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JU505
Secretary of State for Trade and Industry

13 October 1986

CONFIDENTIAL

The Rt Hon Kenneth Clarke QC MP
Paymaster General &
Minister for Employment
Caxton House
Tothill Street
London SW1H 9NF

Dear Kenneth,

MEASURES TO ALLEVIATE THE EFFECTS OF MAJOR REDUNDANCIES

Thank you for your letter of 25 September enclosing a copy of the paper which our group of officials produced.

I agree that the approach adopted in the paper is the right one. Clearly one cannot anticipate in any detail the circumstances of hypothetical cases so the establishment of an official group, on which DTI officials will sit, to advise us about suitable measures in particular cases as they arise seems the best solution. No doubt they will ensure that all departments with sponsorship responsibilities are consulted as necessary. I also endorse the view that the approach should be highly selective, as Nicholas Ridley emphasises.

I note what you say about relaxing the rules of existing schemes and trying out new initiatives. So far as the schemes operated by my Department are concerned, the room for manoeuvre is fairly small. We do not want to create a new category of Assisted Area by the back door, as it were, only two years after abolishing Special Development Areas. Apart from that consideration, the key factor is finance. It emerges clearly from the paper that there is little scope for a DTI component in a package of measures unless new money can be provided. I therefore agree with what you say in your letter about the question of resources.

Some of the possible rule changes or initiatives listed in the paper need further consideration by officials. No doubt they can be elaborated on further by the official group; in particular if we are to follow up your suggestions about encouraging the banks to be more liberal in the provision of finance to small businesses in areas of very high employment it would seem sensible if this idea was discussed with the banks at an early stage.

I am copying this letter to the Prime Minister and other members of E(A).

Yours,

Paul

PAUL CHANNON

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