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PRIME MINISTER

BRITISH SHIPBUILDERS: THE NEXT STEPS

attached

1 The impending redundancies at British Shipbuilders and the announcement foreshadowed in Paul Channon's letter to Willie Whitelaw of 2 May has brought increased urgency to the need for us to consider the action that we should take to offset the effects on the worst hit areas of the North East.

2 As far as existing MSC programmes are concerned I am in touch with the Chairman to ensure both that the full range of employment services are geared up to meet the need and that employment and training schemes are tilted as far as possible within existing resources towards those areas in the region that are likely to be most affected. However, I believe that the scale of these redundancies calls for a more imaginative and far-reaching response. This might fall into two main categories dealing, first, with providing help directly to those people who are about to lose their jobs in the shipyards and, second, addressing the more fundamental problems of the region.

Enterprise Corporation

3 In the first category, I suggest British Shipbuilders should be given the resources to set up as a matter of urgency an enterprise corporation with initial capital of around £5m along the lines already established successfully in the steel and coal industries. We would need to appoint a Chairman of national standing together with a Board and Chief Executive with vision and energy to stimulate enterprise and training so as to offer opportunities to those made redundant as

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alternatives to unemployment. We could immediately make available training facilities through the Manpower Services Commission and other providers so as to enable people to retrain and convert their skills to new employment. The Small Firms Service and local enterprise agencies will also be ready to help those interested in starting up new enterprises. We need to be careful to get the balance right between jobs and training and I believe we should also put special effort into setting up more managed workshops for small businesses. Money allocated through English Industrial Estates for this purpose would, to my mind, be very well spent and would be welcomed by people generally as a helpful and relevant response to the needs.

Economic Development

4 On the wider question, these closures and redundancies will aggravate the already severe economic and environmental problems of the region. The measures I have suggested above should, therefore, be accompanied by more concerted action to help the region as a whole. I understand that Kenneth Baker is already considering bringing forward proposals to establish two or three new Urban Development Corporations. It seems to me that Teesside must rank high as a potential candidate and I think we should consider urgently whether action of this kind should be taken. In his letter to me today he has also proposed increased expenditure on derelict land grants and for supporting economic projects under the Urban Programme in the region. These too have my full support.

5 For my part, I would propose to supplement these initiatives in two ways: first, through the Community Programme including experimenting with new approaches designed to increase the involvement of the private sector and, second, by providing some additional resources for adult training in

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the region generally.

Co-ordination

6 A package along the lines I have suggested would, it seems to me, amount to a credible response to what will undoubtedly be seen as a disastrous development for the North East. To make it work, however, it will need to be properly coordinated at regional level and I suggest this should be done through the mechanism of the existing City Action Teams whose members are the Regional Directors of my Department and of the Departments of the Environment and Trade and Industry. As it happens, the Team has recently bid for an additional £1m to complement existing programmes and enable them to support new projects on an experimental basis. I believe it would be sensible to agree to this since it would enable the Team to carry out the coordinating task I have suggested more effectively.

7 At this stage, I have described these ideas only in outline. I hope we can discuss them further at the meeting of E(A) tomorrow afternoon and pull them together into a package which Paul Channon would be able to announce at the same time as the redundancies on 14 May.

8 I am sending copies of this minute to members of E(A), the Lord President, George Younger and to Sir Robert Armstrong.

DY
7 May 1986

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