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for E(M) folder 4

Qa 06426

To: PRIME MINISTER

26 July 1983

From: JOHN SPARROW

Harland and Wolff

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1. I have seen E(NI)(83)16 by the Secretary of State for Northern Ireland.

2. The case for keeping Harland and Wolff open is clearly based on political and social objectives and not on economic and commercial ones. The contrast with the situation of British Shipbuilders is instructive. In the British Shipbuilders' case it is possible to see a viable core of activities. In the Harland and Wolff case nobody is suggesting that it can ever be made into a viable concern; indeed, paragraph 20 of Annex 3 of the paper points out that, even if all the employees worked for nothing, the Company would still not be viable.

3. The net present value cost difference between closing Harland and Wolff now and supporting it indefinitely at current levels is put at some £650m. The question surely arises whether the political and social objectives which retention of Harland and Wolff is designed to achieve might not be better served (perhaps even more cheaply) by some other approach. The Officials' paper argues that there is little hope of success with measures designed to provide alternative employment. Is that not defeatist? Would not more intensive study of possible alternatives (including less costly uncommercial ways of employing people or even such way-out ideas as early retirement at an enhanced pension level) produce some more positive approach?

4. I recognise that the Secretary of State for Northern Ireland will want to avoid any Government-induced disruption to his present efforts to achieve a long term political solution in Northern Ireland and I recognise that closure of Harland and Wolff, coming on top of other recent job losses, would be a major disruption. But if his efforts succeed it may be that in a year or two's time closure could

SECRET

be more readily contemplated especially if in the intervening period the Government was ready to put in place some alternative means of overcoming the social and political problems implicit in closure.

5. The cost of failing to grasp the expensive Harland and Wolff nettle could be greater even than that estimated by Officials in Annex 3. Shipyard workers in other parts of the United Kingdom, whose jobs must be sacrificed if British Shipbuilders is to have any reasonable future, will draw their own conclusions from Government's hesitation. This could make it more difficult for the Government to shed the public expenditure burden of propping up an over-blown British Shipbuilders.

6. I am sending a copy of this minute only to Sir Robert Armstrong.

RS.