



SECRETARY OF STATE
FOR
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MS
Prime Minister (4)

ST 5/10

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

4 October 1983

Dear Chancellor

PRIVATISATION OF THE PUBLIC TRADING SECTOR

You copied to me your minute of 25 July to the Prime Minister with which you circulated some thought-provoking papers on approaches to the further privatisation of the public trading sector in GB. A parallel exercise was commissioned in Northern Ireland covering those companies and services analogous to the identified GB candidates. I agree entirely with your emphasis on the need for strengthened procedures and for thorough periodic reviews of prospects and progress. There are, of course, particular Northern Ireland considerations of which I have to take account eg security (in relation to the transport undertakings for example) and employment (in relation, for example, to Shorts and Harland and Wolff).

I have received detailed assessments from the Northern Ireland Departments. There are few major enterprises in the public trading sector in Northern Ireland. The two most significant are Harland and Wolff and Shorts. We believe that Shorts can and should be privatized within 2 years or so. I enclose a note about the present position there. Harland and Wolff is not likely to become attractive to the private sector. Both companies regularly receive separate ministerial consideration.

In addition the need to maximise the possibilities for introducing a strong private sector dimension featured in our recent ministerial considerations of the Gas Industry. Following the example in Great Britain we are also considering the position of the Northern Ireland Airports Authority, which operates Aldergrove: but the Airfield is jointly used by the RAF and there are major security considerations which will need to be considered before we can say whether there is any scope for privatisation.

5 OCT 1983



Finally, may I make the very important point that, because of the perceived risk, one of the major difficulties we face in Northern Ireland is getting private capital to invest. Our problem in attracting overseas companies which very much includes companies from GB is one aspect of this but it is also reflected in the attitude of the institutions towards commercial investment (eg shopping complexes, car parks etc). This has been a factor in producing the historical imbalance between the private and the public sectors. It could also hinder the efforts I am keen to make to redress the balance and I may in due course have to seek your help in considering whether there are ingenious ways in which any difficulties might be overcome.

Yours sincerely

Derek Attil

Approved by the
Secretary of State and
signed in his absence

Shorts

1. Shorts is a Government owned Company which is at present loss-making but is expected to move into profit in the near future. The Company employs 6000 people making it the biggest industrial employer in Northern Ireland. Shorts has 3 main activities - the manufacture of missile systems, aircraft and aero-structures. The missiles system division is profitable but the appeal to private investors of the aircraft and aero-structures activities would be at best marginal at present.
2. Ministers will be considering the Company's 1983 business plan in late 1983 or early 1984. If the business plan predicts reasonably healthy profits, the most likely option could be disposal at approximately market rates a couple of years thereafter. Another option could be to dispose at an earlier date, incurring a discount, and therefore any date from 1984 to 1986 would be theoretically possible. If the Company's missile systems division alone were to be sold, this could be achieved at an early date but we do not favour such a break up of the Company. Confidence that any new owner would wish to maintain the size and location of the Company's activities would be a vital consideration.
3. The disposal of the Company as a whole is most likely to be achieved by sale to an industrial grouping involved in the aerospace or a related field.
4. The normal value of the Government's shareholding is £65m excluding the very high value of the loans outstanding. The net Balance Sheet value of the shareholders fund being minimal.

ECONOMICS : Disposal of Public Sector Assets.

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