



cc J. Fuller (CBG)  
 Richard Luck's office  
 | BF 12.6.76  
 DW(0/1) for  
 comments  
 from him

Prime Minister

BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE

The Secretary of State for Employment in his recent minute expresses the hope that other measures be explored to bring new enterprise and employment to the North East. He refers specifically to the case for an urban development corporation in Middlesbrough and dispersal of Government work to the North East, including future computer developments and perhaps some PSA functions.

Following the discussion in E(A) of 8 May, I am urgently considering how best to proceed with a further UDC initiative.

A first appraisal of the PSA position does not lead me to conclude that it would be right on efficiency grounds to consider further dispersal of PSA functions. 74% of the non-industrial staff and almost 100% of the industrial work force are already located in some 200 offices throughout the UK. Of the remaining 3,700 staff some 8,500 are located in Hastings as a result of an earlier dispersal. The largest tranche of HQ staff are in Croydon and Chessington, some 1,900, and consist of professional and technical teams engaged on major design and project management together with their specialist support. The only practical solution would be to move the whole of Croydon operation together with its professional and administrative supporting services to the North East. This was the proposition under the dispersal programme announced by the previous Government in 1974 which we abandoned, following a review shortly after we came into office in 1979. The arguments which were then deployed against dispersal to Middlesbrough remain valid today:-



- a Dispersal would have been of little value in making jobs for local people in Middlesbrough and conversely we would have had more difficulty in recruiting skilled professionals and administrators to work there.
  
- b Liasion with London based clients would have been more difficult.
  
- c Many staff would resign rather than move and those most likely to resign would be those in shortage disciplines.

Should you decide to adopt David Young's suggestion that officials be invited to explore the scope for dispersal of Government activities to the North East, we would of course wish to contribute to that examination.

I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Employment, Trade and Industry, and Scotland, the Chief Secretary and Sir Robert Armstrong.

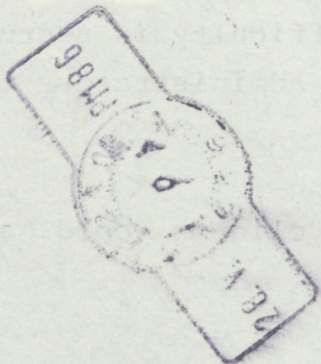
A handwritten signature in dark ink, appearing to be the initials "NR" with a stylized flourish.

N R  
28 May 1986

NAT IND. Shipbuilding: Pt 10



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Additional faint, illegible text, likely bleed-through from the reverse side of the page.

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CCBG  
 cc J. Fuller  
 RICHARD LUKE'S  
 office  
 B/F 12.6.86  
 for comments  
 from him

PRIME MINISTER

**BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE**

1 You will have seen the draft announcement of the package of proposals we have put together to meet the situation created by the impending BS redundancies, as agreed at EA on 8 May (E(A)(86)15th). ATTACHED

2 The central proposal is for the creation of a new Enterprise Company by BS to provide help and advice to their redundant employees. It will be given funds of £5m (£1½m to be provided by DTI, £1m by the Scottish Office and £2½m from the Reserve). In addition the Secretary of State for the Environment is providing an extra £2m for Urban Programme expenditure in the North East and an extra £1m for derelict land reclamation. I am providing £1m to finance the cost of training up to 1000 redundant BS employees and a further £1m for the Newcastle/Gateshead CAT to spend on job creating measures. In total the package amounts to an additional £10m, of which £4m is specifically for the North East. The remaining £6m for the Enterprise Company and associated training provision will be available nationally.

3 Much of the detail of how the Enterprise Company will operate has still to be settled. Given that it will not have to meet the cost of training fees, I would hope that the bulk of its funds could be used to give direct financial assistance to those who want to set themselves up in business or to move

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to jobs elsewhere. We must ensure that this is tackled with vigour and imagination. Quite apart from the financial assistance the Company can provide, the redundant employees will have sizeable redundancy payments to invest and a range of existing assistance available to them, including the Enterprise Allowance Scheme. I will ensure that the staff of the Manpower Services Commission and my own Department's Small Firms Division work as closely as possible with the Company so as to avoid any duplication of effort. I am particularly concerned that the running costs of the Enterprise Company should be kept as low as possible. I also think it important that the Company should be run by someone from outside the shipbuilding industry.

4 Beyond this immediate package of measures I hope that we can explore other measures to bring new enterprise and employment to the North East. I believe there is a good case for an Urban Development Corporation in Middlesbrough and I hope that the appraisal agreed by EA can be carried out as soon as possible. In my view we should also disperse further Government work to the North East, including future computer developments and perhaps some PSA functions. I suggest that we ask officials to explore the scope for this and report urgently.

I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, the Environment and Scotland, the Chief Secretary and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be "D Y", written in a cursive style.

D Y

May 1986

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TO THE  
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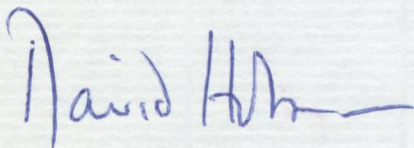
MR NORGROVE

23 June 1986

BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE

Richard Luce's paper suggests that help can be given to Departments "wishing to move from their existing location" to find where it would be best to go. The North-East needs to be shown some priority, and halfway down the list is not good enough.

We believe a little more pressure is needed, with targets given to certain Departments to move, say, 5-7½% of their total personnel to the North-East. Might not the Ministry of Defence be asked to set a lead in providing some "volunteers"? After all, their service personnel are mobile.



DAVID HOBSON



CCBQ

BF

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

19 June 1986

BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE

I have seen David Young's recent minute to you about the situation in the North East created by the BS redundancies, and Nicholas Ridley's comments of 23 May.

When we took office in 1979 we took a decision to bring financial reality to the existing plans for the dispersal of government work to the regions. Our own programme of dispersal has been a success. We have moved nearly 5,000 jobs out of London and we are more than 85% of the way to our target. The programme is well understood. Were we now to introduce an additional element of "dispersal" (called by this name) we should create confusion, particularly in the North East which has always regretted our decision to exclude from the programme the transfer of PSA work to Middlesbrough. Fourth-fifths of Civil Service jobs are already outside London, and the northern region has the fifth highest number of civil servants in relation to its population as compared with the ten other regions.

I suggest, therefore, that in seeking to alleviate the impact of BS's problems on the North East we keep any transfer of government work quite separate from the dispersal programme.

I believe that we can do this under the existing policy for the relocation of government work. This already takes account of regional, urban, and inner city development needs. Departments wishing to move from their existing location are required by Cabinet Office (MPO) and the Treasury to provide regional interests with an opportunity to show, by means of cost benefit analysis, which receiving locality is most advantageous. The analysis includes any regional financial assistance that might be available to the private sector on relocation. That is intended to provide scope for ensuring that the pressing needs of the regions, one against another, are properly met, once the true costs to the economy and to the Exchequer of making a move have been established.



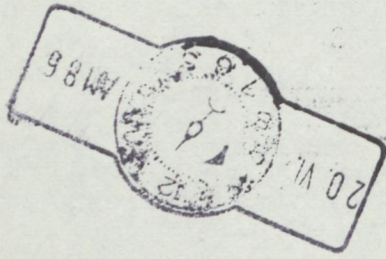
John MacGregor and I should be very ready to make available the technical expertise of our departments to ensure that the situation created by the BS redundancies is considered constructively in accordance with the procedures for the relocation of Government work.

I am sending copies of this minute to Willie Whitelaw, Nigel Lawson, Paul Channon, Nicholas Ridley, Malcolm Rifkind, John MacGregor and Sir Robert Armstrong.

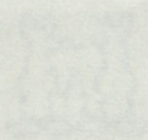
*Richard Luce*

RICHARD LUCE

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CONDICION





*CEB*

Department of Employment  
 Caxton House Tothill Street London SW1H 9NF  
 Telephone Direct Line 01-213.....5949.....  
 Switchboard 01-213 3000

The Rt Hon Nicholas Ridley MP  
 Secretary of State for the Environment  
 2 Marsham St  
 London  
 SW1P 3EB

18 June 1986

*NBP at this stage*

*Dr. P.*

**BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE**

I have seen your minute of 28 May to the Prime Minister which includes a first appraisal of the possibility of moving some PSA functions to the North East. I am very keen to see this examined further because, in the light of my recent visits to Tees-side, I have become convinced that the area will not recover until some major new employers move in.

You may know that we have experience with the same sort of decision having moved the Manpower Services Commission to Sheffield and some of the functions of the Health and Safety Executive to Bootle. I would not seek to deny that there are difficulties but they are not insuperable. The arguments which you put in your minute gainst dispersal were of course all raised at the time of the dispersal of MSC but the move has been successful and has resulted in jobs for local people.

I am very doubtful about arguments that there are any efficiency grounds to reject further dispersal of PSA functions. You personally will not need to be persuaded that the North East is not a desert and it is perfectly possible to recruit skilled staff there. Any staff who decided to resign in order to remain in Croydon would have no difficulty in finding alternative employment there in the private sector.

We are already making some moves to transfer responsibility for government offices from PSA to government departments. More extensive transfer of responsibility and privatisation of some functions would both allow greater dispersal of PSA activities regionally and greater use of "scarce disciplines" in the private sector.



I am therefore glad that you would be willing to contribute to exploring the scope for dispersal of government activities to the North East. And I hope that examination would be able to draw on our own experience of dispersal.

I am sending copies of this letter to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry and for Scotland, the Chief Secretary to the Treasury and Sir Robert Armstrong.

KENNETH CLARKE

NAT IND Shipbuilding ATO



PRIME MINISTER

BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE

Lord Young has suggested that further Government work should be dispersed to the North East, including future computer developments and perhaps some PSA functions. He would like officials to explore the scope for this and to report urgently.

Mr Ridley, in his new role, does not believe it would be right on efficiency grounds to consider further dispersal of PSA functions.

Policy Unit accept that it would be wrong to move some parts of PSA but believe that other parts and other Departments could transfer functions to the North East. They support a study and suggest that a target should be given to some of the major Departments with a view to producing early results.

// Agree that, although the PSA dispersal proposal does not look very hopeful, you would not object to a quick assessment by officials of the pros and cons of further dispersal of other Departments?

Agree also that the study of an Urban Development Corporation in Middlesbrough agreed by E(A) should be moved along urgently?

DW

MS

David Norgrove

5 June 1986

Mr. Noygrove

(note at  
end)



MANAGEMENT IN CONFIDENCE

CCBC

F051

~~MR UNWIN~~

c Mr Wiggins

**BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE**

You asked for any comments on the Environment Secretary's Minute of 28 May to the Prime Minister (A5462). Mr Ridley is responding to Lord Young's suggestion that some PSA work might be dispersed to the North East. The obvious candidates are the 850 staff located at Hastings (mainly the PSA mainframe computer) and, 1,900 HQ staff at Croydon and Chessington. There was a plan in the mid 1970s to move the PSA's headquarters to Middlesborough, but this was abandoned shortly after the present Administration came to office.

ATTACHED  
IN  
FOLDER

From the point of view of PSA, dispersal would not be welcome. As with any proposal to move staff away from London, communication with Ministers and Senior Officials would become more difficult, and the staff in general would prefer to remain in the South East. No doubt there would be some advantages in savings on rent and London Weighting payments, and it might be easier to recruit secretaries for example. But on balance it is clear that the PSA would prefer not to go.

The other side of the coin is whether dispersal would help the North East. Most of the PSA staff are in the Professional and Technological Group, and would be expected to move with the PSA. Some local people would be recruited particularly for non-mobile jobs including, for example, clerical staff, messengers, typists, and security guards. So there would be some local job opportunities. Against this, many of those moving with the Agency would bring dependants, adding to the local labour supply. There would also be a more general economic stimulus from the spending power of the PSA staff.

My guess would be that the benefits for the North East would probably not be great, and not worth the additional cost and inconvenience which would be



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caused to the PSA. I would therefore not have thought it worthwhile to commission a more detailed study; but equally I do not think any harm would be done if Officials were asked to do a quick assessment of the benefits and disbenefits.

(I should declare a personal interest. As a member of DOE it is conceivable that I might be posted to PSA at some stage, and I would much prefer to work in Croydon rather than move to the North East.)

The more important proposal is the possibility of an Urban Development Corporation for Middlesbrough on which Mr Ridley is working urgently. It would be helpful to tie this in with our report on Shipbuilding (MISC 127).

This is  
in hand

J E ROBERTS

4 June 1986

I agree with the above.

IF the Prime Minister comments, I suggest that she ~~should~~ should :-

- (a) Stress the need to get on urgently with considering the case for an Urban Development Corporation for Middlesbrough;
- (b) Take the line that, although the PSA disposal proposal does not look very hopeful, she would not object to a quick assessment by officials of the pros & cons of disposal if Lord Young still thought it worth pursuing<sup>2</sup>.

4/vi/86.

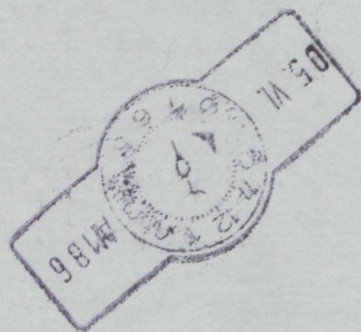
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BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE

We agree with Nicholas Ridley's view that the idea of moving the PSA's Croydon operation as a whole to the North East should not be resuscitated for the reasons that led to its abandonment.

On the other hand, moves of some departmental work of a non-specialist or administrative nature would be desirable. To provide an indication of which departments might have the scope to make a substantial contribution to this, without transferring a vast part of their total staff, the following departments occupy the greatest amount of headquarters space in London:

	<u>Sq. metres</u>
Defence	361,000
DTI	155,000
DHSS	113,000
Home Office	103,000
Inland Revenue	100,000
PSA	<u>85,000</u>
<u>TOTAL</u>	<u>917,000</u>

Transfer of 5% to 10% of this total space, together with employees, would provide a significant amount of help to the North East since, to the extent that employees do not move, local employment would be created.

We support David Young's suggestion that the scope for dispersal of Government activities to the North East should be explored, a target being given to the above listed departments with a view to producing early results.

David Hobson

DAVID HOBSON