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From: PS/Secretary of State (B) cc
7 February 1989

PS/SofS (B&L) - B
PS/Mr Viggers (B&L) - B
PS/Dr Mawhinney (B&L) - B
PS/PUS (B&L) - B
PS/Sir K Bloomfield
Mr Burns - B
Mr Fell, DED
Mr Semple, DFP
Mr Thomas - B
Mr Gibson, DED
Mr Watkins, DFP
Mr Miles - B
Mr G McConnell - B
Mr J McConnell - B
Mr P McDonnell, DED

Mr. R. H. H. H.

Jan. 9/2
Wm. G. G. G.
W. G. G.

NOTE FOR THE RECORD

HARLAND & WOLFF: MEETING WITH NORTHERN IRELAND MPS

A delegation consisting of Mr Jim Molyneaux MP, The Rev Ian Paisley MP, Mr John Hume MP, Mr Roy Beggs MP, Mr Peter Robinson MP and Mr Austin Currie came to see the Secretary of State and Mr Viggers in NIO(L) on 1 February to discuss Harland & Wolff. Mr G McConnell and Mr McDonnell were also present.

2. Mr Molyneaux began by saying that while the group had asked for a meeting with the Prime Minister to follow this one with the Secretary of State (and she had agreed in principle to this) this was not in any sense meant as a slight to the Secretary of State. Because of the significance of Harland & Wolff in Northern Ireland they wished to register their views at the highest level, but they fully recognised that the Secretary of State had prime responsibility for the Yard and therefore expected the present meeting to be the substantive one. (They also of course recognised that the Secretary of State would be at the meeting with the Prime Minister.) The Secretary of State said that he understood the point. The reality was that the Prime Minister and he were indivisible. While it was always her practice to meet MPs who asked to see her, she would be guided by the advice of the relevant Departmental Minister, and this was particularly the case on an issue of such importance as Harland & Wolff. It was therefore

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possible of the group to see him first, as the Prime Minister had requested them to do. He would report to the Prime Minister after the meeting.

3. Turning to the position at Harlands, the Secretary of State explained that against the background of the Government's decision to privatise the Yard, two proposals were currently being very carefully considered. The first was for a management and employee buy out (MEBO) while the second was for the purchase of the Yard by the management team from Bulk Transport. Intensive work on these options was going on, with Mr Viggers taking a leading role. He was not in a position to say much about the substance of the negotiations at the moment, although it was worth pointing out that the MEBO option was not fully credible as it stood and would need the support of a major industrial or financial partner. There were in fact 2 possible partners who had been mentioned and were being looked at. If either MEBO or BT were proceeded with, there would be substantial work to do in getting the endorsement of the EC for the new arrangements and the united support of the Northern Ireland parties, particularly the MEPs, would be very useful in this context.

4. Mr Paisley thanked the Secretary of State and said that Mr Robinson would take the lead in presenting the group's views. Mr Robinson began by saying that although a number of the Northern Ireland parties did not agree with the philosophy of privatisation, and/or had doubts about the timing of privatising Harlands now without a 'fattening-up' period, he would not pursue these since there was no point in disputing the policy as it now stood. As the breadth of the present delegation showed, Harlands was a key employer in Northern Ireland, providing substantial direct employment, a good deal of other employment in manufacturing and service companies, and offering training in highly skilled work to a large number of young men. The perception which was widely present in the Yard and in Northern Ireland generally was that the Government was preventing Harland & Wolff from acquiring new work and was also spreading negative briefing about the Yard. While the reality might be more complex than this, it could hardly be denied

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that the Government had not been fulsome in its comments on Harland & Wolff and this had really affected morale in the Company and in the community at large.

5. Mr Robinson went on to say that he had spoken both to Mr Pollock of BT and to Mr Parker about the 2 options which were on the table. While both were clearly better than closure, he felt that MEBO offered much better long-term prospects. He was concerned that the fact that the BT option cost less might incline the Government towards it, even though the future it offered for Harlands was in low-tech 'metal-bashing' work, sticking to the large tanker market where competition was in fact greatest. While Mr Pollock was a very personable individual, he suspected that he and his BT colleagues were primarily in the market for the cheap ships which under this proposition they could get built at less than market value. Apart from anything else the EC would surely see through this device. MEBO, on the other hand, seemed to offer a long-term future: Mr Parker was a very able individual who wished to keep the Yard afloat and had a highly perceptive understanding of the world shipping market. The fact that he had now attracted the support of two major possible partners showed that he inspired confidence in people of experience and very substantial resources. As Mr Robinson understood it, one of these potential investors would be willing to place orders with the Yard (thus enabling MEBO to match this important possible feature of the BT proposal).

6. Concluding Mr Robinson said that because of the perception of the Government's hostility and the recent redundancies, morale and productivity at Harlands were now very low. This was hitting the work on SWOPS and other orders. It would be enormously valuable if the Secretary of State could issue a statement - for example after this meeting - stressing the Government's commitment to a viable long-term future for the Yard. Without this, potential customers might be scared off too.

7. The Secretary of State complimented Mr Robinson on this well-informed presentation. Mr Paisley said that he supported the reservations which had been expressed about the BT option.

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Mr Pollock made a virtue of not asking the work force at the Yard to contribute financially, but in fact they ought to be made to contribute so as to have a stake in the success of the privatised Yard. The MEBO option was greatly preferable in this respect.

Mr Currie, Mr Beggs and Mr Hume all briefly expressed their support for Mr Robinson's analysis and argued the case for the work force and suppliers to be given more solid grounds for confidence in the Company's future.

8. The Secretary of State said that he was impressed by the sincerity and unanimity of the delegation. He had worked hard at improving the economic situation in the Province, and there had been a good deal of success; but Harlands and Shorts were the great exceptions. However, he was not in a position to respond at this moment to the delegation's request for an unqualified commitment from the Government to the Yard's future. A great deal of work was going on and there were considerable hurdles to surmount, not least with the EC. He would value the delegation's continuing support. On the 2 options, both had pluses and minuses and the choice was not quite as clear-cut as had been suggested. While the appearance of possible industrial partners for the MEBO option had certainly given it some credibility, the choice was by no means clear-cut. One aspect of BT which should not be lost sight of was that the Company was prepared to place an order for relatively straightforward ships. These might not be particularly high-tech, but a steady dose of regular and efficient serial production of simple ships could well be good news for Harlands. He had nothing against specialist ships, but the complexity inevitably made time and cost overruns more likely; SWOPS was a case in point. A key element in working towards the successful resolution of the Yard's difficulties was to keep the work force actually at work; any form of industrial action would be most damaging. In conclusion, the Secretary of State stressed that he hoped that he would be able to secure a viable future for the Yard but he could not guarantee this. Mr Hume asked whether the Secretary of State could rule out closure as an option. The Secretary of State made clear that he could not do so at the present time. Mr Hume and Mr Paisley then commented on the EC aspect, noting that any package deal put to the Commission would

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to dwell more on the regional than on the industrial arguments, since the aid envisaged for the Yard could well be outside the normal limits for shipbuilding aid. The Secretary of State commented that this was indeed likely. If a viable way forward could be found it would probably be necessary to clear all the Company's existing liabilities, which would come to several hundred million pounds, and there would then in addition be intervention aid and possible additional subsidies.

9. The meeting then turned to the drafting of an agreed press statement for use after the meeting. This is attached (not to Blis recipients). In conclusion, the delegation thanked the Secretary of State for receiving them. The Secretary of State said that he had found it a constructive and helpful meeting. He would consult the Prime Minister about an appropriate time for a meeting with them (Action: Mr G McConnell for advice please).

Stephen J. Leach

S J LEACH
Private Secretary

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