

FILE
CONFIDENTIAL

DA



cc PGO CAL NIO
CO WPSO ITMT
DOT DOE BC
C&O WO
MAFF SO
DIM DIM

10 DOWNING STREET

From the Private Secretary

14 May 1986

Dear Mike,

BRITISH SHIPBUILDERS

The Prime Minister saw the draft statement about British Shipbuilders attached to your letter to me of 13 May.

The Prime Minister was generally content with it, except that she felt that the first paragraph could be made much more direct and graphic. It could explain that British Shipbuilders won only 20,000 tonnes of orders last year, less than a tenth of the amount called for in their corporate plan. This was not for lack of Government support. Indeed, the financial support provided by the Government to British Shipbuilders is as good as the best in the world. The problem is that the orders simply are not there to be won. This is an international problem, not confined to the UK. In Sweden, for example, which a few years ago had one of the most modern shipbuilding industries in the world, the entire industry has now closed down. In this country, a number of British Shipbuilders' merchant yards are coming to the end of their existing workload, and there is absolutely no prospect of new orders for the foreseeable future. In these circumstances, with the greatest regret, there is no alternative to closing them.

I am copying this letter to the Private Secretaries to members of E(A), Alison Smith (Lord Privy Seal's Office) and Michael Stark (Cabinet Office).

Jan,
David.

(David Norgrove)

Michael Gilbertson, Esq.,
Department of Trade and Industry.

CONFIDENTIAL

dg

E.R. 1
CCBI
PRIME MINISTER

The first paragraph of this statement could be far more graphic:

- BS only won 20,000 grt of orders last year;
- not for lack of Government support: the orders simply aren't there to be won;
- this is an international problem;
- the yards are fast running out of work and there is, with great regret, no alternative to closing them.

Agree to suggest amendments in that sense?

DN

Yes - much better
no

(DAVID NORGROVE)

13 May 1986



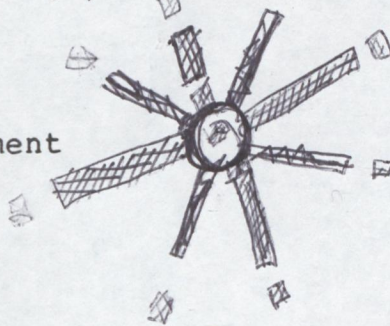
ce press
D.

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

John Turner Esq
Private Secretary to the
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1

14 May 1986



BSC (Business)
NEB (Enterprise)
w
u

Dear John,

BRITISH SHIPBUILDERS

...

I attach a final version of the statement my Secretary of State will make this afternoon. I am copying this letter and attachment to the Private Secretaries to members of E(A), Alison Smith (Lord Privy Seal's Office) and Michael Stark (Cabinet Office).

Yours ever,

Michael

MICHAEL GILBERTSON
Private Secretary

Encl

JF3AJV

FINAL

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

STATEMENT BY SECRETARY OF STATE FOR TRADE AND INDUSTRY
ON BRITISH SHIPBUILDERS

With permission, Mr Speaker, I should like to make a statement.

As the House will know, British Shipbuilders won only 23,000 compensated gross tonnes of orders last year. This was little more than a tenth of the amount forecast in their Corporate Plan. This was not for lack of Government support. The financial support for individual orders is not the problem. The problem is that orders are simply not there to be won. In Sweden, for example, which a few years ago had one of the most modern merchant shipbuilding industries in the world, the entire industry is closing down. This reflects the latest down-turn in the shipbuilding market, which has resulted in capacity reductions and redundancies across the world. Despite Government support of over £1,400 million since 1979 and the recent increase in the level of support for new orders, it has proved impossible for British Shipbuilders to maintain its current capacity in the absence of new orders.

British Shipbuilders have therefore today announced measures which deal with this over capacity. They include a decision to close by the end of the year, Smiths Dock, The Troon shipyard of Ferguson-Ailsa, and the Wallsend site of Clark Kincaid. In addition British Shipbuilders have, as part of

JF2BIK

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

their wage negotiations, proposed a two year deal which will seek to match manpower and capacity more closely to demand. The Government regrets that these necessary measures will lead to total redundancies of some three thousand five hundred people by March 1987. British Shipbuilders hope that a substantial number of these will be achieved by voluntary redundancy.

The Government propose to provide to British Shipbuilders immediate support of up to £5 million in the current financial year to enable them to set up a new subsidiary, British Shipbuilders Enterprise Ltd. This will provide expert and practical services for those facing redundancy. It will ensure that they have at their workplace counsellors with the skills and resources to guide them toward retraining and redeployment opportunities, and to provide financial support to take advantage of those opportunities. It will also offer financial help and advice to those wishing to take the initiative of setting up their own business.

In addition, my Rt Hon Friend the Secretary of State for Employment has asked the Manpower Services Commission to provide a further £1m specifically for the retraining of redundant employees of British Shipbuilders in direct co-operation with the new Enterprise Corporation. He will also make available £1m via the City Action Team for job creation measures and to stimulate enterprise in the North East.

The Community Programme is already being expanded in the North East from its present level of 22,000 jobs to 29,000 jobs at an extra cost of some £30m. My Rt Hon Friend has asked the Manpower Services Commission to explore urgently

JF2BIK

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

new ways in which the resources of the Community Programme and the Enterprise Allowance Scheme can be used in order to lead to permanent jobs in the North East.

In addition to these measures my Rt Hon Friend, the Secretary of State for the Environment has reviewed the derelict land reclamation and Urban Programmes in the areas affected. At £13 million, the reclamation programme in the North East region this year is already substantial but this will be increased by a further £1m. My Rt Hon Friend also proposes to allocate an extra £2m under the Urban Programme, adding to the region's £35m programme this year.

The British Shipbuilders Enterprise Corporation will also operate in Scotland. My Rt Hon and Learned Friend, the Secretary of State for Scotland will consider urgently additional measures to help the areas affected by the redundancies announced today.

The measures I have outlined will be in addition to the existing regional aid programmes including assistance via English Industrial Estates for which the areas concerned are already eligible.

DEPARTMENT OF TRADE AND INDUSTRY

May 1986

JF2BIK

CCBG



Caxton House Tothill Street London SW1 9NF

Telephone Direct Line 01-213.....

Switchboard 01-213 3000

M Gilbertson Esq
 Private Secretary to the
 Secretary of State for Trade and Industry
 Department of Trade and Industry
 1 Victoria Street
 London SW1

WBP 17

13 May 1986

Dear Mike

BRITISH SHIPBUILDERS (BS) : ESTABLISHMENT OF ENTERPRISE CORPORATION AND OTHER MEASURES TO ASSIST THE AREAS HARDEST HIT BY REDUNDANCIES

My Secretary of State has seen the Cabinet Office paper of 12 May covering the draft statement about the British Shipbuilders package.

He is content with the proposals and thinks that the financing arrangements are sensible.

He has proposed some textual changes to the statement as follows:

- para 2, line 2, after Secretary of State for Employment delete "will also" and insert "has asked the Manpower Services Commission to";
- para 4, lines 1 and 2, delete "direct" and delete "to help those suffering redundancy as a result of the BS closures".

I am sending a copy of this letter to the Private Secretaries to the Secretary of State for the Environment, the Chief Secretary, the Secretary of State for Scotland and for information to David Norgrove at No. 10, Miss MacNaughton in the Lord President's Office and Brian Unwin at the Cabinet Office.

Yours sincerely
 John Turner

JOHN TURNER
 Principal Private Secretary

NAT IND
SHIPBUILDING

PT 10





DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET 5422
TELEPHONE DIRECT LINE 01-215
SWITCHBOARD 01-215 7877

CCB
CCB/E

PS/

Secretary of State for Trade and Industry

CONFIDENTIAL

13 May 1986

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear David,

BRITISH SHIPBUILDERS

I attach for your information a copy of the statement my Secretary of State intends to make tomorrow.

My Secretary of State is content with the arrangements set out in Mr Unwin's minute of yesterday. As officials made clear in discussion yesterday, my Secretary of State intends to find the £1.5 million DTI contribution to the proposed British Shipbuilders Enterprise Corporation from within the Department's overall nationalised industries EFL provision for 1986-87.

I am copying this letter and attachment to the Private Secretaries to members of E(A), Alison Smith (Lord Privy Seal's Office), and Michael Stark (Cabinet Office).

*Yours ever,
Michael*

MICHAEL GILBERTSON
Private Secretary

ENCL

JF2BIJ

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

STATEMENT BY SECRETARY OF STATE FOR TRADE AND INDUSTRY
ON BRITISH SHIPBUILDERS

With permission, Mr Speaker, I should like to make a statement.

copy as revised by David

As the House will know, shipbuilding orders throughout the world have dwindled to half what they were ten years ago, and there is now chronic over-capacity in the industry worldwide. British Shipbuilders has inevitably been affected by this phenomenon. Despite Government support of over £1,400 million since 1979, it has proved impossible for British Shipbuilders to maintain its current capacity in the absence of more orders.

Accordingly, they have informed me that measures are being announced today which deal with this over capacity. The Government agrees that in the circumstances these measures have to be taken. They include a decision to close by the end of the year, Smiths Dock, The Troon shipyard of Ferguson-Ailsa, and the Wallsend site of Clark Kincaid. In addition British Shipbuilders have, as part of their wage negotiations, proposed a two year deal which will seek to match manpower and capacity more closely to demand. I regret to say that these steps will lead to total redundancies of some three thousand five hundred people by March 1987. British Shipbuilders hope that a substantial number of these will be achieved by voluntary redundancy.

JF2BIK

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

The Government propose to provide to British Shipbuilders immediate support of up to £5 million in the current financial year to enable them to set up a new subsidiary, British Shipbuilders Enterprise Ltd. This will provide expert and practical services for those facing redundancy. It will ensure that they have at their workplace counsellors with the skills and resources to guide them toward retraining and redeployment opportunities, and to provide financial support to take advantage of those opportunities. It will also offer financial help and advice to those wishing to take the initiative of setting up their own business.

In addition, my Rt Hon Friend the Secretary of State for Employment has asked the Manpower Services Commission to provide a further £1m specifically for the retraining of redundant employees of British Shipbuilders in direct co-operation with the new Enterprise Corporation. He will also make available £1m via the City Action Team for job creation measures and to stimulate enterprise in the North East.

The Community Programme is already being expanded in the North East from its present level of 22,000 jobs to 29,000 jobs at an extra cost of some £30m. My Rt Hon Friend has asked the Manpower Services Commission to explore urgently new ways in which the resources of the Community Programme and the Enterprise Allowance Scheme can be brought together to start new projects which can lead to permanent jobs in the North East.

JF2BIK

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

In addition to these measures my Rt Hon Friend, the Secretary of State for the Environment has reviewed the derelict land reclamation and Urban Programmes in the areas affected. At £13 million, the reclamation programme in the North East region this year is already substantial but this will be increased by a further £1m. My Rt Hon Friend also proposes to allocate an extra £2m under the Urban Programme, adding to the region's £35m programme this year.

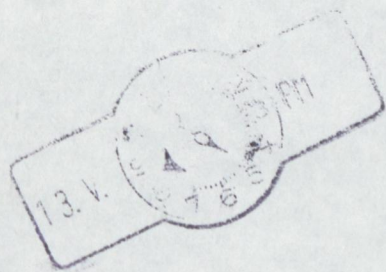
The British Shipbuilders Enterprise Corporation will also operate in Scotland. My Rt Hon and Learned Friend, the Secretary of State for Scotland will consider urgently additional measures to help the areas affected by the redundancies announced today.

The measures I have outlined will be in addition to the existing regional aid programmes including assistance via English Industrial Estates for which the areas concerned are already eligible.

DEPARTMENT OF TRADE AND INDUSTRY

May 1986

JF2BIK



COMMISSIÃO LA COMBIDIS CE
COOPERATIVA

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham
 Secretary of State for Employment
 Department of Employment
 Caxton House
 Tothill Street
 London
 SW1H 9NA

WBRN

Dear David,

13 May 1986

BRITISH SHIPBUILDERS PACKAGE: DRAFT STATEMENT

at 11.01

I have seen Brian Unwin's minute of 12 May outlining a proposed package of measures and the accompanying draft statement.

I think this package now represents a credible response to the situation now created by the announcement of British Shipbuilders' redundancies. I would be prepared to go along with it, including finding £2½ million from the Reserve provided that all other colleagues affected, including the Secretary of State for Scotland, similarly agree to find the sums recommended in Brian Unwin's minute from within their existing provisions.

On a more detailed point I would want my officials to be consulted about the level and nature of the income support proposed for redundant BS employees involved in training under the auspices of the Enterprise Corporation.

The draft statement seems generally satisfactory, subject to a small change in the last sentence of paragraph 3. The ideas mentioned there have not yet been properly considered and I would not like to be tied down too precisely at this stage. I would therefore like the last sentence to be amended to read:

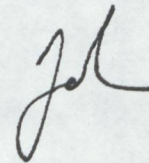
"My Right Hon friend has accordingly asked the Manpower Services Commission to make a special effort to explore ways in which the resources of the Community Programme and the Enterprise Allowance Scheme can be used in order to lead to permanent jobs in the North East."

CONFIDENTIAL

CONFIDENTIAL

I am copying this letter to the Secretary of State for the Environment, the Secretary of State for Scotland, the Secretary of State for Trade and Industry, and for information to the Lord President and the Prime Minister.

Yours ever,



JOHN MacGREGOR





10 DOWNING STREET

Prime Minister

This is the package of measures as agreed at official level, but not yet by Lord Yang, Mr Baker and Mr Ripkin (or the Chief Secretary).

If they were content, would you be?

(The measures are hamstrung by the lack of new money except for the BS Enterprise Corporation.)

I think they

just about get by
no

JHS
12/5.

eeB6

CONFIDENTIAL

P 02056

From; J B UNWIN

12 May 1986

SECRETARY OF STATE FOR EMPLOYMENT

BRITISH SHIPBUILDERS (BS): ESTABLISHMENT OF ENTERPRISE CORPORATION AND OTHER MEASURES TO ASSIST THE AREAS HARDEST HIT BY REDUNDANCIES

You were invited at E(A)(86)15th Meeting to prepare, in conjunction with the other Ministers most closely concerned, an announcement to be made on 14 May of Government measures to assist the areas hardest hit by redundancies.

2. To take matters forward quickly, I have considered this with officials from your Department and the other Departments concerned, and summarise in this minute a possible package, together with a draft statement announcing it. I assume that the latter will be made orally by the Secretary of State for Trade and Industry, and will be prefaced by appropriate reference, which DTI will prepare, to the BS announcement on the same day.

Package of Measures

3. The package we have considered may be summarised as follows:-

(i) British Shipbuilders (Enterprise) Corporation

4. BS have agreed to set this up. Its main purpose will be to ensure that redundant BS employees have every opportunity for retraining and employment, and for setting up new businesses, taking advantage of existing agencies where available. More specifically, its functions will cover:

CONFIDENTIAL

- (a) Active counselling of redundant employees
- (b) Facilitate and where necessary provide training
- (c) Facilitate re-employment in existing firms
- (d) Advise and assist former employees with setting up new businesses through
 - training
 - Rent subsidies or converting buildings no longer required for shipbuilding that cannot be sold on the open market
 - Equity or loan finance.

5. It will be established as a wholly owned subsidiary of BS with its own Managing Director and Non-Executive Directors from outside, with possibly MSC and DTI represented. The precise details of its structure and administration will, however, need to be discussed in detail with BS and the Departments concerned after the announcement, in particular to ensure that administrative and related costs are kept as low as possible.

6. On funding, I recommend that up to £5 million should be made available by the Government in the current year and that this should be found as follows:-

	£ Million 1986-87
DTI	£1.5m
Scottish Office	£1.0m
Treasury	£2.5m
(From the Reserve)	

The Treasury and the DTI have confirmed that they would accept this; the Scottish Office think that £0.5m would be a more reasonable contribution from them and have reserved their Secretary of State's

position.

7. In addition, you have offered to provide from your existing resources an extra £1 million specifically for the retraining of redundant BS employees in direct cooperation with the new Enterprise Corporation. This will pay the training fees for nearly 1,000 people for up to 13 weeks. The MSC will arrange for training to be provided and meet the full cost of the training fees. The Enterprise Corporation will pay income maintenance to all redundant employees who undertake such training. The level and nature of this income support are to be agreed between the DE/MSD and the Corporation.

(ii) City Action Team (CAT)

8. You have undertaken to make a further £1 million available from your existing resources for the CAT for Newcastle/Gateshead to spend on job creation measures and to stimulate enterprise in the North East. It will enable the Team to support projects that lack initiative or adequate funding but which show promise for the future.

(iii) Derelict Land and Urban Programmes

9. The Secretary of State for the Environment has agreed to reallocate from within his existing resources an extra £2m for the Urban Programme and £1m for the Derelict Land Programme in the North East Region (whose present allocations are £35m (Urban) and £13m (Derelict Land)). DOE foresee no problems in ensuring that the additional schemes meet the necessary value for money tests, and project proposals will be processed in the normal way.

10. In sum, the package will consist of the following:

CONFIDENTIAL

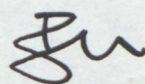
1986-87

<u>Measure</u>	<u>Cost £m</u>
BS (Enterprise) Corporation	5.0
Extra MSC Training	1.0
Newcastle/Gateshead CAT	1.0
Derelict Land	1.0
Urban Programme	2.0
Total	10.0

11. Of the £10.0m total, £7.5m will be found by Departments by reallocation of existing resources (subject to the reserve by the Scottish Office), and £2.5m from the Reserve. In addition, you will be asking the MSC to explore within existing resources new ways of increasing private sector sponsorship of projects within the Community Programme and the development of projects which can be floated off as small businesses; and the Secretary of State for Scotland will be examining with the Scottish Development Agency and other bodies what additional measures might be taken to help the areas in Scotland affected by the BS redundancies.

12. I attach a draft statement incorporating the above proposal. You will no doubt wish to know as quickly as possible whether your colleagues are content so that the statement can be finalised in good time to be made by the Secretary of State for Trade and Industry on Wednesday.

13. I am copying this minute and enclosure to the Private Secretaries to the Secretary of State for the Environment, the Chief Secretary, the Secretary of State for Scotland, the Secretary of State for Trade and Industry, and for information to Mr Norgrove at No 10 and Miss MacNaughton in the Lord President's Office.


J B UNWIN



British Shipbuilders Package; Draft Statement
by Secretary of State for Trade and Industry on 14 May

[Introductory passage on BS announcement, to be prepared by DTI]

The Government propose to provide immediate support of up to £5 million in the current financial year to British Shipbuilders to enable them to set up a new subsidiary, British Shipbuilders Enterprise Ltd. This will provide an expert and practical service for those facing redundancy. It will ensure that they have at their workplace counsellors with the skills and resources to guide them towards retraining and redeployment opportunities, and to provide financial support to take advantage of those opportunities. Most importantly, it will also offer financial help and advice to employees wishing to take the initiative of setting up their own business. The new company will be managed and staffed by professionally trained people.

2. In order to supplement and strengthen this initiative, my Rt Hon friend the Secretary of State for Employment will also provide a further £1m specifically for the retraining of redundant employees of British Shipbuilders in direct co-operation with the new Enterprise Corporation. He will also make available £1m for the City Action Team for Newcastle/Gateshead to spend on job creation measures and to stimulate enterprise in the North East.

3. The Community Programme is already being expanded in the North East from its present level of 22,000 jobs to 29,000 jobs at an extra cost of some £30m. The new Enterprise Corporation will work closely with the Department of Employment and the Manpower Services Commission to ensure that the maximum effective assistance is given to people who are looking for other jobs or who want to retrain. My Rt Hon friend has accordingly asked the Manpower Services Commission to make a special effort to explore new ways in which the resources of the Community Programme and the Enterprise Allowance Scheme can be brought together to start new projects which can lead to permanent jobs in the North East.

4. In addition to these direct measures to help those suffering redundancy as a result of the BS closures, my RHF the Secretary of State for the Environment has reviewed the derelict land reclamation and Urban Programmes in the worst hit areas. The reclamation programme in the North East region this year is already substantial at £13m but this will be increased by a further £1m.

Reclamation projects promoted by the private sector will have first call on these extra resources and the Government will also support reclamation schemes undertaken through the Community Programme and some additional local authority schemes.

5. My RHF also proposes to allocate an extra £2m under the Urban Programme, adding to the region's £35m programme this year. This will be used to give particular support to projects which encourage new businesses. Both the additional Derelict Land and Urban Programme resources will be specifically targetted on those localities that clearly need most help and could provide up to another [] jobs.

6. Finally, the new British Shipbuilders Enterprise Corporation will, of course, also operate in Scotland. My Right Hon and Learned Friend the Secretary of State for Scotland will therefore consider urgently with the Scottish Development Agency and other bodies the additional measures that they might take to help the areas affected by the redundancies announced today.

7. [I am confident that these measures will provide a substantial combination of incentive and practical help to those worst affected by the restructuring proposals announced by British Shipbuilders today. The new measures will, of course, be in addition to the existing regional aid programmes for which the areas concerned are already eligible].