

cc MASHKE

hie

SHOAN



10 DOWNING STREET

From the Private Secretary

11 December 1984

The Prime Minister accompanied by Mr. Stewart met Dr. Gordon Brown, M.P., today at his request to discuss redundancies which had occurred in his constituency. Dr. Brown's main argument was that unemployment in Dunfermline East had risen by 500 over the past year. It was forecast to rise even further following the run down of Mossmorran. This meant that the real level of unemployment in parts of his constituency was running at about 30 per cent. In this context the downgrading of Dunfermline from Development Area to Immediate Area Status as a result of the recent review of regional policy would exacerbate the problem. Jobs which were only retained in the area because they were subject to automatic grants would be lost and new jobs would not come to the area. If the Government could not agree to a retention of Development Area Status for the whole of the Dunfermline and Kirkcaldy Travel-to-Work Areas there was a strong case for a Scottish Development Agency Task Force of the kind which had been successful in other areas such as Garnock Valley and Clydebank. Experience had shown that when factories were built in the area they were well utilised with a current occupancy rate of about 94 per cent. There was, however, a delay in establishing new factory units in Cowdenbeath.

In response, the Prime Minister said that the problems of Dunfermline, which she acknowledged to be very severe, were a reflection of the national problem of creating the kind of enterprise culture which created jobs successfully in the United States and Japan. New jobs were being created in the economy and employment in Scotland was estimated to have increased by 14,000 in the last year. Unfortunately, many of these jobs were part-time and brought new people into the workforce rather than taking them off the unemployment register. On the problems of Dunfermline itself, the Prime Minister noted that the Scottish Development Agency had invested £170,000 in 13 companies since 1975; 38 projects had been completed in the area since 1975 at a cost of £3.5m. and 80,000 square feet of factory space had been opened in the same period. There was, however, a limit to the help which could be given to one particular area without unduly penalising other areas. That was one of the principles behind the review of regional policy which, in any event, had actually extended the

proportion of the population covered by some form of aid. Even under Intermediate rather than Development Area Status grants would still be available both for the protection of existing jobs and the creation of new jobs. Mr. Stewart said that the case for special treatment for Dunfermline, given the developments to which Dr. Brown had referred, had already been recognised to some extent since the area was on the margin between Intermediate Area Status and receiving no special help at all. Dunfermline's inclusion in the Intermediate Areas reflected the points which Dr. Brown had made. Moreover, while the Special Task Forces established by the SDA had been successful their impact would be much reduced by proliferation. Nevertheless, he undertook to look into the point made by Dr. Brown on delays in establishing new factory units: the SDA had, he understood, been consulting with a private developer in an effort to improve matters in this respect. More generally, Mr. Stewart suggested that an Enterprise Trust of the kind which had been successful elsewhere, both in Scotland and the rest of the country, might prove beneficial and he hoped that such a Trust could be established.

On a separate point, Dr. Brown said that there was great concern locally at proposals on the privatisation of the Rosyth Dockyard. This possibility posed a threat both to jobs and national security because it was inappropriate for a private dockyard to undertake work of such sensitivity as refits for Trident submarines. The Prime Minister noted that any such proposals would be the subject of consultation with the unions at Rosyth. She disagreed strongly with Dr. Brown's assertion that private companies were inappropriate for sensitive work of the kind to which he had referred. There were many examples of private companies carrying out work of the greatest sensitivity in an entirely satisfactory and secure fashion.

At the conclusion of the meeting, the Prime Minister said, while she had not been able to offer Dr. Brown much comfort on the points which he had raised, she hoped he would bear in mind the suggestion of an Enterprise Trust. In the meantime the point he had made about factory delays would be considered.

I should be grateful if you could arrange for a draft reply to be prepared for the Prime Minister to send to Dr. Brown confirming Mr. Stewart's proposals of an Enterprise Trust and commenting on Dr. Brown's queries on delays in establishing factories. It would be helpful if we could have a reply by Friday 4 January. In view of the discussion on the Rosyth Dockyard, I am sending a copy of this letter to Barry Neale (Ministry of Defence).

TIMOTHY FLESHER

Andrew Chisholm, Esq
Scottish Office.

PRIME MINISTER

MEETING WITH GORDON BROWN MP

Attached is the, I am afraid, copious briefing provided by the Scottish Office for your meeting. Allan Stewart will be present for the Scottish Office. The following is a summary of the major points which Dr. Brown is likely to make and the background to the meeting.

Background

Dr. Brown is not complaining about any single closure in his constituency but more generally about the impact on his constituency of a number of closures. Unemployment has risen in the Dunfermline East constituency from 3,800 this time last year to 4,300 now. The unemployment rates for the Dunfermline and Kirkcaldy TTWA's is 14.3% and 15.5% compared with the overall Scottish average of 15.2%. Dr. Brown is likely to make the following points:

i) Regional Policy

He will complain first of all about the reduction in the resources devoted to regional policy; the downgrading of Dunfermline and Kirkcaldy from development area to intermediate area; and the inclusion of Kinross in the Dunfermline TTWA which reduces the overall level of unemployment to well below the development area criteria.

Points to make in response to this include:

the cost of jobs (£35,000 each); the fact that Scotland accounts for only one-third of the savings on regional policy; and travel to work areas are drawn up on the same objective criteria in Scotland as for the rest of the country. Briefing on this is flagged at A.

ii) Particular Closures

A note on these is flagged at B.

iii) A Special Task Force for Dunfermline

Mr. Brown may propose an SDA-led Task Force along the lines of those at Garnock Valley and Clydebank for the town of Cowdenbeath which has particularly high unemployment. The simple answer to this is that the situation in Cowdenbeath is not as bad as in some other areas. The SDA has invested £117,000 in thirteen companies since 1975; thirty eight projects have been completed in the area since 1975 at a cost of £3.5m; and 80,000 square feet of factory space has been completed since 1975. A note on this is at Flag C.

iv) Rosyth Dockyard

Dr. Brown is worried about a memorandum from the Ministry of Defence Special Adviser, Peter Levine, proposing the 'privatisation' of the Rosyth Dockyard. The answer to this is that proposals are being considered but that the unions will be fully consulted. In the Navy debate on 29 November, Mr. Stanley announced that Trident refits will take place at Rosyth which will help on employment in the very long term.

v) The Coal Dispute

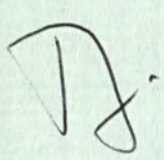
Although he does not specifically mention it, Dr. Brown may raise the impact of the coal dispute on his constituency which has remained fairly solid in support of the strike. Points to make here include the fact that Bogside Pit was lost as a result of the failure of the NUM to provide essential maintenance ^{away} of the overtime ban and two faces have been lost at Castlehill; the NCB

D.R.

are investing very considerable sums (£50m) at Castlebridge Pit; and that Fife Regional Council is perpetuating the strike by giving large sums of ratepayers' money to the NUM. Reports suggest as much as £1m. Notes on this are at Flag C.

More generally points on the Scottish economy include:

- i) Industrial production is up $2\frac{1}{4}\%$ in the year to 1984 Q2;
- ii) Employment is estimated to have increased by 14,000 in the year to June 1984;
- iii) Employment in the electronics industry has risen by 10% in the two years to mid 1983 to about 42,000.



Timothy Flesher
10 December 1984