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10 DOWNING STREET

From the Principal Private Secretary

27 January 1982

Dear Stephen,

Northern Ireland

When your Secretary of State called upon the Prime Minister yesterday evening he gave her a wide-ranging survey of the present situation in Northern Ireland.

Economic situation

Mr. Prior first described recent developments in the affairs of the De Lorean car company. He had had a number of meetings with Mr. De Lorean and had warned him that the De Lorean Board in considering their position would have to take account of the possibility that the firm was now trading from an insolvent position. Sir Kenneth Cork, whom he wanted to put into De Lorean as a pre-Receiver, was already looking through the papers on the company held in the Northern Ireland Department of Commerce. It was likely that Mr. De Lorean would make an announcement to his workforce the following day saying that the company could no longer continue. Once he had done that, Sir Kenneth Cork could go in to De Lorean's works and offices to examine the books. At that stage it might be necessary to appoint Sir Kenneth Cork as a Receiver. Sir Kenneth Cork's preliminary view was that it might be possible to salvage something from the wreck. He recommended that cars already under construction should be completed, and he thought that it was just possible that a restructured company producing, say, 10,000 cars a year instead of the planned 18,000 might be profitable. But he could not take a firm view on this until he had seen the company's books. A total of 4,000 jobs, including those in component manufacturers, was at stake. There would of course be considerable political repercussions if these jobs were lost, but the crash of the firm had been expected for some time and, to an extent, had already been discounted.

Mr. Prior went on to say that Harland and Wolff, where a total of 7,000 people were employed, were also in a difficult position. They had a good chance of securing a big order for container ships from United States Shipping Lines. There would be a preliminary order for six ships: ECGD had agreed to provide cover for four of these and United States Shipping Lines could raise private finance for the other two. There was a prospect of an order for eight more ships in addition to the initial six. But in the interval before this order could materialise it was essential that Harland and Wolff secured an order for an iron ore bulk carrier, and they were negotiating for this with the British Steel Corporation. If Harland

/ and Wolff

and Wolff got the order for container ships, they would have to change their working methods and there would probably be some redundancies. What he did not want to happen was the collapse of Harland and Wolff following the crash of De Lorean.

Shorts, on the other hand, had better prospects, although they had had 1,000 redundancies in the last four months. It looked as though they would get some good orders from Boeing, and their missile sales were going well. They were even getting orders for the elderly Skyvan aircraft.

Your Secretary of State said that he had made the most of the outcome of the Public Expenditure Review as it affected Northern Ireland and it had been reasonably well received. One good sign was the amount of new house building and of renovation that was going on at present. More council houses had been sold in Northern Ireland than anywhere else in the United Kingdom. But the fact remained that the outlook for the economy generally in the Province was bleak.

Security situation

The security situation had improved since November, and December had been the quietest month for ten years. One cause of the improvement was that there had been an increase in the internal struggles within the Protestant and Republican paramilitary organisations. For example, the two Protestants who had been murdered at the weekend had probably been killed by fellow Protestants. As a result of the easing of the security situation he had been able to approve the GOC's recommendation, which had the concurrence of the Chief Constable, that the Spearhead battalion should be allowed to go back to the mainland. He should warn the Prime Minister, however, that he would almost certainly be accused by the Protestants of reducing the security effort just at the moment the Security Forces were getting on top of the terrorists.

Political Situation

Mr. Prior said that in the last four months he had been sounding out the Parties in Northern Ireland about possible political developments. A number of factors - the end of the hunger strike, the Anglo-Irish Summit Meeting and his own appointment as Secretary of State - had all helped to create an expectation that something new in the political field would be tried soon. All the local Parties had responded to his invitation to talk to him, and he had been concentrating particularly on the Official Unionists and the SDLP.

What he had been floating over the Parties was a form of progressive or rolling devolution. He envisaged that in the first phase an Assembly would be set up which, working through a system of Committees rather like Select Committees, would mark Government Departments in Northern Ireland. The Committees would have powers of scrutiny and powers to call for persons and papers. They might, for example, be able to comment on draft Orders in Council, and the Assembly would be able to have general debates. The Committees would have Chairmen and Deputy Chairmen who would receive a salary in recognition of their roles. The posts of Chairmen and Deputy Chairmen might be split equally between the majority and minority elements of the Assembly, though the membership of the Committees would have to reflect the composition of the Assembly itself. In short, the first phase of the Assembly would be an advisory one, with no legislative or executive powers.

/ The second stage

The second stage was to move to a point where executive and administrative authority was devolved to the Assembly, and this was much more difficult. He had suggested to the Parties that one way of bringing about this development would be for them to form a voluntary coalition which could demonstrate that it commanded support amounting to 70% of the membership of the Assembly. Neither the Official Unionists nor the SDLP had ruled out an approach to devolution on these lines. It might, none the less, take 18 - 24 months or more to get to stage two. Moreover, it might not make sense to devolve all the powers available at once: it might, for example, be better to transfer powers in less controversial areas, such as roads and agriculture, before making changes in more difficult fields like education and housing. As powers were devolved to the Assembly area by area, Assembly Ministers would take over from Northern Ireland Office Ministers, but the Secretary of State would have to remain responsible to Westminster until all powers had been transferred.

Mr. Prior went on to say that he was not, at this stage, asking the local Parties to agree with his ideas in every detail: rather, he was seeking to narrow the area of disagreement. The Official Unionists at the moment were very divided on both policies and personalities, but they were beginning to realise that so long as there was a vacuum in Northern Ireland politics, they would always be worsted by Mr. Paisley. If they were given a role to play, it might pull the Unionists together but it was too early to be certain. He was due to see them again on Monday of the following week to discuss his ideas for political progress with them.

He would be seeing the SDLP on Friday of this week. They were still determined on power sharing, but he had warned them that there was no hope of going back to anything like the 1974 Assembly. They understood that if they did not get back into the centre of the political stage in Northern Ireland, they would lose out to the Provisional Sinn Fein.

When he had seen the SDLP and the Official Unionists, he would have to decide whether to see Mr. Paisley again. Mr. Paisley's support in the Province remained very strong.

In all his consultations with the local Parties he had made it clear that he had not yet put any proposals to the Cabinet. His position would be the same when he saw the Conservative Backbench Committee on Northern Ireland later in the week. He hoped to be able to bring his proposals to OD in the third week in February and to Cabinet thereafter. He then envisaged publishing a White Paper setting out the Government's proposals. If there was any prospect of getting the Assembly off the ground, he would want to move very quickly. A short Bill would be needed to provide powers not already available in existing legislation. But the crucial stage would be the next 10 days when he would be concluding his talks with the political Parties in Northern Ireland.

In reply to a question, your Secretary of State said that he expected some opposition from the Backbench Committee. He would emphasise to them his view that the political status quo in Northern Ireland was not tenable for much longer and that political change was needed. He acknowledged that some backbenchers were afraid that an election now would result in an Assembly dominated by Paisleyites and Republicans and a massacre of the Official Unionists. But he doubted

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whether the Unionists would be all that few. In any case, so long as the political Parties in Northern Ireland had no concrete role, Mr. Paisley would always outbid the Official Unionists and an election in 1983 would be likely to lead to a bigger defeat for the Official Unionists than one in 1982. His proposals offered the Official Unionists their best hope of survival. They had to be put in a position where they appeared different from and more moderate than Mr. Paisley, but it was too early to say whether they would seize the opportunity he was offering them.

The Prime Minister thanked your Secretary of State for his full account of how matters stood in the Province at present and she looked forward to seeing his paper for OD.

I am sending a copy of this letter to David Wright (Cabinet Office).

Yours sincerely,

Alvin White.

Stephen Boys-Smith, Esq.,
Northern Ireland Office.

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