

CONFIDENTIAL

cc JV.

The more important it is to the yard - the more it should be rejected - the more
Prime Minister



Prime Minister (1)

I am already under some criticism from who desperately need people ahead if there would be a zero pay increase.
Blue Star arrangements could go

HARLAND AND WOLFF: BLUE STAR LINE ORDER
A modest increase would increase pay to the next 2%.
Agree to a 'modest' pay increase not negotiable by Mr Prior?

I have seen a copy of your Private Secretary's letter of 4 October about the Blue Star Line order for Harland and Wolff. I understand that Geoffrey Howe is content for me to respond. Mls 8/60

I see your point about not paying the Harland and Wolff workers more when the yard is not making a profit. We shall deploy this forcefully in the next pay round and I shall do my best to obtain a nil pay settlement. Incidentally, Short Bros, who are next door, did obtain a nil settlement last year. But in order to achieve our productivity package which E(NI) agree is crucial to our strategy for the Yard and to achieve very substantial public expenditure savings, we may need to offer the workers who are still with the Yard a modest pay increase: their pay is already lower than comparable workers at British Shipbuilders and is likely to remain so. We have already reduced the labour force by 650 this year, and another 250 to 300 will go early next year.

For the reasons I explained to colleagues and which they accepted, the Blue Star order is crucial to keeping the Yard going while we make the major economies which are necessary to secure the future of the Yard. I shall ensure that wage economy goes hand in hand with reducing manning levels and improving working practices. But I can only do so, and avoid the political catastrophe which closing the Yard now could lead to (not to mention the security and financial costs), if we go ahead now with the Blue Star order.

I am /...

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I am copying this letter to colleagues on E(NI), John Belstead, Norman Lamont and Sir Robert Armstrong and Mr Spence.

A handwritten signature in dark ink, appearing to read "J P".

PP

J P

8 October 1982

(Signed on behalf of
the Secretary of State
in his absence)

NATIONALISED INDUSTRIES: SHIPBUILDING POLICY.

PART 4.



FILE

TMA

noted

10 DOWNING STREET

From the Private Secretary

11 October 1982

Dear John,

HARLAND AND WOLFF:
BLUE STAR LINE ORDER

The Prime Minister was grateful for your Secretary of State's minute of 8 October.

She has commented that the more important the order is to the yard, the easier it should be to negotiate a zero pay increase. She has further commented that she is already under criticism from British Shipbuilders who desperately need orders for yards in Great Britain; and that a "modest increase" would have to be no more than 2% or so.

I am sending copies of this letter to the other members of E(NI) and Gerry Spence (CPRS).

Yours sincerely,

Michael Scholer

John Lyon, Esq.,
Northern Ireland Office.

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