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SECRET

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Jill Rutter  
PS/Chief Secretary  
HM Treasury  
Great George Street  
LONDON SW1

11 July 1988

Dear Jill

E(A)(88)35

**EARLAND AND WOLFF**

I attach a note showing the breakdown of estimated closure costs mentioned in my Secretary of State's paper to be discussed on 13 July.

I am sending a copy of this letter to the Private Secretaries to the Members of E(A).

Yours

M E DONNELLY

**CONFIDENTIAL**

**HARLAND AND WOLFF**

**BREAKDOWN OF ESTIMATE OF CLOSURE COSTS OF £240m**

	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>	<u>TOTAL</u>
	£m	£m	£m	£m	£m
<b>Trading Support</b> (including contract losses)	32	15	15	20	82
<b>Ship financing costs</b>	5	10	7	10	32
<b>Special Closure Costs</b>					
Terminal Bonuses	-	-	20	-	20
Others - demolition etc	-	-	8	10	18
<b>Redundancies</b>	13	15	32	28	88
<b><u>TOTALS</u></b>	<b>50</b>	<b>40</b>	<b>82</b>	<b>68</b>	<b>240</b>

**NOTES**

1. The above is an estimate of the total cost of supporting the company until closure is complete.
2. The estimate has been prepared by officials without consultation with the company. Following the submission of the P3000 costs, H&W are to produce revised cash flow forecasts for the next four years, and the above figures may need to be amended in the light of these forecasts.
3. H&W is currently negotiating an extension to the contract date for AOR, and bearing in mind that the ship is a first of class, it is assumed that the final delivery will not take place until the end of 1990. As H&W will be required to provide additional support on the AOR after delivery (until commissioning is complete), and as there will be a run-down period, costs will continue to be incurred in the 1991/92 year. In addition under the terms of the redundancy scheme the final payment is made 12 months after termination of employment, so that some of these costs also will have to be met in 1991/92.

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