



# An Chartlann Náisiúnta National Archives

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## S H O R T S

### 1. Background

Short's, which is State-owned, is the biggest private sector employer in Northern Ireland, with almost 7,000 workers. It has enjoyed considerable sales success in recent years, with sales rising from £31.4 m. in 1981-2 to £67.9 m. in 1983-4, and in 1984-5 it made an operating profit for the first time in ten years. However, despite receiving £6.44 m. (out of an authorised external funding limit of £16 m.) from the British Government in 1985-86, the Company, according to its annual report published on 3/11/86, lost a total of £35m in 1985-6. Sir Philip Foreman, the Chairman of Shorts, admitted that the loss was "dreadful" but blamed it in part on the fact that the Company had taken on many new programmes during the year and "took our eye off some existing programmes". He also said that the Company "lost control of manufacturing due to a shortage of spare parts". Productivity fell and costs increased, while prices obtained for commuter aircraft fell due to increased competition. Another factor according to Sir Philip was the heavy interest burden (£15m) which resulted from the artificially high ratio of loans to assets. Finally, the effects of the "political controversies" of Northern Ireland had compounded Shorts' difficulties. Sir Philip said that action had already been taken to redress the situation, including top-level management changes, and that this should help the Company to return in the current financial year to a level of profit similar to that of 1984-5. The N.I. Department of Economic Development also told us before the annual report was announced that missile manufacture may have to end with a loss of as many as 1,300 jobs, but Sir Philip Foreman denied that layoffs would be necessary. Since the announcement of the annual report he has made no reference to job losses, although he did say that recruitment would be slowed down due to new technology.



Leon Brittan announced at the last Tory Party Conference that the Government intended to privatise Short's. However, Mr. Peter Viggers, Industry Minister for Northern Ireland, has said since the publication of the annual report that although privatisation remains the Government's long-term intention it would not be feasible in the near future on the basis of the recent disappointing performance. On 13/11/86 the Secretary of State, Mr. King, announced that the Government has authorised an external funding limit of £36m covering the period 1 April 1986 to 31 March 1987.

In June 1985 Short's acquired from the Government the old DMC premises at Dunmurry in West Belfast, with the intention of manufacturing metal substitutes for aircraft, and doing other work which had previously been done by sub-contractors. After initial wrangling with the Government over rent, work started on the premises in November 1985. The Company then ran into difficulties with the unions. Having made an agreement with the Transport and General Workers' Union for single union representation, the Company was faced with a threat by other unions that any work coming out of Dunmurry would be blacked at the main plant in East Belfast. There are still only about thirty people employed at Dunmurry (60% R.C.; 40% P.) and Sir Philip Foreman told Ambassador MacKernan at a meeting in Washington on September 18, 1986 that the inter-union dispute was preventing further expansion, although he hoped to achieve the target of 200 jobs at Dunmurry "in due course". Mr. David Fell of the N.I. Department of Economic Development believes however that there is no trade union problem involving Dunmurry and that the sole reason for not expanding there is commercial. At a meeting in late September Sir Philip Foreman told Dr. Brian Feeney of the SDLP that he was thinking of closing down the Dunmurry plant.

## 2. Important Contracts

The most important factor in the increase in Short's sales figures over the last few years has been the significance of American contracts. Short's have had links with Boeing, for



example, since the early 1970's, when they started making landing gear doors for 747s, (for which Short's became the sole supplier). In 1979 Short's became the sole supplier for inboard trailing edge flaps for 757s and in 1985 the Company obtained a contract to supply rubber parts for 346 Boeing 737s. The Company also makes engine nacelles and cowlings for Rolls-Royce engines which are used in Boeing 737s. In March 1986 Short's signed a contract worth £200 m. with Boeing to make major structural components for the new technology 7J7 jetlines, due to enter service in 1992. Short's may eventually participate in a risk-taking share of up to 5% in this venture. Sir Philip Foreman estimates that up to 1,000 people will eventually work on the 7J7, some of them new employees. Short's also estimate that over the period 1970-2000 the total volume of Boeing work at Short's could reach \$500 m. (1985 value).

Short's civilian 360 aircraft has also been marketed successfully, despite strong competition (e.g. from SAAB's SF340, the Embraer Brasilia, and the De Havilland Dash 8). In August 1985 Short's won a contract from Thai Airways, Thailand's state-run domestic airline to supply two 360s, worth about £6.8m. The airline's feederline fleet already had four Short's 330 aircraft. In April 1986 British Midland Airways ordered three Short's 360 aircraft worth £9m. In May 1986 Short's announced the sale of three 360 commuter aircraft to CC Air of North Carolina. In early September 1986 Short's won a further order of two 360s from CC Air. The Company also secured an order for 11 360s from Simmons Airlines of Michigan, the world's largest operator of 360s, and a new airline, Stateswest, of Phoenix, Arizona, ordered three 360s.

Following the Farnborough Air Show, on September 2nd 1986 Short's signed an agreement with De Havilland of Canada (now a subsidiary of Boeing). The agreement provided for a year-long joint development programme for a new commuter aircraft to be brought into operation by 1991.



The Company also manufactures wings for the new Dutch Fokker 100 aircraft and it is estimated that every Fokker 100 sold is worth at least £13m to Shorts. US Air, the largest internal airline in the US, has ordered 20 Fokker 100s with options for a further 20. Short's will ship the wings for this order to Fokker in Amsterdam. In connection with this contract the European Investment Bank announced on 26-8-86 that it is to provide loan facilities of £30m to Short's over a 12-year term at an annual interest rate of 6%.

On 4/11/86, the day after the publication of Shorts' annual report, a consortium involving Guinness Peat Aviation and a U.K. subsidiary of Mitsubishi Corporation of Japan signed a contract for the purchase of 40 Fokker 100 aircraft for delivery between 1988 and 1991 with an option on a further 60 for delivery between 1991 and 1995. The contract is estimated to be worth tens of millions of pounds to Shorts.

Shorts have also secured important contracts from the British Ministry of Defence and the Royal Air Force. In June 1986 Shorts was selected project manager for the Close-Air Defence Weapon Systems, bringing the total orders for Shorts' "Starstreak" missile system to £160m. Shorts also have a contract to build 133 Tucano "basic trainer aircraft" for R.A.F.

Another important link is that with the US Air Force. In March 1984 Short's signed a contract worth \$100 m. for the supply of 18 C-23A Sherpa aircraft to the U.S.A.F., with a further option for up to 48 aircraft. The initial 18 aircraft have been delivered, but Short's were made aware that the option for the remainder would not be exercised unless the US forces were satisfied that there had been progress in relation to fair employment. The original option terminated on 15th September 1986, and the Embassy in Washington informed us that Shorts were offered the choice of renewal under the existing terms for a lengthy period or renewing for a shorter time with a view to re-negotiation of the terms to protect Shorts against inflation, increasing costs etc. They chose a 60 day renewal.



Richard Sinnott, Shorts' lobbyist in Washington, has informed our Embassy there that after protracted negotiations with the Department of Defence, the option has been renewed for a further period of four years. Although no new orders have as yet been secured, the option means that future orders may be pursued by Shorts without having to compete against other producers of similar aircraft. Richard Sinnott estimated in August 1986 that there was a total potential use by the US forces of a further 45 aircraft of the type manufactured by Short's, at approximately \$4 m. per plane.

Renewal of the option had been opposed by Congressman Mario Biaggi of the Ad-Hoc Congressional Committee on Irish Affairs and by the Irish National Caucus, which said that a failure to renew would be a "defeat for discrimination". In September the Caucus announced its intention to "brief" Boeing, Simmons Airlines and Stateswest on the latest developments at Short's. In the same vein, press reports have stated that the New York City Employees' Retirement System policy of securing adherence to the McBride Principles in the Northern Irish operation of companies in which the System has stock may be applied to companies which merely do business in Northern Ireland. In this connection it may be noted that the fund has an estimated IR£25 million investment in Boeing.

### 3. Shorts and the FEA

Shorts agreed an Affirmative Action Programme with the FEA in May 1983 (see Appendix I attached), the most important element of which concerned the encouragement of job applications from Catholics by means of advertising being placed with the aim of reaching all sections of the community, contacts with schools, trade unions, employment centres etc. The Company agreed to seek to achieve the target set by the FEA of 25% Catholic job applications by the end of 1984. The FEA reported (in August 1985) that this target had in fact been achieved (26.6% of total applications). The FEA expressed concern however that, although over the whole period of their review, during 1983 and



1984, the percentage of apprentices recruited rose from 12.7% to 23.9% (bringing, according to Shorts, the minority element in the workforce from approximately 300 to 632), towards the end of the review period (April-December 1984), the percentage of Catholics in the total recruitment at Short's fell from 16.6% to 13.8% although the percentage of Catholics applying had increased. The drop was particularly significant in the clerical and semi-skilled categories. In 1985 Short's own figures reveal that there was an actual drop in the overall percentage of Catholic applications, to 23.7%, with a drop of 13.6%, for semi-skilled jobs and 9% for clerical jobs.

Short's figures on the number of Catholics actually employed are disputed by Dr. Brian Feeney of the SDLP, who claims that there are only about 350 Catholic employees, and by Gerry Adams of Sinn Fein, who puts the number of Catholic employees at less than 300. The FEA have not released any figures to confirm or deny Short's figures for 1985, but have instead asked the Tavistock Institute of London to investigate. The Institute's report is now being studied by the FEA and is expected to be soon published.

#### 4. Recent events at Shorts

There have been several allegations recently of intimidation against Catholic workers at Shorts. Newspaper reports (cf The Guardian, 20/8/86 - see Appendix II attached) have alleged that there have been death threats against Catholic workers, and that machines worked by Catholics have been bedecked with Loyalist regalia. After the display during the Summer of Loyalist posters, and the claim by the so-called "People's Loyalist Council" (believed to have links with the UDA) to have identified IRA supporters among the workforce by the removal of clocking-in cards, Short's management confirmed that a total of 24 cards were missing, of which 7 belonged to Catholic workers. Of these management estimated that up to 5 were probably removed by the "PLC". The management said that it viewed these incidents as "very sinister" and called in the RUC to investigate possible criminal acts. The management also



undertook to dismiss those responsible if they are apprehended. On 22 August 1986 the Chairman and Managing Director of Shorts, Sir Philip Foreman, issued a letter to all Shorts employees. The letter instructed that as part of the company's efforts to provide equality of opportunity in employment, all remaining flags, bunting, political posters or emblems should be removed from the factory forthwith. Any worker refusing to remove these emblems or caught putting them up would be disciplined. The unions largely supported the management decision, with the ATGWU (the largest single union in Short's) saying that such action was "long overdue". On August 27, however, over 1,000 workers walked out in a half-day protest. After a meeting between management and the DUP Leader, Ian Paisley, and Deputy Leader, Peter Robinson, a compromise was reached whereby flags and emblems would be removed, but the Company would fly the Union Jack permanently over the main building, and to permit the display "in a sensible manner" of photographs of the Royal family and of Earl Haig poppies. The Company published an advertisement to this effect in the Northern Ireland newspapers on 30.8.86 (see Appendix III attached). The compromise was accepted by the "People's Loyalist Council" and by Dr. Brian Feeney of the SDLP. Indications are that most of the bunting has since been removed. On 10 November Loyalist posters were put up around the building calling for support for the protest rally at City Hall in Belfast on 15 November. Their removal was immediately ordered by management. On September 13th the RUC questioned six Short's workers about intimidation at the factory and stated that a file was being forwarded to the DPP. No charges have yet been brought however.

It appears, however, that intimidation at the factory is continuing. Dr. Brian Feeney of the SDLP claims that moderate Protestant trade unionists are being forced to give up their positions in the TASS union to allow UDA members to take over that union within Shorts. In an apparent attempt to intimidate management an advertisement was placed anonymously in the Belfast Telegraph of 12 November expressing regret at the death



of a named manager. This incident was condemned by the Company and by the main union, the Confederation of Shipbuilding and Engineering Union.

Finally, in a statement which appears to indicate that Shorts management is becoming conscious of the detrimental effect of intimidation on both the performance and image of the Company, Sir Philip Foreman warned employees that they were putting their jobs at risk by bringing politics into the factory.

Anglo-Irish Section.

~~September~~ 1986.

*18 November*

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