

Confidential Filing

Prime Minister's Meeting with  
Dennis Canavan, MP

PRIME MINISTER

SEPTEMBER 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>4-12-84</del>							
<del>15-12-87</del>							
<del>18-12-87</del>							
5-1-88							
11-1-88							
<p>PREM 19/2405</p>							



10 DOWNING STREET  
LONDON SW1A 2AA

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THE PRIME MINISTER

11 January 1988

*Dear Mr. Caravan,*

We met on 17 December at your request to discuss the Scottish Transport Group's proposals for The Scottish Bus Group's Falkirk workshop. During discussion you asked if consideration could be given to upgrading the assisted area designation of the Falkirk Travel-to-Work-Area (TTWA) from intermediate to development area. You passed over a paper in support of this.

The paper has been carefully examined. I realise that it updates representations made by local authorities and by yourself since 1985 and I understand that Allan Stewart, as the responsible Minister at the Scottish Office at the time, held several meetings with interested parties on the assisted area status of the TTWAs within Central Region. The 1984 designation of Falkirk as an intermediate area has therefore already been explained in some detail but I take your current concern to be about more recent developments.

It is inevitable that there will have been changes in the economic situation of many TTWAs since 1984. Among other factors levels of unemployment will be subject to continual movement. Many changes will reflect general trends rather than any change in relative need on which the assisted area map is based. In so far as changes in relative need occur it has not been regarded as practical and in the interests of industry and the economy to make continual adjustments to the assisted area map to reflect these. The paper, of course,

*24/1/88*

looks at the particular situation of three TTWAs, including Falkirk, but I am sure you will recognise, as the paper implicitly does, that this cannot be considered in isolation. The case for change could only be considered as part of a comprehensive review of the position throughout Great Britain. As I believe Department of Trade and Industry and Scottish Office Ministers have made clear in response to similar representations, no such review is being considered at the present time.

As I told you when we met I do appreciate the particular problems of Falkirk but I am confident that existing Government measures can make a significant contribution in the area. As regards regional assistance, selective assistance is available for qualifying projects. Since January 1985 almost £16 million of regional selective assistance has been offered within the Falkirk TTWA, with associated project costs of almost £101 million and over 2,400 jobs created or safeguarded.

Yours sincerely  
Rangaut Mahita

Dennis Canavan, Esq., M.P.

R571  
SCOTTISH OFFICE

WHITEHALL, LONDON SW1A 2AU

GR pl type

M E Addison Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1A 2AA

5 January 1988

Dear Mark

## ASSISTED AREA STATUS OF FALKIRK TTWA

You wrote to Mike Foulis on <sup>Map</sup> 18 December recording the Prime Minister's meeting with Dennis Canavan MP, at which Lord James Douglas-Hamilton was present, about the proposed closure of the Scottish Bus Group's Falkirk workshop. You requested a draft letter for the Prime Minister on the question of the assisted area status of the Falkirk Travel-to-Work-Area (TTWA) and this is attached.

Mr Canavan asked if consideration could be given to upgrading the Falkirk TTWA from intermediate to development area status. He passed over a paper in support of this, and this has now been examined. The paper appears to have been prepared by Central Regional Council, although authorship is not specified, for submission to Government in the context of a review of assisted area status. It deals with the three TTWAs in the Region, that is Alloa, Falkirk and Stirling, examining changes in their economic situation since the last review in 1984 with particular reference to criteria used in deciding designations at that time. The paper suggests that Falkirk's relative position now justifies development area status, although it is noted that the Council were of the opinion in 1984 that development area status was justified at that time.

There is little that can be said to Mr Canavan on this issue. Designation in 1984 - which is not in any case the focus of the paper - has been the subject of extensive correspondence and discussion between Scottish Office Ministers and the relevant local authorities and MPs. The case made in the paper, for a change in designation on the basis of developments since 1984, appears to have been prepared either for any review which may take place in the future or, perhaps, against a mistaken perception that a review of the assisted area map is in progress.

Changes in the economic situation of many TTWAs will inevitably have occurred since 1984 with some consequent effect on the relative needs which form the basis of the assisted area map; for this reason both DTI and Scottish Office Ministers have recently been making clear in response to representations that no review is planned at the present time. But it is not in the interests of industry, the economy, or practical administration to attempt to follow such changes, some of which may be

short term, by continual adjustment of the map. Nor of course can changes to the status of individual TTWAs be considered in isolation as the basis of the map is relative rather than absolute need.

*Ians  
Andy Kinning*

11

IAN JARDINE  
Private Secretary

PM: Mtys with Caravan Mt. Sop'81



DRAFT LETTER FOR PRIME MINISTER

Dennis Canavan Esq MP  
House of Commons  
LONDON  
SW1A 2AA

V64A-7N

We met on 17 December at your request to discuss the Scottish Transport Group's proposals for The Scottish Bus Group's Falkirk workshop. During discussion you asked if consideration could be given to upgrading the assisted area designation of the Falkirk Travel-to-Work-Area (TTWA) from intermediate to development area. You passed over a paper in support of this.

The paper has been carefully examined. I realise that it updates representations made by local authorities and by yourself since 1985 and I understand that Allan Stewart, as <sup>the responsible Minister</sup> ~~Minister for Industry~~ at the Scottish Office at the time, held several meetings with interested parties on the assisted area status of the TTWAs within Central Region. The 1984 designation of Falkirk as an intermediate area has therefore already been explained in some detail but I take your current concern to be about more recent developments.

It is inevitable that there will have been changes in the economic situation of many TTWAs since 1984. Among other factors levels of unemployment will be subject to continual movement. Many changes will reflect general trends rather than any change in relative need on which the assisted area map is based. However, in so far as changes in relative need occur it has not been regarded as practical and in the interests of industry and the economy to make continual adjustments to the assisted area map to reflect these. The paper, of course, looks at the particular situation of three TTWAs, including Falkirk, but I am sure you will recognise, as the paper implicitly does, that this cannot be considered in isolation. The case for change could only be considered as part of a comprehensive review of the position throughout Great Britain. As I believe Department of Trade and Industry and Scottish Office Ministers have made clear in

response to similar representations, no such review is being considered at the present time.

As I told you when we met I do appreciate the particular problems of Falkirk but I am confident that existing Government measures can make a significant contribution in the area. As regards regional assistance, selective assistance is available for qualifying projects. Since January 1985 almost £16 million of regional selective assistance has been offered within the Falkirk TTWA, with associated project costs of almost £101 million and over 2,400 jobs created or safeguarded.





FILE  
DA  
SUBJECT

CC MASTER

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

18 December 1987

**SCOTTISH BUS GROUP ENGINEERING: FALKIRK CLOSURE**

The Prime Minister yesterday met Dennis Canavan MP, at his request, to discuss the proposal of the Scottish Transport Group to close their SBG Falkirk workshop. Your Minister was also present.

Mr. Canavan spoke in terms which will be familiar to you, as set out in the record of his meeting with your Minister on 30 October. He regretted, in addition, that the management had been unwilling to delay decisions until the feasibility of expanding work at the Larbert Road site had been properly investigated. As a nationalised industry, he could not accept that the Government had no responsibility in the matter. He had had no joy from meetings with Mr. Irwin (Chairman of STG), or your Minister. So he had sought a meeting with the Prime Minister.

Mr. Canavan also asked if consideration could be given to upgrading Falkirk from intermediate to full development area status. He understood the main criterion was the level of unemployment, and Falkirk's level of unemployment was certainly now worse than other areas which had full development status. He passed over a submission (attached).

The Prime Minister said she could understand Mr. Canavan's concern on behalf of his constituents, particularly in view of the fact that, as it appeared, the skill and hard work of the Falkirk workforce were not in question.

The Prime Minister went on to say that the root of the problem seemed to be the capacity of the six workshops to service some 5,000 vehicles, when capacity for 3,300 only was needed. The management had decided that the Falkirk works should lose most of the jobs: and that had to be a decision for them. She was however pleased to hear that rather fewer compulsory redundancies now were envisaged, and that the proposal now was to keep an SBG Falkirk depot going, albeit at much reduced strength. Training of the apprentices would also be completed. Your Minister added that the company had

✓

offered to pay relocation expenses if the employees wished to go to other jobs within the group. The company too were asking for volunteers for redundancies in other areas, but they did not believe that would have a significant impact on the position at Falkirk.

The Prime Minister, concluding the meeting, noted that it was often thought more helpful to be eligible for selective assistance, rather than for mandatory assistance. She would however arrange for the submission Mr. Canavan passed to her to be considered. Meanwhile the Government would continue to offer what help it could to those being made redundant through the local job centre and the enterprise allowance scheme. The Government would also continue to do what it properly could to attract new industry to the area.

I understand that the question of area status is one for Mr. Lang, and I am accordingly copying this to Ian Jardine. I should be grateful for a draft letter for the Prime Minister to send Mr. Canavan in response to his submission by 31 December.

(M.E. ADDISON)

M. Foulis, Esq.,  
Scottish Office.

Andy Beaufort  
now extra briefing for the  
Cairn meeting

*With the Compliments  
of the  
Private Secretary*

Mike Gales

17/12/87

*Scottish Office,  
Dover House,  
Whitehall,  
London SW1A 2AU.*

PS/Lord James Douglas-Hamilton

Copy to: PS/Secretary of State  
PS/US of S  
PS/SDD  
PS/IDS  
Mr D G Mackay  
Director SIO

SBG ENGINEERING LTD: CLOSURE OF FALKIRK DEPOT:  
MR CANAVAN'S MEETING WITH THE PRIME MINISTER:  
17 DECEMBER 1987

Lord James Douglas-Hamilton has asked about the prospect of voluntary redundancies in other parts of the Group being used to relocate staff who might otherwise be made compulsorily redundant at Falkirk.

I have spoken to the Secretary of the Scottish Transport Group. He said that they have asked for volunteers for redundancies in other areas but he is not aware of any immediate response. He added that he does not see great scope for this alleviating the position at Falkirk particularly with the problems of relocation.

A small addition to the Speaking Note is attached.

J B RODDIN  
17 December 1987

RT2 SDD  
Room 4/52  
NSAH  
Ext: 4137

ICH351A1

SBG ENGINEERING CLOSURE: FALKIRK

SPEAKING NOTE: ADDITION TO SECOND PARAGRAPH

Additionally they have asked for volunteers for redundancy in other areas with a view to the transfer of staff from Falkirk who might otherwise be made compulsorily redundant but they do not expect this to help matters significantly.

PS/Lord James Douglas-Hamilton ✓

Copy to: PS/Secretary of State  
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PS/SDD  
PS/IDS  
Mr D G Mackay  
Director SIO

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~~CCB/UP~~

Canavan meeting  
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SBG ENGINEERING LTD: CLOSURE OF FALKIRK DEPOT:  
MR CANAVAN'S MEETING WITH THE PRIME MINISTER:  
17 DECEMBER 1987

Lord James Douglas-Hamilton is to attend the meeting between Mr Canavan and the Prime Minister to discuss the proposed closure of the SBG Engineering depot at Falkirk. Lord James Douglas-Hamilton has asked for certain additional background material and a speaking note.

Present position

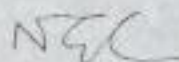
I spoke today to the Secretary of the Scottish Transport Group who has in turn checked with SBG Engineering. The position is as in the briefing note sent to No.10 Downing Street. The only change is that the 18 men from SBG Engineering who were offered posts at another depot in Falkirk have now accepted. The position thus is that 18 men from SBG Engineering will retain their engineering jobs at another depot at Falkirk, 13 apprentices will be kept on till they complete their apprenticeship and 15 employees have left since the original announcement. A meeting took place today between SBG Engineering management and the unions. They will be issuing separate statements in the press tomorrow but there is to be no industrial action.

The Chairman of the Scottish Transport Group (Mr Irwin) met Mr Canavan, Mr Ewing and a deputation on 6 November. The deputation proposed that a feasibility study on keeping the workshops open should be carried out and the Scottish Transport Group agreed to cooperate provided it was carried out within 3 weeks. However, Central Regional Council, who would have been carrying out the work considered that there would not be enough time and it appears that they are not proceeding with the feasibility study.

I attach additional briefing material. At Annex A is a speaking note for Lord James Douglas-Hamilton. Annex B is a note on training and employment measures. Annex C is a copy of the aims and objectives of the Scottish Transport Group. Annex D is a copy of Hansard for 21 October 1987 when Mr Canavan raised this question in the House.

Form of the meeting

Presumably Mr Canavan will press the Prime Minister to bring pressure to bear on the Scottish Transport Group to cancel its closure proposal. Given the serious EFL problems of the Scottish Transport Group which this closure is in part designed to deal with, it would be inconsistent to suggest that the Scottish Transport Group should think again about the closure. The pressure brought to bear on the Group by Mr Canavan has already led the Group to make some changes in their initial proposal. The best course therefore seems to be for the Prime Minister to note carefully the points made by Mr Canavan but to take the line suggested in the briefing that this is a commercial decision for the Scottish Transport Group to take.



N G CAMPBELL  
15 December 1987

RT2 SDD  
Room 4/50  
NSAH  
Ext: 4146

## SBG ENGINEERING CLOSURE: FALKIRK

## SPEAKING NOTE

The decision to close SBG Engineering at Falkirk was taken by the Board of the Scottish Transport Group. It was a commercial decision taken by the Board in pursuit of the objectives and financial targets set for them by the Secretary of State for Scotland. The decision was taken in the face of significant over-capacity in their engineering workshops. SBG Engineering has the capacity in its 6 central workshops to service some 5,000 vehicles. The Scottish Bus Group has 3,300. Review and rationalisation were therefore essential.

The Scottish Transport Group was obviously concerned at the effects of this on the workforce. Since announcing closure they have made proposals to reduce the actual number of redundancies to about 100 out of a workforce 150. The Scottish Transport Group will now retain an SBG Engineering presence of 18 men at another depot in Falkirk. They will also keep on 13 apprentices until they complete their apprenticeship. In addition 15 employees have left since the original announcement. They have also offered to pay relocation expenses to any member of staff who wants to take up a post elsewhere in the Group.

The Government is also much concerned to reduce the level of unemployment. Regional selective assistance is available within the Falkirk area. It has helped in the creation or safeguarding of a significant number of jobs. Since January 1985 almost £15 million of regional selective assistance has been offered within the Falkirk travel to work area. The associated project costs are almost £100 million. The jobs created or safeguarded are over 2,000.



## TRAINING AND EMPLOYMENT MEASURES

Background Note

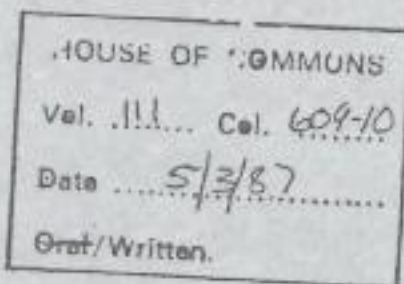
The Manpower Services Commission's two main schemes for unemployed adults are the new Job Training Scheme, which provides on and off the job training and work experience with employers for those aged 18 or over who have been unemployed at least 6 months, and the Community Programme, which provides temporary work experience for those aged primarily over 25 who have been unemployed for at least 12 months. Neither are therefore immediately available to those who have been made redundant.

Line to take

The services of the Jobcentre network are available to all. Staff there will be able to advise those made redundant on local job and retraining prospects in the light of their qualifications and experience.

The Enterprise Allowance Scheme, for example, helps unemployed people who want to start up in business but who may be deterred by the fact that they would lose entitlement to unemployment benefit. Under the scheme they are paid a flat rate taxable allowance of £40 a week for a maximum of 52 weeks. Applicants have to be able to show that they have at least £1,000 available to invest in the business and to have been in receipt of unemployment or supplementary benefit for at least 8 weeks - but in any case anyone considering self-employment would need to take time to develop a business plan carefully before starting up.

The Jobcentre will also be able to provide details of financial help available for retraining in skills needed in the local labour market, and of open learning packages which may assist in training for a new occupation.



### Scottish Transport Group

Mr. Corrie asked the Secretary of State for Scotland whether he has set corporate objectives for the Scottish Transport Group.

Mr. Aheram: I have written today to the Scottish Transport Group setting objectives for the group's bus and shipping operations. The objectives are as follows:

#### OBJECTIVES FOR THE SCOTTISH TRANSPORT GROUP

The Scottish Transport Group's function is to operate road passenger and ferry transport services in and to and from Scotland.

#### SCOTTISH BUS GROUP

##### Preamble

The Group's strategic objectives in the provision of bus services are as set out below. In pursuing these objectives the Group's policy (as set out in its document of September 1986 entitled "The Transport Act 1985 and Competition Law Guidelines for Scottish Bus Group Companies") is that financial dealings between the Scottish Bus Group and subsidiary companies will be at arm's length and undertakings have been given on the elimination of cross-subsidy between companies.

In addition the Scottish Transport Group recognises the special obligations arising from its present strength in the bus market in some areas of Scotland. It has therefore given the Secretary of State a number of important assurances concerning the management of its business following deregulation. First, the Scottish Bus Group's financial target — to seek an average annual return of 4 per cent. on average net fixed assets at current cost adjusted to take account of capital grant on an historical cost basis over the period to 1990 — is to be applied to each operating company. Arrangements have been established to allow regular monitoring by the Scottish Development Department. Second, any transfers of assets or loans, including short-term loans between subsidiary companies or between the holding company and a subsidiary, are to be conducted at arm's

length. Third, arrangements have been agreed in principle with the Department to ensure that the cash reserves held by the Group will be available to subsidiary companies only on commercial terms.

##### Objectives

The Group's strategic objectives in the provision of bus services should be as follows:

1. To manage its bus operations as it would do in the interests of private shareholders seeking in particular to retain customer goodwill and to provide efficient profitable services.
2. Subject to objective 1, to provide services in rural areas both through the development of commercial opportunities and in participation in the tendering process, consistent with the framework for achievement of operational objectives set out below.
3. To explore and develop potential new markets and new methods of service provision.

##### Framework for achievement of objectives

In seeking to achieve the above objectives the Group's plans and actions should be consistent with the following operational policies:-

1. The achievement (year on year) of an adequate return on capital employed in accordance with the financial target set by the Secretary of State.
2. The establishment of a challenging system of cost control including targets for year on year reductions in unit costs.
3. The establishment of arrangements for the regular review of standards of service.
4. The achievement of performance aims agreed with Government.
5. The containment of external financing requirements within the limits set by Government.
6. The proper appraisal of new investments.
7. The provision of regular information to Government in a form suitable for monitoring performance in relation to target and financial limits.

#### CALEDONIAN MACBRAYNE

##### Objectives

In relation to its ferry services the Group should pursue the following strategic objectives:

1. To provide services as approved by the Secretary of State in terms of his Undertaking with Caledonian MacBrayne and to make appropriate financial and investment provision for the continuity of these services.
2. To provide economically and efficiently a level and pattern of service which strikes an appropriate balance between costs and revenue and takes due account of local requirements.
3. To exploit opportunities for the development of services for the benefit of both Caledonian MacBrayne and the communities served, having particular regard to the Government's commitment to the economic development of these communities.
4. To seek to develop commercial opportunities outwith the approved (subsidised) services where these opportunities can be met within existing capacity and agreed capital investment programmes.

##### Framework for achievement of objectives

In seeking to achieve these objectives Caledonian MacBrayne's plans and actions should be governed by the following operational policies:-

1. The need to contain deficit subsidy.
2. The achievement of the financial target set by Government.
3. The achievement of performance aims agreed with Government.
4. The requirement to make proper appraisal of investments.
5. The establishment of a challenging system of cost control including targets for year on year reductions in unit costs.
6. The need to take account of the social and economic needs of the communities served when making decisions on service provision.
7. The provision of regular information to Government in a form suitable for monitoring performance on targets and financial results.

### SBG Engineering Ltd. (Closure)

5.22 pm

Mr. Dennis Canavan (Falkirk, West): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 20, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the proposed closure of SBG Engineering Ltd. workshops in Falkirk in my constituency."

The matter is obviously specific and it is important because it involves 150 skilled jobs in Falkirk district where about 10,000 people are already out of work. The matter deserves parliamentary attention because SBG Engineering Ltd. is a publicly owned company. It is part of the Scottish Transport group, which is accountable to the Secretary of State for Scotland who, in turn, is supposed to be accountable to the House. Furthermore, the reason for the proposed closure is the failure of the Government policies on public transport, particularly inadequate Government support, the deregulation of bus services and the threat of privatisation.

A couple of years ago I led a delegation to Michael Ancram, alias the Earl of Ancram, who was then the Parliamentary Under-Secretary of State for Scotland. We warned him then that the Government's policies would lead to a disastrous reduction in public transport services and a disastrous reduction in job opportunities within public transport. However, he would not listen to us. — [Interruption.] He lost his job at the general election but, more tragically, his policies are threatening the jobs of 150 of my constituents.

Deregulation and the threat of privatisation have meant masses of cutbacks in the size of the Scottish Bus group fleet and, therefore, an alleged over-capacity in the engineering operations that service that fleet. For some

inexplicable reason, SBG Engineering Ltd. has picked on the Falkirk workshops for closure despite the fact that I have been given evidence that the Falkirk operation is the most profitable of all the SBG Engineering Ltd. workshops in Scotland. I have been given important information today showing that the Scottish Bus group has been giving engineering work to the private sector. That work could have been done adequately by SBG Engineering Ltd., which is its sister company in the public sector.

I have taken the matter up with the Secretary of State for Scotland but, so far, he has failed to reply to my letter. I have also taken the matter up with Mr. Ian Irwin, the chairman of the Scottish Transport group. He has failed to answer some of the pertinent questions I put to him about the proposed closure. That information is vital to the work force in its battle to save jobs. I tried every means at my disposal to pursue the matter during the Parliamentary recess, but without success. Therefore, on behalf of my constituents, I urge you, Mr. Speaker, to allow this important matter to be debated on the Floor of the House.

Mr. Speaker: The hon. Member for Falkirk, West (Mr. Canavan) asks leave to move the Adjournment of the House, under Standing Order No. 20, for the purpose of discussing a specific and important matter that he believes should have urgent consideration, namely, "the proposed closure of SBG Engineering Ltd. workshops in Falkirk."

I have listened with concern to what the hon. Gentleman has said about the proposal to close the workshops in Falkirk. Now that the House has resumed I hope that the hon. Gentleman will find other methods of raising the matter but I regret that it is not appropriate for discussion under Standing Order No. 20, and I cannot submit his application to the House.

PRIME MINISTER

MEETING WITH DENNIS CANAVAN

You are meeting Dennis Canavan, at his request, following the proposal of STG to close the Falkirk workshop of Scottish Bus Group Engineering. 150 jobs are involved.

Mr Canavan has already met Lord James Douglas-Hamilton with a delegation from Falkirk, including the Shop Steward Convenor. We made clear to him that he could not bring anyone else to tomorrow's meeting.

The briefing from the Scottish Office sets out the background and line to take. In brief, a decision reached by STG is for their own commercial judgement, and to be taken in the light of their financial targets and objectives (STG is a nationalised industry). Lord James Douglas-Hamilton will also be attending. I have asked his office to see that he comes armed with information about what will be done to help those to be made redundant.

MEAT

M E ADDISON

15 December 1987

DASAGG



file No

10 DOWNING STREET  
LONDON SW1A 2AA

*From the Private Secretary*

14 December 1987

This is to confirm your meeting with  
the Prime Minister on Thursday at 1545 in  
her room at the House.

REA

Dennis Canavan, Esq., M.P.

AB



EL  
CCSO  
AH

10 DOWNING STREET  
LONDON SW1A 2AA

THE PRIME MINISTER

11 December 1987

Dear Mr. Canavan,

Thank you for your letter of 20 November. I am sorry for the delay in replying.

As you say, my general practice is always to meet Members whose constituents face a closure, and I would certainly be willing to meet you to discuss the Scottish Transport Group's proposals to close the Falkirk workshop.

I have asked my office to get in touch with you to arrange a suitable date. I should however make clear that, as I believe my office explained, it is not my practice to agree to meet delegations in such circumstances, for reasons I am sure you will understand.

Await confirmation from JO  
that a meeting can be on  
17/12 at 3.45. The centre  
is waiting. MCA

Yours sincerely  
Margaret Thatcher

Dennis Canavan, Esq., M.P.

DA.

R10/12



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Mark Addison Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1A 2AA

10 December 1987

*Dear Mark,*

Thank you for your letter of 24 November about the request by Mr Dennis Canavan MP for a meeting with the Prime Minister concerning the proposed closure of the SBG Engineering Ltd workshop in Falkirk.

As Mr Canavan has confirmed in his letter, Lord James Douglas-Hamilton met the MP and a large delegation of local interests to consider representations about the proposed closure. The Minister made it clear that the decision is a commercial matter for the Scottish Transport Group (STG) as the parent company.

On the basis of the guidance in your letter, my Secretary of State agrees that there are no strong grounds for the Prime Minister to decline the MP's request for a meeting. He agrees also that the meeting should be restricted to the Member only, particularly as a Government Minister has already met the full delegation in this case and heard their views.

I attach a briefing note for the Prime Minister on the background to the closure proposal; it covers also details of Government assistance within the area affected by the closure. A copy of the minute of meeting with Lord James Douglas-Hamilton is attached as further background.

The main development since the meeting is that STG have taken steps to reduce the number of redundancies by maintaining a small engineering unit (18 jobs) in the area. Taken together with natural wastage and the retention of apprentices the number of redundancies will now be about 100, compared with the total strength of 150 of the Falkirk workshop

*Your sincerely,*  
*David Crawley*  
DAVID CRAWLEY  
Private Secretary

ANALYSIS OF THE CRITERIA UPON WHICH ASSISTED AREA  
STATUS IS BASED

1.0 BACKGROUND

1.1 The present map base was established, following the review of Regional Industrial Policy in November 1984 (see Fig. 1). It is applied to Travel To Work Areas (TTWA) which were defined by applying a statistical technique to 1981 Census data so as to identify labour market areas which were at least 70% self-contained. This produced 60 TTWAs in Scotland of which three containing 4.7% of Scottish employment are in Central Region.

1.2 The 1984 Review assigned Scottish TTWAs to one of three categories:

- |                        |            |
|------------------------|------------|
| (i) Non Assisted       | (31 TTWAs) |
| (ii) Intermediate Area | (19 TTWAs) |
| (iii) Development Area | (10 TTWAs) |

on the basis of five criteria. The five criteria were reported to be (Scottish Office News Release 1362/84):

- (i) current total unemployment:
- (ii) long-term unemployment:
- (iii) industrial structure:
- (iv) occupational structure:
- (v) distance from main markets/population centres.

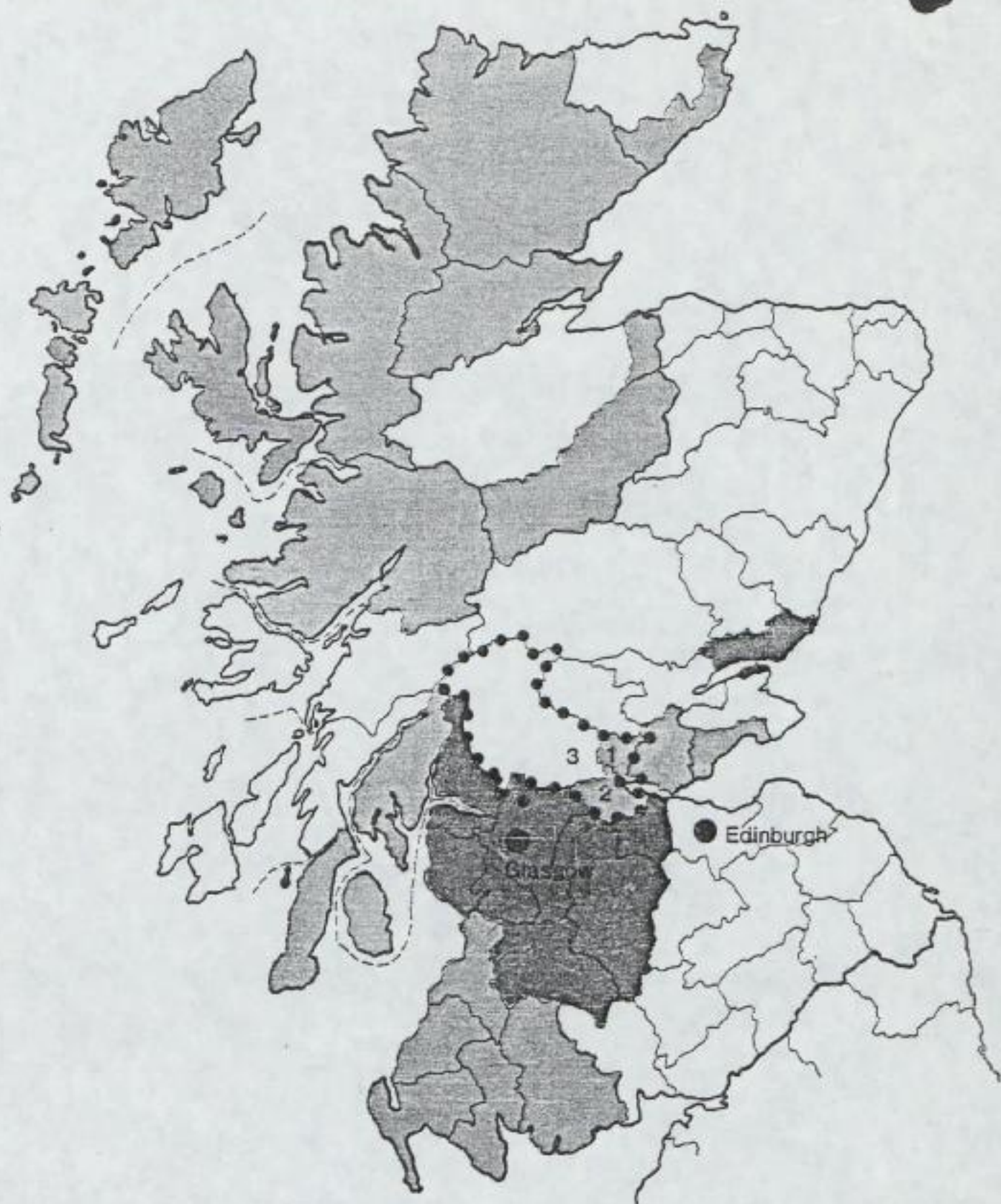
No information has ever been published which indicates what weighting was given to these factors nor of any ranking of TTWAs in relation to them. However, in a letter to Central Region in March 1985, IDS stated that "the average unemployment rate 1983/84 ... was the main criterion".

1.3 On the basis of these criteria Central Region have always maintained that there is a strong argument that Alloa and Falkirk TTWAs should have been designated Development Areas and a weaker, but sustainable case that Stirling TTWA should have Intermediate Area Status. A Central Region delegation met the Scottish Industry Minister in July 1985 on this matter and further representations were made in May 1986 following the announcement of the Pilkington's closure.

1.4 These are clearly matters that should be kept under review. In the time that has elapsed since the 1984 Review and even since the early part of 1986 there have been changes in the economic performance of different parts of the country which warrant further examination. Additional information is now available from the 1984 Census of Employment. The rest of this paper uses the more up-to-date information to re-examine the case for upgrading Central Region's TTWAs and puts forward options for consideration.



Figure 1 . Scotland: Assisted Areas



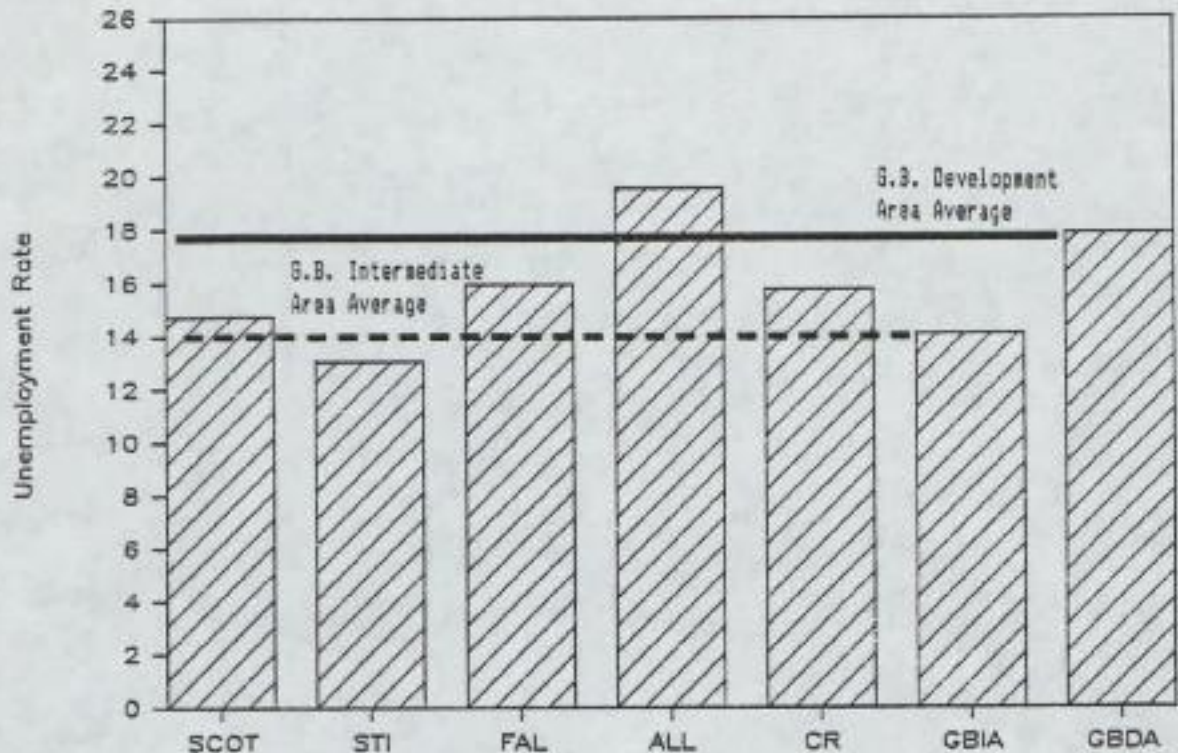
••• Central Region Boundary  
1. Alloa 2. Faikirk 3. Stirling

■ Development Area  
■ Intermediate Area

## 2.0 CURRENT UNEMPLOYMENT

2.1 Unemployment rates were seen as the single most important factor in the 1984 Review of Regional Policy. Since 1984, Alloa TTWA which presently only has Intermediate Area Status has consistently had an unemployment rate in excess of the Scottish Development Area's average. In September 1987 the Alloa rate stood at 19.6% against an average Scottish Development Area's figure of 17.6%. This is a significantly higher figure and its relative severity is reinforced when ranked against the unemployment rates of all of the Assisted Areas in Great Britain. In relation to the 98 Assisted Areas in GB Alloa is ranked 12th while in relation to the 42 Development Areas it would (were it a Development Area) be ranked 9th. Consequently, Alloa has an unemployment rate that puts it amongst the worst 20% of Development Area TTWAs. Against that background the case for upgrading to a Development Area is considered to be overwhelming.

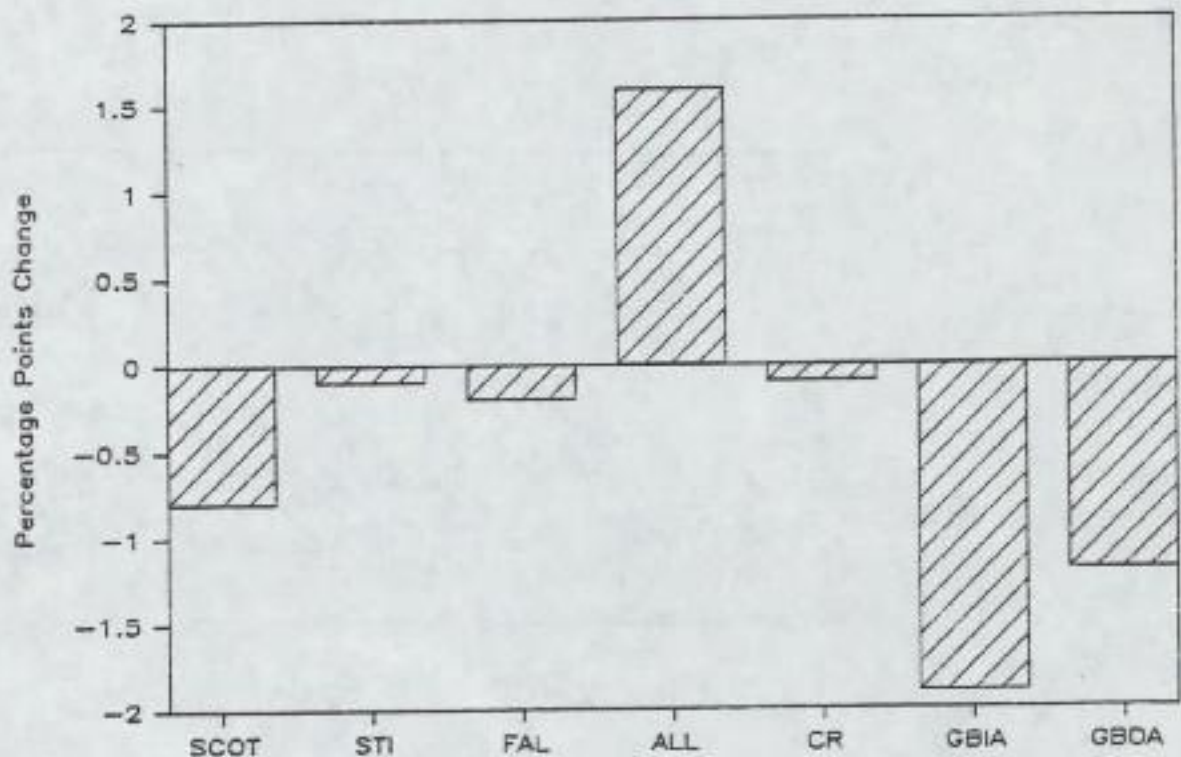
FIGURE 2 : COMPARATIVE UNEMPLOYMENT RATES: SEPTEMBER 1987



2.2 Since 1984 there has been a rise then decline in Falkirk TTWA's unemployment rate generally following national trends although at a higher level. Over the past year (October 1986 - September 1987) however, there has been a tendency for some divergence against Scottish rates with Falkirk's rate falling by only - 0.2% against a Scottish average of -0.8% and the average for GB Development Areas falling by - 1.2%. In relation to the 98 Assisted Areas in Great Britain Falkirk is ranked 43rd and in relation to the 42 Development Areas it would be ranked 30th. Taken together with other factors set out in this report it is considered a case for upgrading can still be made.

2.3 The September 1987 unemployment rate for Stirling TTWA at 13.1% is clearly outside the present Scottish and GB Intermediate Area averages. However, it is interesting to note that there are 15 presently Assisted Areas which have an unemployment rate lower than Stirling. There are also clear signs of rapid convergence towards the GB Intermediate Area (GBIA) average. In October 1986 the Stirling unemployment rate was nearly 3% lower than the GBIA average, by September 1987 the difference had reduced to 1% (see Fig. 3).

FIGURE 3 : CHANGE IN UNEMPLOYMENT RATES - OCTOBER 1986 - SEPTEMBER 1987



- 2.4 In the Regional Council's previous submission on this subject (Assisted Area Status : Central Region's Case for Change June 1986) the point was made that the urban industrial core of Central Region consists of a small compact area approximately 10 miles square, containing around 100,000 jobs, 130,000 workers and 17,000 unemployed people. Using 1981 Census information it is possible to define Central Region as a whole as a TTWA which is 77% self contained. Consequently, for all practical purposes and specifically those concerned with job creation and labour market policies the area should be looked at as a whole.
- 2.5 Central Region's unemployment rate of 15.8% at September 1987 was the worst in Scotland after Strathclyde of all the mainland regions. It is a rate well above the GB average for Intermediate Area TTWAs and of all 98 GB Assisted Areas it would be ranked 54th. Over the period since the Regional Policy Review 1984-87 the numbers unemployed in Central Region have declined by 7.4% compared with reductions of 10.1% in GB Development Areas and 10.4% in GB Intermediate Areas. On the basis of these figures there is an unequivocal case for Intermediate Area status for the whole of Central Region.
- 2.6 It has also been argued on earlier occasions that in determining the severity of local employment problems both the rate and the number of unemployed should be taken into account. This can be done using a statistical technique called chi-square which compares actual and expected figures. Figure 4 sets out the results of this exercise on the basis of the September 1987 published unemployment rates.
- 2.7 The graph re-inforces the analysis set out in the earlier paragraphs. The case for Alloa TTWA to have Development Area Status remains very strong, followed closely by Falkirk TTWA both of which have greater relative employment problems than Arbroath and Dundee. As an alternative a new Central Region TTWA could be created, from an amalgamation of the 3 present TTWAs and this should have Intermediate Area Status having regard to its position relative to other Assisted Area TTWAs.

### 3.0 LONG-TERM UNEMPLOYMENT

- 3.1 Long-term unemployment is defined as unemployment in excess of 52 weeks. This group of the unemployed have been growing as a proportion of total unemployment since the recession began. In 1981 they represented 28.8% of the Scottish total but by 1987 this had risen to 41.6%.
- 3.2 Figure 5 shows comparisons between Alloa, Stirling and Falkirk TTWAs, Central Region and the 10 Scottish Development Area TTWAs over the period 1984-87. The latest figures show that Alloa and Falkirk are almost identical to the Scottish average but that Stirling is somewhat lower at 35% due to the greater movement on and off the register attributable to the predominantly service sector economy.

FIGURE 4. COMPARATIVE UNEMPLOYMENT SCORES (TTWA'S)

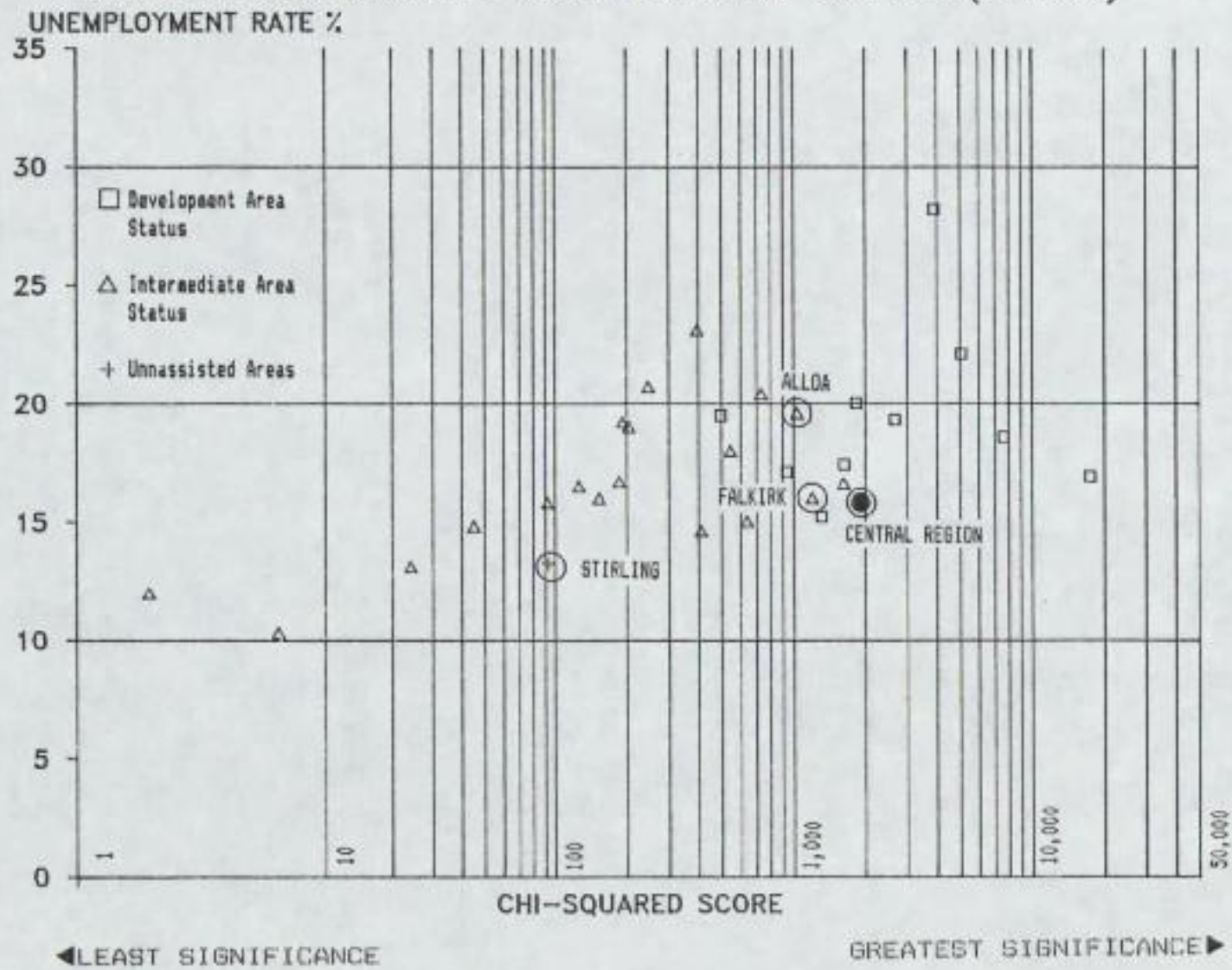
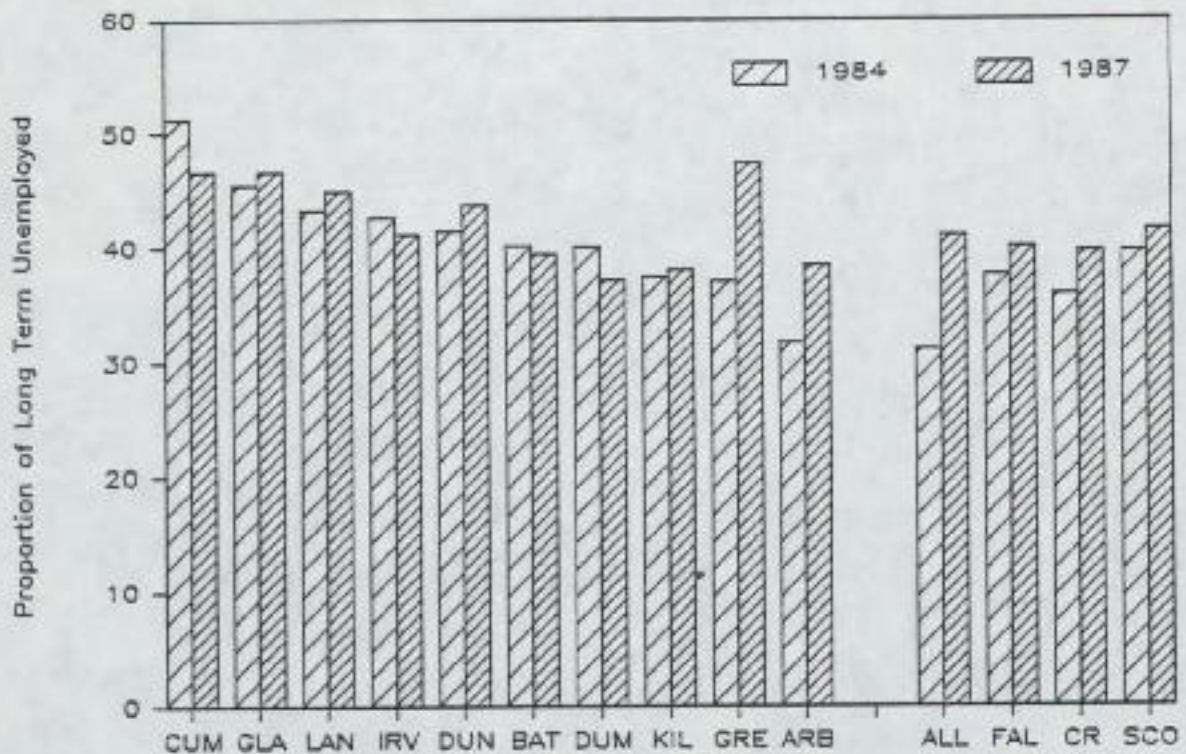


FIGURE 5 : COMPARATIVE PERCENTAGES OF LONG-TERM UNEMPLOYED 1984-87



- 3.3 At the time of the Regional Policy Review in 1984 Alloa had a proportion of long-term unemployed (31.2%) which was lower than any of the designated Scottish Development Areas but by 1987 this had increased to 41.4% and only 5 Development Areas had figures greater than this. Between 1984-87 the proportion of long-term unemployed in Alloa increased by 10.2 percentage points, more than any other Development Area in Scotland with the exception of Arbroath at 10.3 points and greatly in excess of the equivalent Scotland figure of +0.9 points.
- 3.4 The experience of Falkirk has been similar if not so pronounced. In 1984 its long-term proportion (37.7%) was already above 3 Development Areas and by 1987 this had risen to 40.1%. The 1984-87 increase of 2.4 percentage points was twice that of Glasgow, which had the highest absolute rate, and again well above the General Scottish experience over the same period. The Central Region proportions increased from 36.0% in 1984 to 39.7% in 1987 which again was a rate of increase above the average for the Development Areas as a whole.

#### 4.0 INDUSTRIAL STRUCTURE

- 4.1 Over the last month the local results of the Census of Employment 1984 have become available. While this is clearly already out of date it is the only consistent authoritative source of comparative data on employment. It therefore contains important new information about the economic performance of all the GB Travel to Work Areas, which reasonably should be taken into account in any review of regional policy.
- 4.2 Table 1 sets out the SIC Industrial Division level figures from the 1981 and 1984 Census of Employment for Central Region, its TTWAs, Scotland and Great Britain. Between 1981 and 1984 Central Region lost around 11,000 jobs or 10% of its total employees in employment compared with 4.3% for Scotland and 2.2% for Great Britain. The scale of the differential performance is further emphasised by the fact that in 1984 Central Region had only 4.7% of its employment in growth division compared with 7.7% for Scotland and 58.6% for Great Britain.

TABLE 1

## CENSUS OF EMPLOYMENT 1981-1984 - DIVISIONAL LEVEL % CHANGES

	Stirling TWA % Change	Alloa TWA % Change	Falkirk TWA % Change	Central Region % Change	Scotland % Change	Great Britain % Change
Agriculture/Fishing	-3	+7	-31	-10	-18	-6
Energy & Water Supply	-15	-17	-19	-18	-12	-13
Extraction of Minerals	-39	+12	-40	-37	-20	-13
Metal Goods, Engineering	38	-49	-23	-21	-11	-15
Other Manufacturing	-34	-14	-32	-26	-14	-8
Construction	+13	-16	-24	-14	-1	-6
Hotels & Distribution	+6	+6	+36	-24	-1	+2
Transport & Communications	-11	+36	-4	-1	-9	-5
Banking, Finance, Insurance Etc.	+1	0	-7	+1	+11	+13
Other Services	0	-28	-4	-7	-4	+3
Total	-3	-17	-12	-10	-4	-2

Source: Census of Employment 1981 and 1984

- 4.3 The figures for Travel to work Areas need to be treated with some caution due to sampling and other coding errors but the general trends should be of the right order. Table 2 shows the relative position of the 3 TTWAs in Central Region and the total regional figure against the experience of all the other Scottish Development Area TTWAs. Alloa clearly stands out as having the worst performance of all with a 17% decline, over four times the Scottish average for 1981-84.

TABLE 2 : TOTAL JOB CHANGE IN 1981-84 IN DEVELOPMENT AREAS AND CENTRAL REGION TTWAS

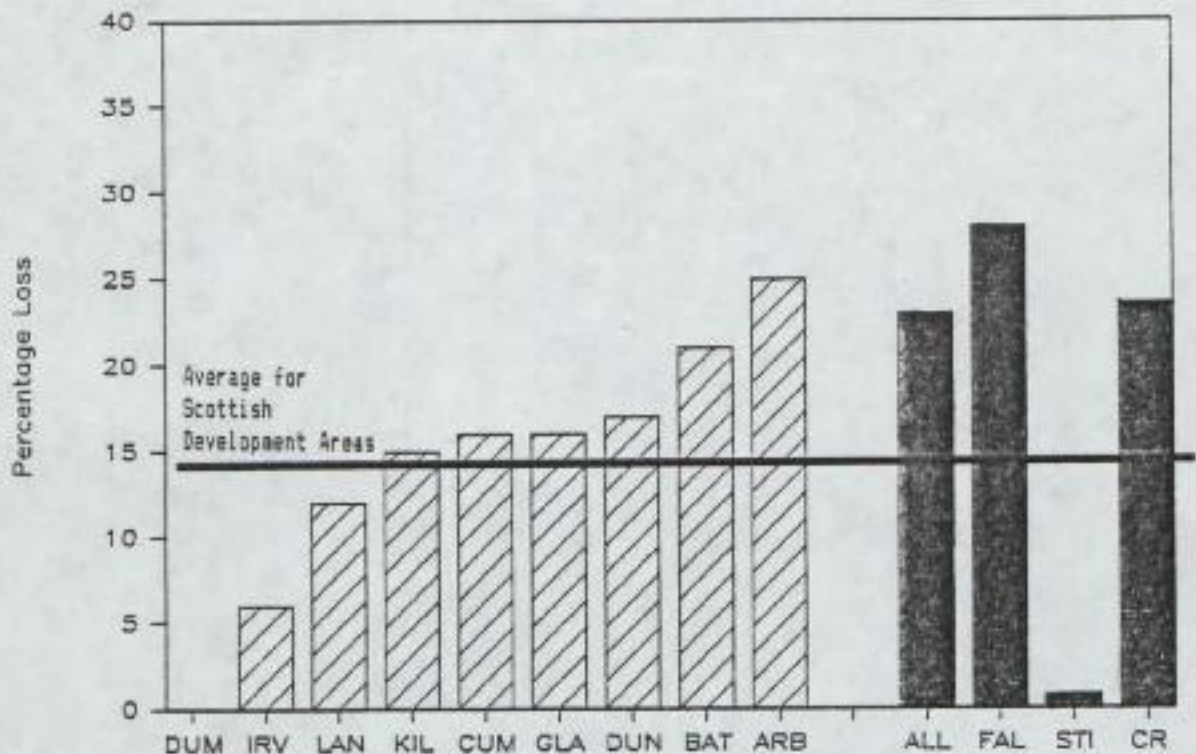
Area	Numbers		Total Job Change	% Change		
	1981	1984				
Glasgow	554.0	513.3	-40.1	- 7)		
Lanarkshire	131.4	127.7	- 3.7	- 3)		
Dundee	83.6	80.3	- 3.3	- 4)	Develop- ment Areas	
Greenock	41.0	36.9	- 4.1	-10)		
Cumnock	14.4	12.5	- 1.9	-13)		
Arbroath	7.7	6.5	- 1.2	-16)		
Kilmarnock	26.9	26.2	- 0.7	- 3)		
Dumbarton	24.0	23.6	- 0.4	- 2)		
Irvine	37.2	37.3	+ 0.1	0)		
Bathgate	39.7	41.1	+ 1.4	+ 3)		
Alloa	18.2	15.0	- 3.2	-17)		
Falkirk	56.4	49.8	- 6.6	-12)		
Stirling	28.6	27.7	0.9	- 3)	Central Region	
Central Region	103.2	92.5	10.7	-10)		

Source: Census of Employment 1981, 1984 NOMIS

- 4.4 Falkirk experienced job losses at three times the rate of the Scottish average and more severely than 7 other Development Areas. Stirling from an initially healthier position lost some 3% of its jobs while the rate of loss in Central Region as a whole was exceeded by only one Development Area.
- 4.5 While the 1984 review of regional policy broadened the types of industry eligible for assistance, the manufacturing sector remains the one which receives the greatest amount of financial aid. It is relevant therefore, to examine more specifically the performance of this sector in different areas as a further measure of the severity of local economic problems.
- 4.6 Between 1981 and 1984, employment in the manufacturing industry in Central Region fell by 23%, compared with a fall of only 10% in Scotland and the G.B. Both Alloa and Falkirk TTWAs have a higher percentage of manufacturing jobs than either Scotland or GB, Stirling TTWA on the other hand has less than 10% of its employment in manufacturing and the lack of regional industrial incentives is inhibiting attempts to restructure the local economic base.



FIGURE 6 : PERCENTAGE MANUFACTURING EMPLOYMENT 1981-84  
SCOTTISH DEVELOPMENT AREAS AND CENTRAL REGION



4.7 Figure 6 compares losses of manufacturing employment between 1981-84 in Scottish Development Areas and Central Region TTWAs. The Falkirk and Alloa figures exceed all but one of the Development Areas while that for the Region as a whole is significantly in excess of the Scottish Development Areas average.

#### 5.0 LABOUR MARKET CHARACTERISTICS

5.1 It is unclear how labour market characteristics were taken into account in the designation of Assisted Areas in the 1984 Review. Regional Policy 'per se' does not directly impact on the nature of the labour market with the exception of training grants available under the RSA provisions and these are not extensively used. Given that the object of regional policy as set out in the 1983 White Paper was said to be 'social' rather than 'economic' it is assumed that labour market 'needs' rather than 'potential' was the principal criterion. Unemployment levels have already been extensively discussed but two other aspects of relevance could be (i) skill levels and (ii) projected growth of the labour force.

5.2 The 1981 Census of Population is the latest available source of occupational information and comparisons between Central Region, its Districts and Scotland are shown in Table 3. At the Regional level, Central has more of its population in manual skilled and unskilled occupations than Scotland as a whole. (45% as against 42%). At District level (which is a proxy for TTWA) the proportions are significantly higher in Falkirk 50% and Clackmannan (Alloa) 50%. It is these groups which might be expected to benefit most from job creation arising out of regional industrial support.

TABLE 3

## OCCUPATIONAL CHARACTERISTICS OF THE WORKFORCE (%s)

	<u>Clackmannan</u> <u>District</u>		<u>Falkirk</u> <u>District</u>		<u>Stirling</u> <u>District</u>		<u>Central</u> <u>Region</u>		<u>Scotland</u>	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
1-4 Employers Managers and Professional	16	7	14	5	23	8	17	5	17	6
5, 6 -Intermediate and Junior Non-Manual	14	44	13.5	50	17	54	15	50	15	51
7 Personal Service Workers	1	12	1	13	2	15	1	13	1	13
8, 9, 10 Skilled, Semi-Skilled Supervisory	54	23	56	15	39	9	52	16	47	13
11 Unskilled	7	9	8	9	6	9	7	9	7	8
12-14 Own Account Workers	2	2	2	1	4	1	3	1	4	1
13-15 Agricultural Workers	1	1	1	0	5	1	2	2	3	4
16-17 Armed Forces & Inadequately Described	4	4	4	5	4	3	4	4	6	5
TOTAL	100	100	100	100	100	100	100	100	100	100

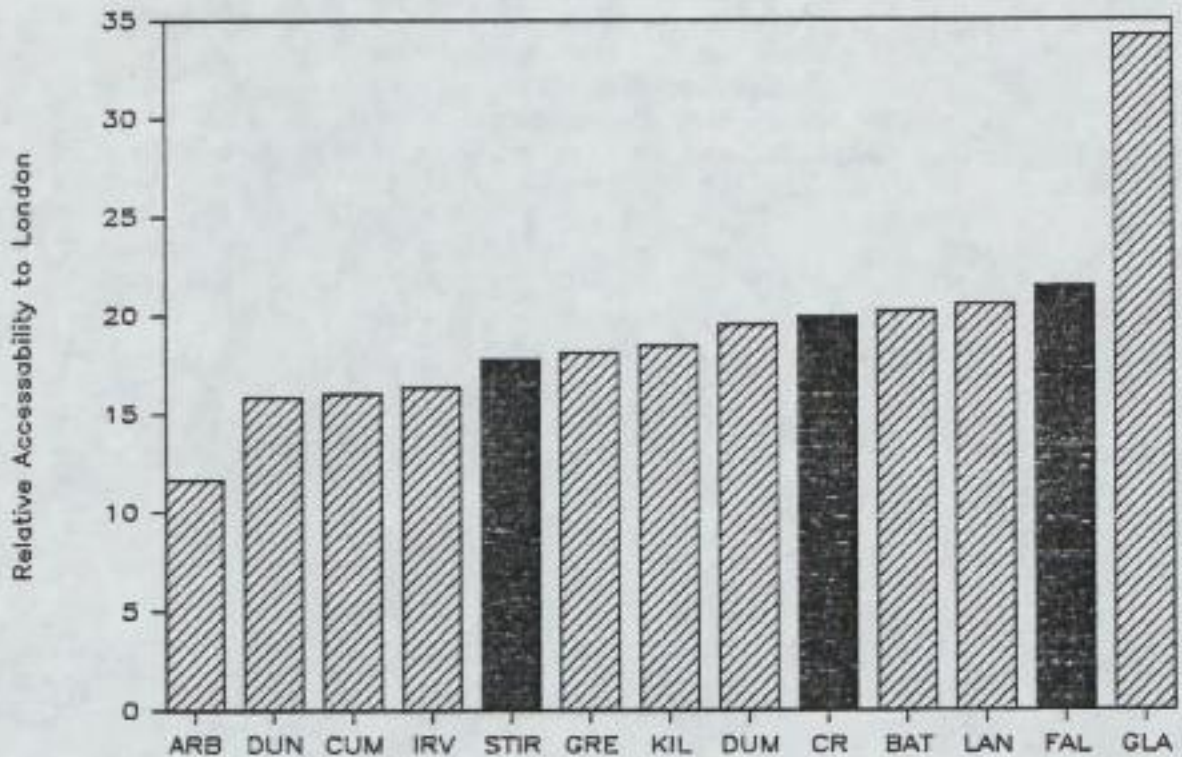
SOURCE : CENSUS 1961 - 10% SAMPLE

5.3 Historically, the Region's total economic activity rate has been marginally higher than Scotlands. In 1985 the figures were 60.1% as against 59.9% respectively. Projections up to 1996 suggest that the labour force in Central Region will continue expand by over 2000 although the activity rate will converge towards the GB average. However, predicted growth would again support the view that this factor tends to reinforce the case that local needs require a higher level of government support than presently obtains.

6.0 PERIPHERALITY

6.1 This factor which measures relative distance from markets was assessed on the basis of a research project carried out by the centre for Urban and Regional Development Studies, Newcastle University under the aegis of IDS (SEPD). An index score for each of 380 TTWA's was calculated with the lower the score the greater the inaccessibility to population centres. This was then converted to a % which measured the accessibility of the TTWA in question relative to that of Greater London which counted as 100%

FIGURE 7 : COMPARATIVE SCORES ON THE PERIPHERALITY INDEX  
CENTRAL REGION TTWA'S AND SCOTTISH DEVELOPMENT AREAS



- 20
- 6.2 At the time of the exercise Falkirk was ranked 245th out of 380 and Stirling-Alloa (as it then was) 293rd. It is probable that the score for Alloa as an individual TTWA would be lower than the combined figure compared with existing 10 Scottish Development Areas the Stirling-Alloa score is exceeded by only 2 and Falkirk only by 6. Glasgow which in any event has the highest Scottish figures. Consequently, both are well within the relevant Development Area range.
- 6.3 Central Region as a whole is ranked 53rd out of 65 English and Welsh countries and Scottish regions. If it had been treated as a TTWA in its own right it would have been ranked 263th out of 380 while its index score is also within the Development Area range. It is likely that the main changes in the index since 1981 will have been to worsen the relative position of Scottish TTWA's vis-a-vis GB TTWA's rather than significantly change intra-Scottish relationships.

## 7.0 CONCLUSIONS

- 7.1 This paper has carried out a thorough going review of Central Region TTWAs against the government's stated criteria. The most up-to-date information available has been used and as would be expected there have been some changes to the relative economic prosperity of areas since the analysis was carried out in 1984.
- 7.2 Regrettably, on almost every indicator the relative position of Central Region has deteriorated. Based purely on unemployment rates there is an unchallengable case for Development Area Status for Alloa or Intermediate Area Status for the whole region. However, taking the wider view which the government maintains ultimately influenced the final decision, and in particular, the appalling scale of job loss in its area, Falkirk should also be included in the higher status designation. This confirms the view which the Regional Council took at the time of the 1984 review but in the light of the worsening relative position since then the government should be urged to take the opportunity provided by the present review to correct the previous anomalies.

to take

A commercial decision for the Board of the Scottish Transport Group to take in the light of its financial targets and objectives.

The Scottish Bus Group had excess capacity for vehicle maintenance; rationalisation was needed.

Understand that the Scottish Bus Group have taken steps to reduce the redundancy effect of the closure.

Bus deregulation has made the bus market more competitive and responsive to travellers' needs.

If raised: The Government is regularly reviewing the scope for further privatisation.

150 →  
18m small operators  
15 private or public  
10 - 10 units

## BRIEFING NOTE

### SBG ENGINEERING: WORKSHOPS AT FALKIRK

1. SBG Engineering is a subsidiary of the Scottish Transport Group (STG) and provides engineering services to 12 bus operating companies within the Scottish Bus Group (SBG) which are also subsidiaries of STG. STG is a nationalised industry.
2. SBG Engineering has 6 central workshops at Falkirk, Edinburgh, Kilmarnock, Kirkcaldy, Motherwell and Inverness with a capability of servicing some 5,000 vehicles against a current fleet strength in the Scottish Bus Group of 3,300 vehicles. Thus there is considerable over-capacity. SBG Engineering is trading at a loss. STG therefore decided to close the Falkirk workshop with the loss of 150 jobs (Falkirk is the least modern of the workshops). Redundancy notices have been issued to take effect in January 1988. The decision to close the Falkirk workshop is a commercial decision for the Board of STG, taken in pursuance of the financial targets and objectives set for STG by the Secretary of State for Scotland.
3. Mr Canavan met Lord James Douglas-Hamilton, Minister for Home Affairs and the Environment at the Scottish Office to discuss the proposed closure, on Friday 30 October. A copy of the note of that meeting is attached at Annex A. He has also sought to arrange an emergency debate. Mr Canavan has suggested that the closure is a preparation for privatisation. No final decisions have been made on privatisation although the Secretary of State will shortly be meeting the Board of STG to discuss privatisation prior to circulating a paper to colleagues with proposals for privatisation.
4. STG have now (30 November) proposed to retain an SBG Engineering presence of 18 men at another depot in Falkirk. They will also keep the 13 apprentices till they complete their apprenticeship. In addition 15 employees have left since the original announcement. The actual number of redundancies is likely to be about 100 out of a workforce of 150.

8 Details of "good" and "bad" news in the Falkirk area, including Government grants, are set out at Annex B. A note on unemployment rates in the area is at Annex C.

NOTE OF A MEETING IN NEW ST ANDREW'S HOUSE ON FRIDAY  
30 OCTOBER 1987 AT 5.40 PM: SCOTTISH BUS GROUP ENGINEERING  
LIMITED CLOSURE OF FALKIRK WORKS

## PRESENT

Lord James Douglas-Hamilton  
Mr Campbell, SDD  
Mr Foulis

Mr Canavan, MP  
Mr Swords, Convenor Shop Stewards  
Councillor McKeown  
Councillor But  
Councillor Simpson  
Provost Docherty  
Mr Nicholson, Central Regional Council

1. Lord James welcomed Mr Canavan and his party to the meeting and asked them to set out the points they wished to make to him. Mr Canavan indicated that he was concerned about the loss of 150 skilled jobs at the Falkirk Works, specially since there were already 10,000 unemployed in Falkirk. He had been in correspondence with the Scottish Transport Group (STG) but had received no satisfactory answers. The profitability of the Falkirk Works compares well with others in the group, but the STG had refused to give him information on the performance of the works, citing commercial confidentiality. He found this a surprising reaction to the legitimate concern of the local MP. The over-capacity alleged by the STG had come about because of reductions in the Scottish Bus Group (SBG) fleet. In-house engineering work was increasingly being done by the individual companies within the SBG (men had been taken on there) and more and more work was being sent to the private sector. All of this could be done by the central SBG works in Falkirk.

2. Mr Canavan felt that the Government's transport policy was to blame, particularly the lack of subsidy, deregulation and the fear of privatisation. On the latter, while there had been no official statement from the Government, it was clear that the SBG engineering management assumed privatisation was just around the corner, and were cutting back in anticipation. Mr Canavan concluded by asking the Minister to use his influence with the Chairman of the STG to persuade him to reconsider the closure proposals, which were bad for employment in his constituency, and did not make commercial sense.

3. Councillors McKeown and Simpson spoke on the employment situation in Falkirk, which caused them grave concern. Efforts were being made to attract new employers to the area (for instance Asda), but these tended to provide fairly low grade jobs which would be no replacement for the 150 skilled jobs at the SBG engineering works. It would be very difficult to find alternative employment for the men concerned. Provost Docherty noted that since Falkirk District Council had lost its special development area status it had been very difficult to attract new industry, given the proximity of parts of Strathclyde which still enjoyed this status. The 150 redundancies mentioned, represented 150 lost opportunities for young people. Councillor But noted that the SBG engineering plant possessed a unique expertise which would be lost forever on closure. He was disappointed not to be able to put forward a case for retention on the grounds of profitability, and asked Minister to persuade the STG to release the information.



Mr Swords remarked that the closure notice had been a traumatic blow to the workshops. They were not a lame duck, and had been the highest contributors to the SBG of all the central engineering workshops. In his view they had the skills, the equipment and the commitment for a successful operation. The plant had however been starved of work since the closure notice, of which they had received no warning. The unions did not want to go into industrial action and were prepared to negotiate a solution which retained some capacity in Falkirk. It was likely that the older men would never work again if their jobs went.

5. Mr Canavan summed up by asking why Falkirk had been singled out for complete closure. If there was some spare capacity within the group, then the profitability of the works and their central location would argue for the axe falling elsewhere. The only reason so far offered by the STG was the alleged dilapidation of the premises at Brown Street. However there was ample excess capacity at the other works in Larbert Road. The trade unions were resisting complete closure, but would be prepared to settle on any alternative.

6. The Minister thanked Mr Canavan and his party for putting their views and indicated that he appreciated the concern they expressed. However the closure decision was purely commercial, and for the Board to take in pursuit of the target set for them by the Secretary of State. He was aware that there was excess capacity within the group, and that economies had to be made. He understood that the STG had offered relocation expenses to any worker transferring to a post at one of their other engineering sites and that all apprentices would be allowed to complete their apprenticeships. On the wider question of employment in the Falkirk area, he understood that regional selective assistance granted since January 1985 had helped create or secure over 2,000 jobs in the Falkirk travel to work area. He would however take note of the representations made about special development area status and bring these to the attention of his colleague the Minister of State (Commons).

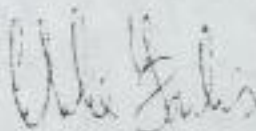
7. Councillor McKeown noted that the Minister was only telling them what the STG had told them. The loss of 150 skilled jobs was a devastating blow to the men concerned, and to Falkirk as a whole. Mr Canavan remarked that the STG was not a private sector company; tax payers money was involved; the Board was appointed by the Secretary of State and responsible to Parliament through him. Therefore, Ministers could not stand back. There was cause for concern about the way the STG's policies had been formulated, and the Minister could at least get in touch with the STG and see if they would reconsider their decision. Mr Canavan indicated that there was an issue here which merited examination by the Scottish Select Committee, and he would be asking them to look into it once they reformed.

8. The Minister stressed once again that in common with other nationalised industries, the Board of the STG was charged with day to day management in which the Government did not interfere. This was a commercial decision, and he had no grounds for intervention. Mr Campbell noted that if one accepted the STG assessment of over capacity, and the Government had no reason to doubt this, or any desire to second guess their decisions, then economies were required somewhere in the industry. If more work went back to the central workshops to maintain their viability, then there could be layoffs at local workshops, or in the private sector. He understood that the STG's view was that Falkirk was not the best place for a central engineering workshop given

the distribution of their fleets, even though it may be well located for the main centres of population.

9. Mr Casswell noted that he was very disappointed with the Minister's response. His party had travelled all the way to Edinburgh and all the Minister was telling them was that it was a decision for the STG. In his view, he had never led such a high powered delegation and been told by a Government Minister that the matter concerned was not his responsibility. He urged the Minister once more to ask the STG to justify the decision.

10. The Minister concluded the meeting by noting that it was better to be absolutely frank and that it would be quite wrong of him to raise false hopes. He had merely stated the facts as he knew them to be. He had however noted all the points they had made, and undertook once more to pass on to the Minister of State (Commons) their concerns about development area status.



MIKE FOULIS  
PS/Lord James Douglas-Hamilton  
2 November 1987

Copy to: PS/Secretary of State  
PS/Minister of State (Commons)  
PS/US of S  
PS/SDD  
PS/IDS  
Mr Campbell, SDD

8. McDonalds is to open a restaurant in Kirkcaldy by Christmas this year with other restaurants opening soon in Dundee and Falkirk. Each new restaurant involves an investment of £0.5m and offers up to 50 jobs.

9. Walter Alexander & Co (Coachbuilders) Ltd of Falkirk has won orders as follows:-

- a contract worth over £1m to build 100 single deck bus kits for Singapore. The order will safeguard the jobs of the 600 workforce for 6 months. (July 1987)

- a contract worth more than £1m from the Stagecoach bus company to supply the bodywork for 30 new buses. The contract should help to protect the jobs of 620 workers.

- a £1.2m order from Westinghouse of America for rail coach type buses for use in American airports. (October 1987)

10. Industrial Development Act 1982 assistance to firms in Mr Canavan's constituency

In the period 1.5.79 to 31.10.87 companies in Falkirk West constituency have received offers of regional selective assistance valued at £3 million. This assistance is associated with project costs of £29.1 million, and is designed to create 980 new jobs and to safeguard 1,260 existing jobs.

11. Industrial Development Act 1982 assistance to firms in the Falkirk TTWA

In the period 1.5.79 to 31.10.87 companies in the Falkirk TTWA have received offers of regional selective assistance valued at £21.7 million. This assistance is associated with project costs of £164.5 million, and is designed to create 2,880 new jobs and to safeguard 2,390 existing jobs.

As a result of a change in the method of calculating offers of assistance, the figures quoted above may be slightly different from previous figures quoted for the same period.

IDS/IPT2  
November 1987

MP: DENNIS A CANAVAN

CONSTITUENCY: FALKIRK WEST (Dunipace, Denny, Larbert, Falkirk, Bonnybridge, Loanhead)

Bad News: Constituency

1. SBG Engineering Ltd proposes to close its Falkirk based PSV/HGV repair plant in December 1987 with the loss of 152 jobs. The company cites reduced demand for its service as the reason for the redundancies. November 1987 press reports state that the workers intend to fight the closure.

2. Blue Bell Apparel reduced its workforce by 59 people at its Falkirk clothing manufacturing factory. The redundancies took place during February 1987. The reason cited for the staff cuts is to make the company more competitive in the UK market.

Good News: Constituency

3. Scottish German Beer Imports, of Falkirk, has won a sales and distribution contract from the Federation Brewery of Tyneside that will create 30 new jobs over the next year. (March 1987)

4. Carron Stainless Products of Falkirk, has won a £1m export order to supply sinks to Greece. (April 1987)

5. Walter Alexander and Co (Coachbuilders) Ltd of Falkirk has won a contract worth over £1m to build 100 single deck bus kits for Singapore. The order will safeguard the jobs of the 600 workforce for 5 months.

6. Falkirk freight company, Scottish Road Services, has won a 5 year contract worth £9m from Gateway Food markets. The company is to provide a delivery service from Gateway's East Kilbride warehouse complex to its 66 stores throughout Scotland. (August 1987)

7. British Alcan is to invest more than £2m at its factory in Falkirk over the next 2 years as part of a development programme which is aimed at increasing its competitiveness and improving quality and reliability. (October 1987)

G2902215.117

The constituency comprises part of the Falkirk travel-to-work area (TTWA). Current unemployment rates (October 1987) in the TTWA and comparable figures for Scotland as a whole are as follows, with October 1986 figures for comparison:

	<u>October</u> <u>1987</u> %	<u>October</u> <u>1986</u> %
Falkirk TTWA	15.6	18.1
Scotland	14.5	16.0

The constituency has intermediate area status on the assisted area map, having been downgraded in 1984 from a development area.



GR

10 DOWNING STREET

NOTE FOR THE FILE

Canavan rang me. I explained the general guidelines the Prime Minister followed about meeting with members of delegations. He took the point but asked whether the shop steward convenor, at least, could join him. I noted the point, and said the Prime Minister would be replying to him as soon as possible.

MEA

2 December 1987

Chased 3/12

270 - 6736

Dennis CANAVAN MP

file

SH

4/12



SL3AYU

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

24 November 1987

I attach a letter to the Prime Minister from Dennis Canavan MP, seeking a meeting with her to make representations about the closure of SBG Engineering Limited workshops in Falkirk.

The Prime Minister's general practice, as I am sure you know, is to agree to meet Members where closures or redundancies are clearly in prospect in their constituency. If the closure or redundancy affects more than one constituency her practice is to meet the respective MPs together. She does not, however, generally agree in these circumstances to meet delegations from the factories or businesses concerned.

Against those guidelines, I should be grateful for your advice on the request from Mr. Canavan.

MARK ADDISON

Andy Rinning, Esq.,  
Scottish Office

Remind:  
To me for phone  
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From: DENNIS CANAVAN M.P.



HOUSE OF COMMONS

LONDON SW1A 0AA

Tel: 01- 219 3000

cc AH ✓

R24

Our ref: DC/DM

20 November 1987

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1

Dear Prime Minister

SBG ENGINEERING LIMITED

Some time ago, I seem to recollect, you stated that you would be willing to meet any MP whose constituents were threatened with a works closure.

The above Company is proposing to close down their Falkirk workshops on 31 December 1987, with the loss of 150 jobs. There are already 10,000 people out of work in Falkirk District and the loss of these skilled jobs would be a further serious blow to the local community.

So far, in my efforts to save the jobs, I have had meetings with the Chairman of the Scottish Transport Group and with Lord James Douglas Hamilton at the Scottish Office. The latter refused to intervene, stating that the matter was a commercial decision taken by the Board of the Scottish Transport Group. However, the Scottish Transport Group is a publicly owned body and the Government therefore do have some responsibility for this matter.

I would be grateful, therefore, if you would agree to meet me to discuss the matter and, if so, would you agree that I be accompanied by a small delegation consisting of representatives of the workforce and local authorities who have been helping in the campaign against the workshops closure?

Yours sincerely

A handwritten signature in cursive script that reads "Dennis Canavan".

Dennis Canavan MP





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Tim Flesher Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

*4/12*

4 December 1984

*Dear Tim,*

Thank you for your letter of 27 November about Mr Dennis Canavan MP's request for a meeting to discuss redundancies at a coachbuilding company.

In the light of all that has happened since Mr Canavan first wrote, we agree that a meeting should now be offered. The appropriate arrangements are being made.

*Yours sincerely,  
John Graham*

J S GRAHAM  
Private Secretary

Mr. May with Casavan  
Sept 84

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION



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## 10 DOWNING STREET

From the Private Secretary

27 November 1984

Dear Jim,

We spoke about the correspondence between the Prime Minister and Mr. Dennis Canavan MP about redundancies at a coach building company in his constituency. Sheila McCabe sent a draft reply to Mr. Canavan's letter of 9 October on 26 November. In the meantime Mr. Canavan has written the attached progress chasing letter to the Prime Minister.

As you know, the Prime Minister has a policy of agreeing to meet Members of Parliament with closures or significant numbers of redundancies in their constituencies. In view of this and of the delay in replying I think she would feel that, however justifiable the reasons for refusing a meeting in the first instance, a further refusal could not be sustained. In this circumstance I should be grateful if you could arrange for this matter to be reconsidered. If you agree that a meeting should now be offered, I should be grateful if you could arrange for a reply to go to Mr. Canavan from your Secretary of State as soon as possible. As you will see from the attached papers I have written to Mr. Canavan promising him a quick reply.

Re.  
Meeting  
with  
PM

Tim Flesher

John Graham, Esq.,  
Scottish Office.



de

10 DOWNING STREET

*From the Private Secretary*

27 November 1984

*Dear Mr Canavan,*

The Prime Minister has asked me to thank you for your letter of 23 November about redundancies in your constituency and the White Paper on Buses. I am very sorry that you have not had a reply to your earlier letter and I shall certainly ensure that one is forthcoming in the very near future.

*Yr sincerely  
Tim F*

Timothy Flesher

Dennis Canavan, Esq., M.P.



NEW ST. ANDREWS HOUSE  
EDINBURGH EH1 3SX

Timothy Flesher Esq  
Private Secretary  
10 Downing Street  
London SW1

26 November 1984

*Dear Timothy,*

Thank you for your letter of 10 October enclosing a letter to the Prime Minister from Dennis Canavan MP about correspondence with my Secretary of State concerning redundancies at Walter Alexander's (Coachbuilders). I apologise for the delay in replying.

Mr Canavan has two complaints: first, that it was discourteous for the Secretary of State not to reply to him personally; and secondly that his request to bring a deputation has been refused.

On the first point, it is long-established practice in the Scottish office, reflecting the very wide range of the Secretary of State's responsibilities and therefore the huge number of MP's letters that are received, that save in exceptional circumstances the Secretary of State personally replies only to a limited number of Members who, by virtue of office within their party or as former Ministers, are considered entitled to such replies. In other cases the Secretary of State asks the Minister responsible to him for the subject concerned to reply. In Mr Canavan's case there was the added factor that the Secretary of State was on holiday and then on an official visit to Finland for most of September, when the request was under consideration. It was therefore normal practice for the matter to be dealt with by Mr Ancram.

On the substantive point, Mr Ancram declined to meet Mr Canavan and his deputation to discuss the possible impact of the Government's White Paper on Buses on the coachbuilding industry because it could not have been a productive meeting. The White Paper is, as you know, directed at bus operators, the regulatory environment within which they operate, and the public subsidies they draw. Any direct effects on the coachbuilding industry

must be uncertain but to the extent that the changes proposed stimulate demand for bus services the outcome should be of advantage to the coachbuilding industry. However, as Mr Ancram's reply suggested, this is only one of a number of factors likely to affect the industry in the coming years and it was not therefore considered that a meeting would prove useful.

I enclose a draft letter for the Prime Minister's signature in reply to Mr Canavan. As Mr Canavan can be expected to be well aware in fact of the practice adopted by Scottish Ministers in handling correspondence with MP's, Mr Younger does not suggest that the reply should dwell at any length on that aspect.

*Yours Ever*

*Sheila*

SHEILA MCCABE  
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

Dennis Canavan Esq MP  
House of Commons  
London  
SW1A 0AA

Thank you for your letter of 9 October concerning your correspondence with the Secretary of State for Scotland about redundancies at Walter Alexander's (Coachbuilders).

I am surprised that you have reacted so strongly to receiving a reply from Michael Ancram. Your request coincided with a time when George Younger was out of the country. Michael recognised that you were raising an issue of serious concern to your constituency and therefore treated it as a matter of urgency. In any case, he holds direct responsibility under the Secretary of State for transport matters in Scotland and it was quite proper for him to reply to your letter.

Like the Secretary of State for Scotland and Michael Ancram I very much regret that Alexander's have found it necessary to contract their labour force, but I share their view that the White Paper's proposals on bus deregulation will, by improving services and stimulating demand, present real opportunities in due course to the manufacturing industry. We believe that, as the White paper emphasises, the changes we are proposing will mean a better service for the public through the expansion of services: this can only work to the benefit of the coach builders also. I can therefore understand why Michael felt that insufficient purpose would be served by a Minister receiving a deputation to elaborate upon a view already succinctly set out in his original letter. I am sorry that you should feel otherwise, but I do not in the circumstances feel able to ask George Younger or Michael Ancram to alter their view in this matter.

R 27/11  
A00- ~~CCMA~~  
From: DENNIS CANAVAN M.P.



HOUSE OF COMMONS

LONDON SW1A 0AA  
Tel: 01- 219 3000

23 November 1984

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1

Dear Prime Minister

I wrote to you on 9 October about the refusal by George Younger, Secretary of State for Scotland, to meet me and some colleagues to discuss the implications of the Buses White Paper for the coach-building industry.

I received an acknowledgement dated 10 October but I am unable to trace any further reply. Legislation on bus transport was specifically mentioned in the Queen's Speech and I feel therefore that a meeting with an appropriate Minister is more urgent than ever.

I look forward to hearing from you regarding this.

Thank you for your attention.

Yours sincerely

A handwritten signature in cursive script that reads "Dennis Canavan".

Dennis Canavan MP



Dennis CANAVAN MP

24/10 CUE SA



13/11 Draft reply expected in 5 days' time - 7/11

0 22/10  
2) 19/11  
3) 26/11

10 DOWNING STREET

From the Private Secretary

10 October, 1984

I enclose a copy of a letter which the Prime Minister has received from Dennis Canavan, M.P., with which he enclosed correspondence with Scottish Ministers about the loss of 150 jobs at Walter Alexander's (Coachbuilders).

I should be grateful for your advice and a draft reply either for the Prime Minister's signature or a reply from your Secretary of State, whichever would be appropriate.

TIMOTHY FLESHER

John Graham, Esq.,  
Scottish Office

From: DENNIS CANAVAN M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA  
Tel: 01- 219 3000

cc: MA (10/10)

Att'd (10/10)

9 October 1984

The Rt Hon Margaret Thatcher MP  
Prime Minister  
10 Downing Street  
London SW1

R10

Dear Prime Minister

I enclose copies of correspondence with Scottish Office Ministers about the recent loss of 150 jobs at Walter Alexander's (Coachbuilders), in my constituency.

I must say that I am absolutely disgusted with Michael Ancram's reply. I wrote to George Younger, the Secretary of State himself, requesting a meeting but the Secretary of State has not even seen fit to reply personally. Instead, he has apparently instructed one of his junior ministers to reply with the inane statement that he does not think it would be profitable to meet to discuss the implications of the Buses White Paper for the coach-building industry.

In my 10 years as a Member of Parliament, I do not recall any precedent for a Minister refusing to meet such a reasonable request from not just one but 3 Members of Parliament. This is treating with absolute contempt not just the MPs but more importantly the work-force at Alexander's and indeed the Company who are also very critical of the Government's White Paper. I can only assume that Michael Ancram feels incapable of defending the contents of the White Paper and I therefore ask you to intervene in this matter to arrange a meeting for us with an appropriate minister either in the Scottish Office or the Department of Transport.

Yours sincerely

*Dennis Canavan*

Dennis Canavan MP  
Dictated by Mr Canavan - signed in his absence  
Enc



SCOTTISH OFFICE  
NEW ST. ANDREW'S HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

D Canavan Esq MP  
15 Margaret Road  
Bannockburn  
Stirlingshire

3 October 1984

*Dear Dennis,*

Thank you for your letter of 11 September about Walter Alexander (Coachbuilders) of Falkirk.

It is a matter of regret that Alexanders have found it necessary to reduce their labour force. I am confident that the company will do all in its power to find new markets and increase production - its recent securing of the order for rail buses for British Rail is proof of its ability in this respect.

I do not think that it would be profitable to meet to discuss the implications of the Buses White Paper for the coachbuilding industry. The White Paper is aimed at stimulating bus services; increased demand for bus services will feed through to bus manufacturing. The Government believes that an effect of deregulation will be to offer real opportunities to Alexanders and British coachbuilders as a whole.

The phasing out of New Bus Grant is not something for you to lay at our door. The decision to phase it out was taken by the last Labour Government. If local government chooses to reduce its demand for new buses that must be for it as part of its general decision making on resource allocation. I may say that the STG, for which I am responsible, has this year ordered new buses from Alexanders at a level similar to recent years and, subject to final decisions on the Group's financial framework for next year, I would expect the same broad level of orders to continue.

*Yours sincerely,  
Michael*

MICHAEL ANCRAM

From: DENNIS CANAVAN M.P.



HOUSE OF COMMONS

LONDON SW1A 0AA  
Tel: 01- 219 3000

11 September 1984

The Rt Hon George Younger MP  
Secretary of State for Scotland  
Scottish Office  
New St Andrew's House  
Edinburgh EH1 3SZ

Dear Secretary of State

I am writing to you to express my grave concern about the recent decision by Walter Alexander (Coachbuilders) in my constituency to make another 150 of their employees redundant.

These latest redundancies mean that, over the past 5 years, the number of jobs at Alexanders have been cut from 1,000 to about 500. As Alexanders is one of the few major industrial employers left in my constituency, you ought to share my concern that, during your period as Secretary of State, their work-force has been reduced by over 50% in an area where unemployment is about 17%.

At a recent meeting between local MPs, the Board of Directors and Trade Union Representatives of the work-force, considerable criticism was made of Government policy on public transport which has had a devastating effect on the coach building industry. The phasing out of the Bus Grant, the cuts in local authority expenditure, the threatened abolition of certain transport authorities and the proposed privatisation of public transport services have all contributed to a climate of uncertainty and a collapse of financial support which has depressed the coach building market and reduced the job opportunities of the workers at Alexanders.

The recent Government White Paper on buses (Cmd 9300) make no reference at all to the implications of Government policy on the coach building industry and I was astonished to hear that there were no genuine consultations with the coach building industry before the White Paper was published.

In view of the White Paper's indication that a Bill will be introduced in Parliament in the near future, I must ask you for an urgent meeting to discuss the effect of your Government's proposed legislation on the coach building industry.

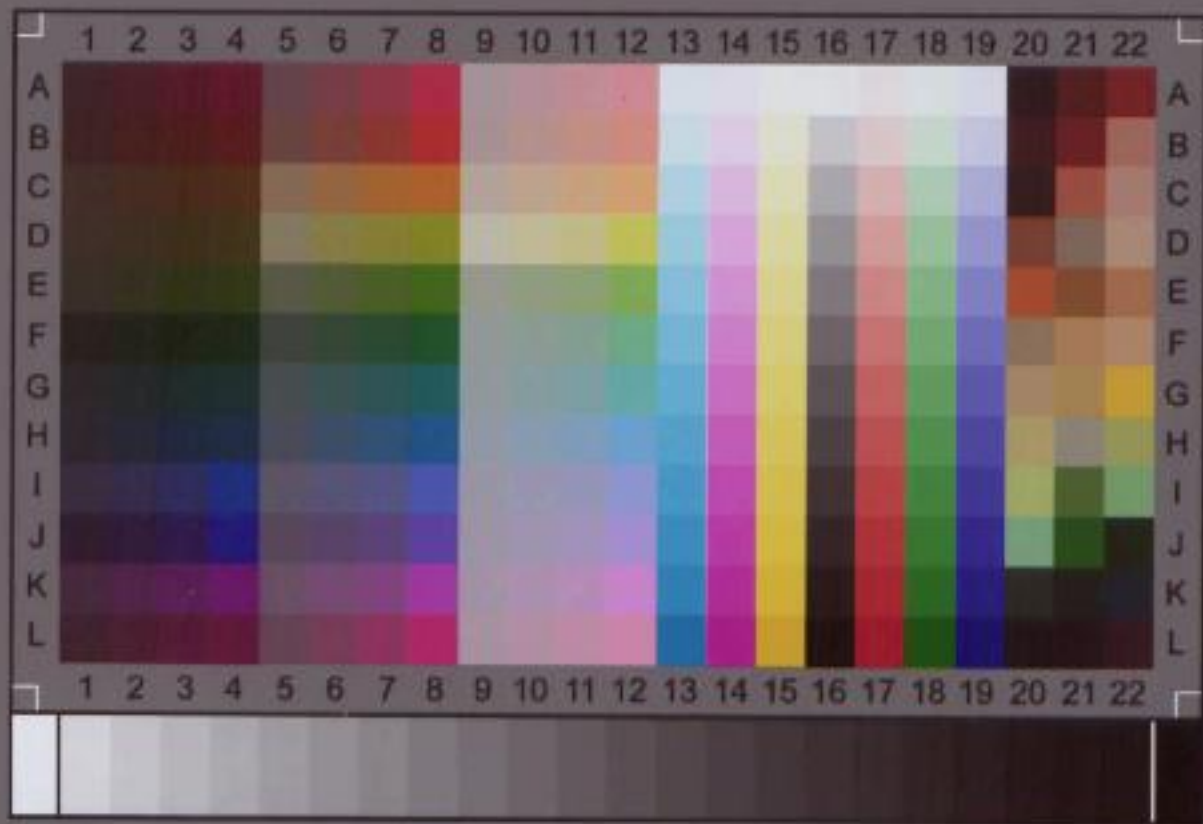
Cont'd.....

I would suggest that a delegation of interested local MPs (Harry Ewing, Martin O'Neill and myself), together with Trade Union Representatives of the Alexanders work-force meet you at the earliest opportunity to discuss this matter which is of vital importance to my constituents.

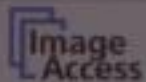
I look forward to hearing from you.

Yours sincerely

Dennis Canavan MP  
Dictated by Mr Canavan - signed in his absence



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