BEING BETWEEN FIRMS BASED IN NI. [PREVIOUS SURVEY SHOWED 66% OF ALL SUCH TRANSACTIONS REPRESENTED DOMESTIC MERGERS]. MORE THAN 40% OF CORPORATE DEALS IN 1996 WERE ACQUISITIONS OF COMPANIES IN GB AND THE REPUBLIC OF IRELAND BY GROUPS BASED IN NI.

#### **BUSINESS LIQUIDATION & BANKRUPTCY FIGURES [Source: Dun & Bradstreet]**

- FIRST QUARTER OF 1997 SAW DRAMATIC FALL IN NUMBER OF BUSINESSES GOING TO THE WALL IN NI - 44% DOWN OVER SAME PERIOD OF 1996 (79 COMPARED TO 141).
- DROP IN BUSINESS FAILURES SUGGESTS THAT UNDERLYING ECONOMY REMAINS SOLID.

#### **INDUSTRIAL RELATIONS RECORD [Source: DED Industrial Relations & Equality Division]**

- NI CONTINUES TO HAVE AN EXCELLENT INDUSTRIAL RELATIONS RECORD. OVER THE 5 YEAR PERIOD 1992-1996 AVERAGE NUMBER OF WORKING DAYS LOST PER 1,000 EMPLOYEES WAS 19 IN NI COMPARED TO 29 IN GB [112 DAYS FOR ROI IN PERIOD 1992-1995, 1996 FIGURES NOT YET AVAILABLE].

#### **INVESTMENT [Source: IDB Policy Branch]**

IDB'S END OF YEAR STATEMENT FOR 1996/97 REPORTS:-

- COMPANIES SUPPORTED BY IDB PLAN TO INVEST £633 MILLION OVER THE NEXT 4 YEARS SHOWING A CONTINUING HIGH LEVEL OF CONFIDENCE IN THE NI ECONOMY.



- INVESTMENT INTENTIONS OF IDB SUPPORTED COMPANIES PROMISE 6,005 NEW JOBS WITH A FURTHER 5,577 SAFEGUARDED.
- MANY OF THE 11 FIRST TIME INWARD INVESTMENT PROJECTS PROMISING 1,574 NEW JOBS WILL INTRODUCE OPPORTUNITIES FOR PEOPLE, PARTICULARLY IN DISADVANTAGED AREAS, TO GAIN NEW TECHNOLOGY SKILLS.
- IDB'S FOCUS ON AREAS OF SOCIAL NEED SHOULD LEAD TO 1,559 OF 1,579 NEW JOBS FROM FIRST TIME INVESTORS BEING CREATED IN OR ADJACENT TO DISADVANTAGED AREAS.
- IDB'S RESULTS ALSO SHOW IT HAS SUCCEEDED IN LEVERAGING RECORD LEVEL OF INVESTMENT AT REDUCED FINANCIAL ASSISTANCE LEVEL OF 25%, COMPARED TO 30% IN 1995/96.
- LOCALLY OWNED COMPANIES, SUPPORTED BY THE IDB, PLAN INVESTMENT OF £143 MILLION, OFFERING 1,364 NEW JOBS AND SAFEGUARDING A FURTHER 2,232.

FIGURES FOR IDB BACKED INVESTMENT PROJECTS FROM 1 APRIL 1997 TO DATE SHOW:-

- 4 FIRST TIME INWARD INVESTMENT PROJECTS PROMOTING 483 NEW JOBS, WITH TOTAL INVESTMENT OF £8 MILLION.
- 8 REINVESTMENT PROJECTS BY EXTERNALLY OWNED COMPANIES PROMOTING 1492 NEW JOBS, SAFEGUARDING 626 JOBS, WITH TOTAL INVESTMENT OF £249.4 MILLION.
- 7 INVESTMENT PROJECTS BY LOCALLY OWNED COMPANIES PROMOTING 136 NEW JOBS, SAFEGUARDING 26 JOBS WITH TOTAL INVESTMENT OF £171.4 MILLION.

#### **EXPORTS [Source: IDB Export & Trade Division]**

- NI MANUFACTURING EXPORTS ARE GROWING, UP £470 MILLION TO £3.1 BILLION IN 1995/96 (GROWTH RATE OF 18% - COMPARED TO A GROWTH RATE OF 14% IN UK AS A WHOLE).
- OF TOTAL INCREASE IN MANUFACTURING SALES OF £857 MILLION BETWEEN 1994/95 AND 1995/96 SOME £622 MILLION (77% WAS ACCOUNTED FOR BY SALES OUTSIDE NI (MANUFACTURING SALES OUTSIDE NI INCREASED BY JUST UNDER £1.5 BILLION (34%) FROM 1992/93 TO 1995/96).
- INCREASED TRADE WITH ROI HAS SEEN TRADE DEFICIT WITH REPUBLIC FALL FROM £357 MILLION IN 1991/92 TO £130 MILLION IN 1995/96.
- GB STILL REMAINS SINGLE LARGEST MARKET (SALES OF £2,806 MILLION, 32% OF TOTAL SALES).



**NI EXPORTER OF THE YEAR AWARDS 1996 [BASED ON EXPORT PERFORMANCE IN THE 3 YEARS 1994-1996]**

- AVX CORPORATION (COLERAINE & LARNE), PART OF KYOCERA GROUP OF JAPAN, OVERALL WINNERS. COMPANY'S EXPORTS INCREASED BY 71% OVER PERIOD WHICH CONTRIBUTED TO A 26% RISE IN EMPLOYMENT IN THE YEARS 1994-96 (AROUND 1,000 PEOPLE NOW EMPLOYED AT 2 SITES).
- HIGHLY COMMENDED WERE RANDOX LABORATORIES (CRUMLIN, CO. ANTRIM) CURRENTLY EXPORTING TO CUSTOMERS IN 122 COUNTRIES.
- SMALL BUSINESS EXPORTER OF THE YEAR AWARDED TO VALPAR INDUSTRIAL, BANGOR, CO. DOWN. COMPANY'S EXPORTS HAVE GROWN BY 48% IN PAST 3 YEARS. COMMENDATION IN THIS CATEGORY WENT AROMET GROUP (LISBURN).
- FIRST TIME EXPORTER AWARD WENT TO MALLON GROUP (COOKSTOWN, CO TYRONE). COMPANY HAS INCREASED TURNOVER BY 82% IN LAST 3 YEARS AND HAS SUBSIDIARY OPERATIONS IN HELSINKI & DUNDALK.
- TRADEABLE SERVICES EXPORTER AWARD WENT TO BKS SURVEYS (COLERAINE), PART OF PREVSSAG AG, ONE OF GERMANY'S LARGEST COMPANIES. BKS EMPLOYS 100 PEOPLE IN THE DEVELOPMENT OF DIGITAL MAPS FOR CLIENTS WORLDWIDE. COMMENDATION IN THIS CATEGORY AWARDED TO NI-CO (N.I. PUBLIC SECTOR ENTERPRISES) WHICH MARKETS EXPERIENCE AND EXPERTISE OF N.I.'S PUBLIC SECTOR OVERSEAS.

**SMALL BUSINESS/ENTERPRISE [Source: LEDU HQ]**

- 1996/97 PERFORMANCE: EMPLOYMENT AMONGST LEDU CLIENTS INCREASED BY A NET 3522 (10% INCREASE OVER THE YEAR) WELL AHEAD OF NATIONAL AND REGIONAL TRENDS; RECORD NUMBER OF EXPORT FOCUSED START-UPS (136) - INCREASED BY 72% OVER LAST 2 YEARS); 36% OF START-UPS WERE IN DISADVANTAGED AREAS AS WERE 40% OF CONTRACTS WITH GROWTH BUSINESSES.
- LEDU NOW SUPPORTS THE EMPLOYMENT OF OVER 4,500 FULL AND PART-TIME EMPLOYEES.
- SINCE ITS LAUNCH IN OCTOBER 1995, LEDU'S "MAKE IT BACK HOME" INITIATIVE HAS GENERATED OVER 4,300 ENQUIRIES. SINCE BEGINNING OF 1996, LEDU HAS APPROVED 22 EXPORT START PACKAGES OF ASSISTANCE FOR "MAKE IT BACK HOME" CANDIDATES, WITH COMBINED JOBS POTENTIAL OF 196.
- RECENT INFORMATION FROM THE CENSUS OF PRODUCTION REVEALS THAT SMALL FIRMS IN NI NOW CONSTITUTE 24.2% OF NI'S MANUFACTURING OUTPUT. THIS PERFORMANCE IS SECOND ONLY TO S.E. OF ENGLAND, AND IS WELL AHEAD OF SCOTLAND, WALES, THE MIDLANDS AND YORKSHIRE. THE NI FIGURE IS DOUBLE THAT OF 25 YEARS AGO.



**TRAINING [Source (1) : DED Statistics] [Source (2): T&EA HQ]**

- (1) LATEST FIGURES SHOW THAT THERE ARE 26,000 PEOPLE BENEFITING FROM TRAINING & EMPLOYMENT AGENCY SCHEMES.
- (2) NI'S OUTSTANDING SUCCESS IN THIS YEAR'S NATIONAL TRAINING AWARDS (17 NATIONAL WINNERS - MORE THAN ANY OTHER REGION OF THE UK) CONFIRMS THAT COMPANIES HAVE THE ABILITY TO COMPETE AGAINST THE BEST.

**TOURISM [Source: NITB Policy]**

- 1996 NI VISITOR FIGURES DOWN ON RECORD LEVELS SEEN IN 1995. TOTAL OUT OF STATE VISITOR NUMBERS AT 1,436,000, DOWN 8% ON 1995. HOLIDAY VISITORS FELL BY 36% ON 1995 TO 297,000. TOTAL VISITOR SPEND AT £206M DOWN 4% ON 1995. ENCOURAGINGLY, 1996 FIGURES REMAIN ABOVE PRE-CEASEFIRE LEVELS RECORDED IN 1994.
- INVESTMENT IN HOTELS NOT SIGNIFICANTLY DETERRED - JURY'S INN (DUBLIN BASED) OPENED IN BELFAST IN APRIL 1997 AND NUMBER OF OTHER MAJOR HOTEL DEVELOPMENTS ARE UNDERWAY INCLUDING 185 ROOM HILTON INTERNATIONAL (BELFAST) AND 130 ROOM STAKIS (TEMPLEPATRICK - CLOSE TO BELFAST INTERNATIONAL AIRPORT).
- DIRECT CONFERENCE ENQUIRIES IN 1996, AT 1,055, SHOWED AN INCREASE OF 36% ON 1995 LEVELS.
- BDO STOY HAYWARD HOTEL CONFIDENCE SURVEY (QTR ENDED 30 JUNE '97) FOUND HOTELIERS MODERATELY OPTIMISTIC ABOUT BUSINESS FOR THE NEXT 3 MONTHS. 33% SAID THEY WERE EITHER OPTIMISTIC ABOUT THE NEXT 3 MONTHS BUT 79% SAID POLITICAL SITUATION WAS MOST IMPORTANT FACTOR AFFECTING THE INDUSTRY AT PRESENT.

**RETAIL DEVELOPMENT CONTINUES APACE**

- TESCO'S PLAN TO DEVELOP A MULTI-MILLION POUND SHOPPING COMPLEX IN BANBRIDGE WITH THE PROSPECT OF 200 JOBS BEING CREATED.
- BANBRIDGE CENTRE IS LATEST IN A SERIES OF MAJOR RETAIL/INVESTMENTS IN NI INCLUDING:-
  - SAFEWAY'S PLANS TO OPEN 50,000 SQ FT OUT-OF-TOWN SUPERMARKET ON THE OUTSKIRTS OF ANTRIM, TO INCLUDE PETROL STATION, RETAIL WAREHOUSING AND DRIVE THROUGH RESTAURANT;
  - SAINSBURY'S ANNOUNCING NEW STORE IN CRAIGAVON SHOPPING CENTRE;
  - TESCO OPENED FIRST OF ITS REBRANDED STEWARTS STORES IN CARRICKFERGUS CREATING 15 EXTRA JOBS



- WHILE CO-OP OPENED ITS £9.5 MILLION SUPERSTORE IN THE SAME TOWN CREATING 170 NEW JOBS

#### **NI COMMERCIAL PROPERTY MARKET UPDATE**

- OUTSIDE VIEW IS THAT NI MARKET IS SEVERELY DEPRESSED DUE TO POLITICAL INSTABILITY AND PARAMILITARY VIOLENCE.
- UNDOUBTEDLY THESE FACTORIES INHIBIT ACHIEVEMENT OF FULL POTENTIAL, HOWEVER, LOCAL MARKET HAS BEEN BUOYANT FOR OVER A DECADE.
- IN LAST 10 YEARS AND MORE N.I. MARKET HAS OUT-PERFORMED ALMOST ALL OTHER REGIONS WITHIN THE UK. DEMAND OUTSTRIPS SUPPLY IN BELFAST CITY CENTRE AS NATIONAL RETAILERS LOOK FOR NEW MARKETS AND CONTINUE TO TARGET N.I. - LATEST EXAMPLES: GOLDSMITHS JEWELLERS; RAZZLE DAZZLE; AND MOBILE PHONE SPECIALISTS TO NAME BUT A FEW.

#### **TRANSPORT/INFRASTRUCTURE CURRENT DEVELOPMENT**

- JERSEY EUROPEAN AIRWAYS, LARGEST PASSENGER CARRIER OUT OF N.I. REPORTED PASSENGER NUMBERS GREW BY 15% IN LAST TWELVE MONTHS. COMPANY PLANS TO DOUBLE ITS NUMBER OF DAILY FLIGHTS FROM BELFAST TO STANSTED TO EIGHT BY NEXT SUMMER AND INCREASE SCHEDULE TO GATWICK TO SEVEN FROM THE PRESENT SIX EACH DAY. [BIGGEST ISSUES FOR FUTURE COMPANY SUCCESS OF NI ROUTES WOULD BE LONG-TERM INVESTMENT IN TOURISM, CONFERENCE TRAFFIC, AND BUSINESS CONFIDENCE]
- AIRLINE COMPANY KLM/AIR UK IS TO INTRODUCE TWO NEW DAILY FLIGHTS FROM BELFAST INTERNATIONAL AIRPORT TO AMSTERDAM ON SEPTEMBER 15. THE FLIGHTS HAVE BEEN TIMED TO CONNECT WITH THE WORLDWIDE NETWORK OF KLM ROYAL DUTCH AIRLINES FROM SCHIPOL AIRPORT.
- LEVEL OF TRADE HANDLED BY PORT OF BELFAST IN 1996 INCREASED BY 27% OVER 1995. RECORD LEVELS SET FOR ROLL-ON/ROLL-OFF FREIGHT UNITS, PASSENGERS AND PASSENGER CARS. THREE OF THE MOST IMPORTANT DEVELOPMENTS AT THE PORT WERE: INTRODUCTION OF STENA LINES REVOLUTIONARY HIGH SPEED FERRY ON THE BELFAST - STRANRAER ROUTE; ADDITION OF A FOURTH SHIP ON THE BELFAST FREIGHT FERRIES SERVICE TO HEYSHAM; AND THE INTRODUCTION BY NORSE IRISH FERRIES OF THE FIRST OF TWO LARGER VESSELS TO SERVICE THE FREIGHT/PASSENGER SERVICE TO LIVERPOOL.
- NEW HIGH SPEED BELFAST/DUBLIN TRAIN SERVICE READY TO ROLL IN SEPTEMBER '97 REDUCING TIMES ON 115 MILE JOURNEY TO 1 HR-50MINS. ROUTE WILL BE SERVED BY DEDICATED STATE-OF-THE ART ROLLING STOCK HAULED BY NEW AMERICAN BUILT LOCOS. TRAINS, IN SPECIALLY DESIGNED LIVERY WILL BE OPERATED JOINTLY BY N.I. RAILWAYS & ROI RAILWAY COMPANY-IARNROD EIREAN.



GOOD NEWS/BAD NEWS

LAGAN VALLEY PARLIAMENTARY CONSTITUENCY - MR DONALDSON MP

Good News - Recent Investment      De La Rue Smurfit (NI), Lisburn, investing  
Announced by:                        £591,000 in a project promoting 14 new  
jobs over next 3 years.

Announcements                        Bemse Engineering Ltd, Lisburn, investing  
Pending:                                 £5.1m in a project promoting 72 new jobs.

Barbour Campbell Threads, Lisburn,  
investing £8m in a project which will  
safeguard 278 jobs.

Castlereagh Sheet Metal, Lisburn,  
investing £2.8m in a project promoting 35  
new jobs.

Bad News - Nil.



## **ECONOMIC DEVELOPMENT - STRATEGIC ISSUES**

- Key elements of our existing strategy, as set out in "Growing Competitively" (1995), are:
  - helping businesses improve performance in such areas as marketing, exporting, design, quality, innovation and skills;
  - attracting high quality inward investment;
  - encouraging industrial sectors to co-operate to address common weaknesses and build on their strengths;
  - concentrating on companies which show the will and ability to grow profitably;
  - targeting resources effectively on those people and areas in greatest need.
- The corporate plans of DED's agencies are designed especially to contribute to the overall strategy. The agencies are now preparing new corporate plans to cover the 3 years 1998 to 2001.
- The strategy will require evaluation and review to take us into the next century. We have begun to look at the kinds of issues which will need to be addressed and how this might be done. Preliminary discussions have been held so far with academics, and representatives of business and the unions, to sound out views on the nature, scope, etc of such a review. We hope to work up proposals for a review and put these to Ministers in the Autumn for consideration and agreement.

### **Partnership**

- We believe much more can be achieved by working in partnership with key economic players such as business representative bodies, the unions and local communities.
- We welcome moves in that direction already by NI Growth Challenge, which shares our key aims for the economy.

### **Improving Skills**

- We place much greater emphasis than the last Government on the need to improve the skills and knowledge levels of the existing and future workforce. There is a need for a much closer linkage between education and training, recognised from the outset in the construction of NI Ministerial portfolios.
- Look forward to working with Mr Worthington as he takes action on these important issues.



### **Competitiveness**

- There is broad agreement world-wide that increasing competitiveness is the key to achieving sustained economic growth. In Northern Ireland the competitiveness agenda has been an essential part of our strategy since 1990.
- Margaret Beckett is leading the push at national level towards greater competitiveness of UK industry. She has recently launched consultations with industry and the unions to identify the UK's economic strengths and weaknesses and areas for improvement. This is to lead to the publication, early next year, of a White Paper on UK Competitiveness. Northern Ireland can expect to contribute actively to the national effort.



## INDUSTRIAL DEVELOPMENT BOARD

### 1. IDB CHIEF EXECUTIVE'S MEETING WITH WILLIAM THOMPSON MP

IDB Chief Executive Bruce Robinson met with William Thompson MP (West Tyrone) on 6 June 1997. Mr Thompson enquired about three main issues, Polystar, IDB sites in Strabane & Omagh and the effect of the security situation on IDB's inward investment efforts. Short background notes and lines to take on these issues follow.

#### - Polystar (Ireland) Ltd, Omagh

Polystar, an Omagh-based manufacturer of insulation products, is in Administrative Receivership. A meeting of the creditors, including 40 former employees who had invested money in the company before it collapsed, was held on Monday 18 August.

IDB first became aware of the financial difficulties being experienced by the company in late April 1997. Previous accounts submitted by Polystar showed the company to be trading profitably.

Once IDB became aware of the situation strenuous efforts were made to put a rescue package together involving all the stakeholders. Despite these efforts it was not possible to achieve this and the Directors invited the Bank to appoint an Administrative Receiver on 23 May 1997.

#### Line to Take

IDB received very late notice of the cash flow problem but strenuous efforts were made to put a rescue package together but this was not achievable. IDB is presently attempting to clawback monies paid as grant support.



- **IDB Sites In Omagh & Strabane**

IDB has a total of 46 acres of land available at its estates at Doogary East and West, Omagh and 18 acres at Orchard Road, Strabane. This is in line with IDB's policy of holding industrial land for client companies in each District Council area. The 26 acres at Doogary West are reserved specifically for large IDB projects.

There is also a large vacant 1500 sq m advance factory at Strabane. This was completed in August 1996 under the policy of locating advance factories in disadvantaged areas.

**Line To Take**

It is considered that there is an adequate supply of land for IDB and LEDU client companies in Omagh and Strabane.

- **Effect of Security Situation on Inward Investment**

The breakdown of the IRA ceasefire in February 1996 and subsequent acts of violence caused some negative reaction in IDB's target overseas markets (USA, Asia Pacific and Europe). Despite this, interest in Northern Ireland remained strong and IDB continued to work hard to maintain positive relationships with prospective investors.

The renewal of the 1994 IRA ceasefire in July of this year is a very encouraging development which should add additional impetus to the economic momentum which has been building here since the start of the 1990s. This economic turnaround (which predates the original ceasefire) has seen Northern Ireland emerge as one of Europe's fastest growing regional economies. This growth has provided solid and sustainable foundations for export sales and investment, both of which have reached record levels in the past three years and unemployment is at its lowest level for 17 years.

**Line to Take**

Interest in Northern Ireland has remained strong and IDB continues to work hard to maintain positive relationships with prospective investors. The renewal of the 1994 IRA ceasefire in July of this year is a very encouraging development which should add additional impetus to the economic momentum which has been building here since the start of the 1990s.



2. **ELITE ELECTRONIC SYSTEMS LTD (ENNISKILLEN)**

Mr Ken Maginnis, MP has been in discussions with IDB Chief Executive Bruce Robinson both about the level of assistance offered to this company for a new project, and its request to lease a further area of vacant land on a site adjoining the company's factory at Lackaboy Industrial Estate.

The company submitted a Business Plan in May 1996 and following protracted negotiations IDB made an offer of assistance amounting to £249,000 against project costs of £1,635,000 (15.23%). In December 1996 the company wrote to IDB expressing disappointment at the percentage contribution being offered compared with other projects, particularly in the Fermanagh area.

Ongoing discussions with the company have resulted in IDB increasing its offer from £249,000 to £292,000 (17.85%) but as yet the company has not agreed to accept the package of assistance.

The company also wishes to lease a further area of land, part of a site adjoining the site next to its factory at the Lackaboy Industrial Estate. The application was rejected as it did not meet the key IDB criteria for leasing land ie the land was not required for immediate development (within 18 months).

**Line to Take**

The offer made to Elite is based on the rationale that this project is an incremental expansion (i.e. not major) and does not involve introducing a new range of products or entry into new markets. IDB has advised the company that in this instance it will reserve the area of land adjoining Elite's factory for the company on a first refusal basis.



## LOCAL ENTERPRISE DEVELOPMENT UNIT

(Mr Donaldson has asked for a meeting with LEDU to be briefed on the Unit's work in general. LEDU are trying to arrange this.)

### 1. Closure of LEDU's South Eastern Regional Office

Mr Donaldson may question LEDU's decision to close its regional office in Newtownards.

#### Line to Take

In the light of reduced organisational funding, LEDU carried out a comprehensive review to identify scope for savings whilst still maintaining the effectiveness of its services.

The review clearly indicated that LEDU can sustain and develop the effectiveness of its activities in the South Eastern region without maintaining expensive premises in Newtownards. The review highlighted the proximity of the South Eastern area to LEDU's other regional offices in Belfast city centre and in Newry, and its headquarters at Upper Galwally, Belfast.

There is no strategic or operational advantage to be gained by continuing to operate premises in the South Eastern region. Records show that the majority of contacts are made by telephone, fax, e-mail and visits from LEDU staff.

- 2. The UUP may have the impression that LEDU's activities are unfairly concentrated on Nationalist rather than Unionist areas. This could be due in part to the high profile of the local enterprise agencies in Belfast, which tend to be located in non-Unionist areas.**

#### Line to Take

LEDU's aim is to provide services that meet the individual needs of each area.

A large financial commitment has been made to establish enterprise centres to serve the needs of all areas.

LEDU offers the same range of services in TSN areas to both Unionist and Nationalist traditions.



3. Some Unionist councillors are concerned at the role played by the Peace and Reconciliation Partnership Boards. They are concerned that enterprise and business organisations are not included and that the majority of applications come from non-Unionist areas.

Line to Take

LEDU shares these concerns, as do other members of the Partnership Boards.

The development of the Boards in this way has not been intentional.

LEDU hopes to assist the Boards to develop a more strategic focus designed to meet the needs of all communities.

4. LEDU clients in Mr Donaldson's constituency which are in difficulties:

- a) M&B Fine Foods - [REDACTED]

This partnership, engaged in packaging ready meals, is currently in financial difficulties. Financial information supplied to LEDU was inaccurate, and the re-stated position gives cause for concern.

LEDU awaits finalised accounts and the outcome of a meeting with the company's bank before any further action can be taken.

- b) Howell House Bakery - [REDACTED]

Increasing competition in recent years has made trading difficult for this business which makes tray bakes and confectionery goods. It currently holds 18% of the short life cake market in Northern Ireland. In May 1997 the company received LEDU's offer of assistance totalling £95,000; it is having difficulties meeting the conditions of the offer.

LEDU's offer is fair and reasonable. LEDU will continue to work closely with the promoters to improve competitiveness, profitability and to secure sustainable employment.

**NORTHERN IRELAND TOURIST BOARD**

There are no specific issues on which the Minister need be briefed on the tourism front. However, he may wish to be aware that:

- a) Dermot Nesbitt and Reg Empey of the UUP met with the Hospitality Association of NI in mid August for general briefing;
- b) NITB has written to Jim Wilson (UUP Party Secretary) seeking comments on its Outline Strategy for Tourism Policy in NI. Responses are due by 26 September.



## PARLIAMENTARY QUESTION ON TARGETING SOCIAL NEED

### Background

In June Mr Donaldson put down a PQ: "What plans has the Secretary of State to review the prioritisation of areas of special need in Northern Ireland, in terms of targeting inward investment."

The answer provided was: "The recent report by the Standing Advisory Commission on Human Rights on employment equality included recommendations on job location. These will be considered carefully by Government."

The question related to the areas used by the IDB for TSN purposes. TSN was introduced in 1991 as a major initiative through which Government aims to improve social and economic conditions by targeting resources on Northern Ireland's most disadvantaged areas and people.

In defining their TSN areas and developing their 3-year TSN Action Plans (1995-98), DED and its agencies used the Robson Indicators coupled with an additional weighting for unemployment. Robson objectively measured deprivation using data from the 1991 Census.

IDB's programmes are aimed at companies (inward investors and local). The labour market catchment areas for such businesses mean that the most appropriate areas for IDB to use for TSN purposes are the District Council areas.

Within its Action Plan, IDB aims to locate at least 75% of inward investment projects in or adjacent to TSN areas. In 1996-97 10 out of 11 new inward projects decided to locate in TSN areas, with the prospect of 1559 new jobs. Some "non-TSN" Councils feel that the current procedure ignores pockets of deprivation at ward level within their areas.

The Standing Advisory Commission on Human Rights published the report on its Employment Equality review on 26 June [after Mr Donaldson's PQ was put down]. This includes a recommendation that for inward investment purposes IDB should adopt a selected number of small areas instead of their current range of TSN District Council areas. Such a move would probably exacerbate the concerns of the non-included areas.

### Line to Take

The Government is committed to giving full consideration to the Commission's recommendations, including their implications for the TSN initiative.

It is correct that Government programmes should target those areas and individuals in greatest need.

IDB continues to operate with and assist all its client companies to improve their competitiveness and grow, whatever their location in Northern Ireland.



**SUGGESTED INPUT TO BRIEFING FOR MINISTER'S MEETING WITH  
JEFFREY DONALDSON MP**

**Electricity Prices in Northern Ireland?**

Line to Take

- Prices are coming down.
- NIE announced reductions of 8% in domestic electricity bills and up to 3% in industrial/commercial bills from April 1997.
- Decision recently announced by the Regulator on initial NIE price controls review, following consultation exercise on MMC recommendations, will lead to further price reductions. (NIE seeking judicial review of the Regulator's decision.)
- Government has no authority to intervene in dispute between NIE and the Regulator.
- Regulator has been in discussions with NIE and the NI generators on possible ways of reducing generation costs (which account for 80% of industrial bills and 60% of domestic bills), and plans to publish a paper on options for renegotiation of the generator contracts in the near future.

Background

It is more expensive to produce and distribute electricity in NI than in most regions of GB because the power stations are smaller, the spinning reserve is higher and customers are more dispersed.

Action being taken to remedy high electricity costs includes the Regulator's first electricity price controls review and his discussions with the generators; the natural gas and planned electricity interconnections with Scotland; the provision of the £60m Government subsidy (following the abolition in GB of the nuclear levy which did not apply in NI); the promotion by DED of Combined Heat and Power (or co-generation); and the continuing campaign to promote greater energy efficiency.

**Allocation of Remaining £45m Government Support for Electricity Consumers**

Line to Take

- Government consulted widely on use of £60m package.
- Broad agreement on its use to further reduce prices and promote energy efficiency.



- £15m used to lower tariffs in 1996/97 - NIE, as a complementary measure funded a £1m energy efficiency programme.
- Government consulting on how best to allocate the remaining £45m - hopes to make an announcement shortly.

#### Background

Government announced, in June 1995, its intention to provide financial assistance to ensure that NI electricity consumers would share in benefits that counterparts in GB would enjoy from the earlier than planned abolition of the nuclear levy. (Levy did not apply in NI.) £60m has been made available over the 3 years from 1 April 1996.

The first tranche of £15m paid to NIE plc in the 1996/97 year to reduce the Bulk Supply Tariff to the benefit, pro-rata, of all electricity consumers resulted in April 1996 tariffs being pegged by 3% to below the then rate of inflation.

DED is considering, in conjunction with the Regulator and DFP, the best uses of the remaining £45m including expenditure of part of the funds on energy efficiency initiatives involving job creation. It is planned to make an announcement in October/November 1997.

#### **Planned NI/Scotland Electricity Interconnector**

##### Line to Take

- Government is supportive of the principle of interconnection which will provide access to competitive electricity markets in both the rest of the UK and the rest of Europe, in line with EU policy.
- Planned interconnector project being promoted jointly by NIE plc and Scottish Power, two private companies.
- Progress with the project is subject to the granting of planning permission in both NI and Scotland.

##### Background

The planned 250 MW interconnector (estimated cost £200m) would meet about 20% of NI's future electricity requirements. EU funding of up to £72m has been obtained.

There have been objections to the project in both NI and Scotland on both economic and environmental grounds and progress is dependent upon the granting of planning permission in both jurisdictions.

NIE has submitted a second planning application for the NI element of the project and the decision on the Scottish application is expected in the near future.

The UUP is the only local political party clearly in favour of the interconnector project.



## **NATURAL GAS IN NORTHERN IRELAND**

### **1. NORTH/SOUTH GAS INTERCONNECTOR**

#### Background Note

The Department of Economic Development, in co-operation with the Department of Public Enterprise in the Republic of Ireland, Bord Gais and Phoenix Natural Gas Ltd, commissioned a feasibility study in September 1996 into the possibility of establishing a North/South gas interconnector. The consultants undertaking this study furnished their report in July 1997 and this is currently being studied by the various parties.

#### Line to Take

Government is keen for the new gas industry to be extended to other areas of Northern Ireland. The extension of the natural gas industry will however depend upon the economic viability of any projects proposed.

### **2. NORTH WEST GAS PIPELINE**

#### Background Note

The Department of Economic Development is facilitating a joint feasibility study on taking natural gas to the North West. The other participants in this project are Coolkeeragh Power Ltd, PowerGen, Phoenix Natural Gas Ltd and NIE Enterprises. The terms of reference have been agreed and currently consultants to undertake this study are being recruited.

#### Line to Take

Government is keen for the new gas industry to be extended to other areas of Northern Ireland. The extension of the natural gas industry will however depend upon the economic viability of any projects proposed.