



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon James Prior MP
 Secretary of State for the Northern Ireland Office
 Northern Ireland Office
 Whitehall
 LONDON
 SW1P 3AJ

10 February 1984

John Sim

HARLAND AND WOLFF: CORPORATE PLAN

Thank you for your letter of 2 February. I am glad to have your agreement to set in hand a study of a cheaper alternative strategy for H&W, based on a substantially smaller yard, and note that it will take three or four months to complete.

But I am not persuaded that that study should only shape our reaction, should the Parker plan be blown off course. As I said before, I do not think we can accept the financial consequences of the Parker plan in its present form, implying it does an indefinite subsidy of around £40m per annum on clearly optimistic assumptions.

At E(NI) therefore I shall be proposing that:

- i. we take a first look at the smaller yard study as a companion to the BS corporate plan, now scheduled for around midsummer;
- ii. strategic decisions will be needed on H&W either then or, at latest, by March 1985, depending on the nature of our decisions about BS;
- iii. at that stage, we could only continue to back the Parker plan if it offered tangible assurance of a marked and progressive decline in our cash subsidy to H&W, in particular for 1985-86;
- iv. otherwise we should immediately implement either the "smaller yard", or a more drastic, option.

I am sending copies of this letter to the Prime Minister and other recipients of yours.

Peter Rees

PETER REES



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NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1A 3AG

2 February 1984

Handwritten signature: Peter Rees

Handwritten initials: MR

Handwritten: Pmc Murkin

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HARLAND AND WOLFF : CORPORATE PLAN

I am sorry not to have replied sooner to your letter of 7 December. However, your letter has raised issues of fundamental importance and I have wished to weigh up carefully their implications following further discussions which my officials have held with the company management.

I do agree that, for the reasons you outline, it would be sensible to develop a fully considered and worked-out assessment of the feasibility of further reducing the scale of the Harland and Wolff operation and whether in fact this would produce any cost savings. I am equally convinced that, to be of value, such a study must be thorough and necessitates what amounts to an audit of the company's facilities and manning in the light of throughput assumptions. I would expect that this will take time - perhaps 3-4 months - and will not, I am afraid, be ready for our E(NI) discussion.

John Parker takes a responsible view of this proposal and has said that he would be prepared to collaborate with management consultants, PA, in carrying out a study. Although he has expressed reservations about the scope for, and wisdom of, further contraction which could constrain the Yard's long term capability.

It is important to bear in mind that Harland and Wolff has only just completed a period of contraction and rationalisation under John Parker. I believe that we must try to give him a reasonable chance to consolidate this and to pursue the Corporate Strategy which he has initiated. If, however, the results of the smaller yard study

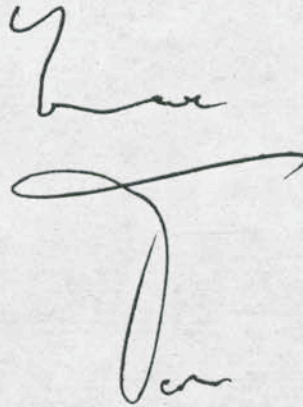
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confirm that there are significant advantages in further contraction then I believe this may well shape our reaction should the present plan be blown off course. When E(NI) meets I intend to bring forward proposals along these lines on our handling of funding, the Parker plan and the further work we have now commissioned.

I am sending copies of this letter to the Prime Minister, other E(NI) colleagues and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to be 'J. Lee' or similar, written in dark ink.

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Nationalized Industries
Shipbuilding A 6

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