

CONFIDENTIAL

TO: 1. PS/MR VIGGERS (B&L) - M
2. PS/SECRETARY OF STATE (B&L) - M

cc PS/PUS (B&L) - M
PS/Sir K Bloomfield
Secretary
Mr Burns - M
Mr Chesterton - M
Mr Miles
Mr Gibson
Mr Gowdy
Mr Wolstencroft
Mr Minnis
Mr Bell - M
Mr Blackwell - M
Mr Leach - M
Mr Murphy
MC

FROM: M A WARNOCK, ISD1, DED

Copy to: Miss Brown
at [unclear]
① Miss Thompson - to see
② file - Kennedy.

SHORTS: KENNEDY AMENDMENT

1. My submission of 23 June (paragraph 4) reported an apparent disparity in understanding between Shorts and the US Army over the details of the company's undertaking about equal employment opportunities.
2. The Washington Embassy advised that Pentagon and Congressional staff were claiming that Shorts had accepted targets for Catholic recruitment of 17.5% in 1988, 25% in 1989 and 33% in 1990. It was also suggested that Shorts had agreed that work to the value of at least \$5m of the proposed \$60m Super Sherpa contract would be awarded to Catholic sub-contractors. These claims, repeated by Congressman Kennedy and the Irish National Caucus, were given coverage in the local press at the end of June.
3. Mr McNulty wrote to the US Army on 23 June expressing his concern at apparent misrepresentation of Shorts' position in the reports which he had received from the US. On the question of targets Mr McNulty stated that he accepted a target for Catholic recruitment of 25% "in the next year or so" and 33% as a "longer term" aim. He expressed the view that the company could aim to reach the 25% level of intake in the 1989-90 period, but that "33% is probably at least 3-4 years away, as it depends on changes to the curricula in Catholic schools and development of our facilities in West

CONFIDENTIAL

CONFIDENTIAL

Belfast". On the sub-contracting issue Mr McNulty stated that Shorts has little opportunity on Sherpa to change from existing sources but the company would seek to sub-contract an "equivalent" amount (\$5m) of work on other projects as opportunities arise.

4. The company recently advised the Department that Catholic new starts since the beginning of 1988 represent 25% of total recruitment. Any additional sub-contracting by Shorts within Northern Ireland would be entirely on a merit basis and not as a result of any attempt to identify and appoint Catholic firms, even if companies could be so designated.
5. The matter has remained dormant for the past two weeks in spite of the content of McNulty's letter having been conveyed to a senior Kennedy aide. The Embassy has now reported (copy telegram attached) that Kennedy is increasingly concerned that Shorts would not be providing the equal opportunity undertakings which members of the armed services committees had been led to expect and has alerted us to the possibility of further problems.
6. I have discussed these developments with Mr McNulty who has already sent a draft equal opportunity undertaking, agreed with the FEA, to the Under Secretary of the Army. Mr Stone's office has indicated that he is content with this draft (copy attached) and, subject to formal confirmation of this acceptance, the final version should issue from Shorts in the near future. Mr McNulty hopes that detailed negotiations with the ANG can proceed as soon as the President signs the Bill this week and expects that the contract can be finalised by the end of August. Shorts' Washington lobbyist has been advised not to intervene in the exchanges between Stone and the Kennedy camp. The Embassy is taking a similar stance.

CONFIDENTIAL

CONFIDENTIAL

Conclusion

7. The dispute about the nature of Shorts' equal employment opportunity commitments appear to have originated in Mr Stone's memorandum to the armed services committees. As Stone is reported to have accepted Shorts latest written statement it is clearly desirable that he should be left to resolve any problems which may have arisen from inaccuracies in his own earlier memorandum. If the President signs the Bill this week as planned the prospects for further disruption on this contract will be substantially reduced.

M A Warnock

M A WARNOCK
Industrial Support Division 1
Department of Economic Development

18 July 1988

CONFIDENTIAL

3.

PAGE 3
CONFIDENTIAL