



Prime Minister
Tramway has agreed
Industry proposals for
assisting Consett and
Scunthorpe - but
within existing
PEEC provision.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1

7 March 1980

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Dear Secretary of State,

REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWNS

Flay A

Geoffrey Howe has asked me to reply now to the points in your letter of 28 February which have a bearing on public expenditure and an early announcement on measures to help Consett and Scunthorpe.

Since Nick Edwards has already announced a package of infrastructure measures in South Wales I recognise that some early announcement may be unavoidable for the English areas as well. I am sure you are right to exclude from this any question of enhancing assisted area status (which is not an option for Consett because it is already a Special Development Area). I do not think that there should be any soundings with the European Commission until the steel strike is out of the way.

There are wider issues concerning our approach to remedial measures generally, and the need to rely as far as possible on the private sector to provide more productive jobs in expanding industries. I am not covering these aspects in this letter and Geoffrey Howe may wish to write later.

For the remedial measures discussed in the report by officials I endorse the position taken by the Treasury representative that any expenditure should be contained within Departments' existing allocations (Summary Chapter 8, paragraph 1). Since we have now agreed these allocations in our expenditure plans to be published later this month I am sympathetic to measures to help Consett and Scunthorpe to the extent that they can be met within the public expenditure White Paper totals. But I cannot see my way to authorising any claims on the Contingency Reserve for this purpose.

So I am very grateful to you for agreeing that a five-year programme of providing advance factory premises in Consett and Scunthorpe costing £19 million at 1980 Survey prices will be financed within your programme totals. I very much agree with your approach that the amount of vacant space available at any one time should be limited.

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The private institutions may be very reluctant to finance speculative building in places like Consett. It would make a bad situation worse if we use the taxpayer's money to build factories which we can neither sell nor let.

I am also grateful to you for agreeing to accommodate any extra expenditure on regional selective assistance within your programme. I must ask for a similar assurance from Nick Edwards for South Wales. I agreed to a special addition to Welsh programmes for part of the £48 million package (1980 Survey prices), and this is incorporated in the forthcoming White Paper. I did this because of the concentration of the steel problem in South Wales, the inadequate size of the Welsh Development Agency's budget for a problem of this magnitude and the substantial reductions Nick Edwards was prepared to make on his water programme to limit the extra cost. I cannot go further than this.

I share your hope that Michael Heseltine and Jim Prior will be able to endorse the proposals for derelict land clearance at Consett and for expenditure on mobility and training. Expenditures of £1-2 million a year on each of these purposes are not easy to finance at a time of general public expenditure stringency, and may need some adjustment of priorities, both for derelict land and other DOE expenditures and within the grant-in-aid of the Manpower Services Commission. For these items too I could not support a claim on the Contingency Reserve.

You will no doubt consult me on the content and timing of the proposed public announcement. The crucial point for me will be a clear statement that we are making provision for all the proposed measures within the agreed programme totals to be published on Budget Day. If Jim Prior agrees we might be able to pick out the proposal to extend small business training in these rundown areas in the announcement, to demonstrate our faith in new enterprise. I hope too that any references to advance factory building could emphasise the importance of premises for small firms at the cheaper end of the market as well as our policy of encouraging private sector involvement in speculative factory provision.

I am sending copies of this letter to members of the Cabinet and E Committee, and also to Sir Robert Armstrong.

Yours sincerely
A. Hine

p.p. JOHN BIFFEN

[Approved by the Chief Secretary
and signed in his absence]

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9 MAR 1980



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MBM yet

28 February 1980 *25/3*

Dear Geoffrey.

REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWNS

As you know officials have been considering the measures which the Government could take to alleviate unemployment in the areas affected by BSC's planned slimming down - Consett, Scunthorpe and parts of South Wales. I attach a copy of their report whose recommendations I endorse.

Nicholas Edwards has of course already announced remedial measures to cost £48 million for South Wales. I propose to make an early announcement of corresponding measures for Scunthorpe and Consett although the timing may be affected by the progress of the steel strike.

Consett will be the most hard hit of these areas, harder hit even than Corby. Unemployment in Consett could rise to over 20%. Moreover in the past, despite its Special Development Area (SDA) grading, the town has not proved attractive to new industry. The Northern Region as a whole - which suffers the highest unemployment rate in Great Britain - will consider our measures to help Consett as a test of the strength of our concern with unemployment in the North.

Following the pattern set by Nicholas Edwards for South Wales, I am proposing to undertake a special programme of advance factory construction in and around Consett and Scunthorpe. The expenditure to be undertaken in Wales over the next two years will appear embarrassingly large compared with the relatively limited expenditure I can sensibly recommend for Consett and Scunthorpe. This apparent discrepancy can be defended however on the grounds that the overall increase in unemployment in Wales can be expected to be considerably greater, and that/Consett in particular the difficulty of letting factories requires new construction to be spread over a much longer period.



I therefore propose to announce a five year programme to cost £19 million at 1980 PES prices, split 2:1 between Consett and Scunthorpe. Although I do not propose to include this in any statement, I intend the pace of expenditure to be governed by the success in letting in order to ensure that not more than a reasonable amount of vacant space is on offer at any one time while keeping within the maximum of amounts of expenditure proposed. These will be £2m in 1980/81, £5m in 1981/82 and £4m per year for the remaining three years.

I hope that Michael Heseltine will give most sympathetic consideration to the proposal for a substantial derelict land clearance programme at Consett because such a programme would be desirable in itself and also because it would visibly demonstrate our concern.

I also hope that Jim Prior will feel able to adopt the modest proposals by the Manpower Services Commission and that their implementation could be announced in my statement.

I think we can deal separately with the arrangements under Section 7 of the Industry Act for supporting in certain circumstances in-house training costs of firms in the SDAs and the Development Areas.

While obviously we cannot yet take firm decisions about any changes in Assisted Area (AA) gradings, I am anxious to arrange for officials to let the Commission know informally that we have some upgradings under consideration so that we can implement decisions quickly when the time comes. I propose therefore that my officials should make informal contact with the Commission based on the majority recommendations in the report, subject to further advice from officials on the treatment of Cwmbran.

My Department has been able to absorb within its existing allocations the costs of the advance factories proposed for Consett and Scunthorpe together with any additional Section 7 expenditure at Scunthorpe but it cannot manage more. As you already know, because of much larger than foreseen redundancies at BSC we face substantial additional and inescapable costs in respect of the statutory steel redundancy payments scheme above those allowed for in our PES totals. There is a reasonable expectation that some of these additional costs may be offset by the savings likely to arise in the present Regional Development Grant (RDG) provision because the downturn in investment may be greater than allowed for in our PES totals. But to the extent that such savings fall short of the additional redundancy costs, they, and additional RDG payments arising from the creation or upgrading of Assisted Areas (the bulk of which will be paid out in Wales), should, I hope you will agree, be a call on the Contingency Reserve. Nicholas Edwards will no doubt comment separately on the additional Section 7 expenditure in Wales that would fall on his Department's vote.

/I am ...



I am concerned at the political capital that is being made about the effect of steel closures on the coal industry in South Wales. The NUM are attributing a substantial number of job losses in South Wales to the Government's steel policy and as yet we have made no attempt to counter this. To some extent redundancies in the South Wales pits will arise anyway as coal seams become uneconomic and we need to make it clear that those redundancies that arise from steel retrenchment are the result of a fall in the demand for steel rather than of Government policy. Furthermore we have no clear idea of the likely timing of pit closures; it seems unlikely that they will take place as quickly as the redundancies in the steel industry. I have therefore asked officials here to discuss these problems with their colleagues in the Department of Energy and the Welsh Office and try to gain a clearer understanding. As a result of their work we may have to consider further remedial measures and whether the work already done by officials on modifying the assisted area gradings needs to be amended. We shall also no doubt need to explain the position clearly to public opinion in South Wales.

Subject to the views of colleagues on my proposals I plan shortly to circulate a draft of my statement on remedial measures for Consett and Scunthorpe (excluding however the question of AA gradings). No doubt we can have a discussion in E Committee if this would help.

I am sending copies of this letter and attachment to members of the Cabinet, of E Committee and to Sir Robert Armstrong.

Y
Lum,

Kear



REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWN

REPORT OF INTERDEPARTMENTAL GROUP OF OFFICIALS

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Department of Industry

19 February 1980



REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWN
REPORT OF INTERDEPARTMENTAL GROUP OF OFFICIALS

INTRODUCTION

1.1 The British Steel Corporation (BSC) have announced their intention to close their iron and steelworks at Consett, in Derwentside, Co Durham (involving 4,000 job losses); and to reduce iron and steel-making at their Scunthorpe works (2,800 job losses). Although BSC have yet to finish their consultations with the trade unions over these proposals, they have indicated that they will be looking to complete these reductions by August 1980. BSC have also announced their intention to reduce the combined capacity of their South Wales plants at Port Talbot and Llanwern to a combined total of 2.8 million tonnes per annum. BSC have yet to finally decide on how this might best be achieved but they are at present concentrating in consultations with the unions and workforce on a "slimline" option which would involve keeping both works open but with a reduced capacity at each. Such an option would mean the loss of 11,300 jobs (6,883 jobs at Port Talbot and 4,454 at Llanwern).

1.2 The interdepartmental group was set up in December 1979 under the Chairmanship of the Department of Industry to consider possible remedial measures to offset the impact of the redundancies arising from these closures in the areas concerned. The Welsh Office, the Treasury and the Departments of Environment, Employment and Transport and the Manpower Services Commission (MSC) were also represented.

1.3 The Secretary of State for Wales announced on 4 February that £48 million would be spent in the areas affected in South Wales on factories, land acquisition and associated infrastructure. That leaves the following major issues for Ministerial decision:

- (i) what similar measures should be taken in the relevant English areas;
- (ii) whether there should be any changes in Assisted Area status of the English and Welsh areas.

An early announcement could be made on factory-building etc in Scunthorpe and Consett. However, there should be no announcement about Assisted Area status until BSC have taken their final decisions on the implementation of the reductions, although the European Commission could at this stage be notified of possible changes on a contingency basis.

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1.4 The possible effect of the steel reductions on local unemployment is described in Chapter 1 of the report. Remedial measures specific to Consett and Scunthorpe are discussed in Chapter 3. Assisted Area status of both the English and Welsh Areas is treated in Chapter 4. Chapters 5 and 6 describe manpower development and possible compensation for loss of rate income which is applicable to all the areas affected by the steel rundown. Financial and manpower implications of possible remedials, and the summary, appear in Chapter 8.



CHAPTER 1

UNEMPLOYMENT EFFECT ON THE AREAS CONCERNED

1.1 The job losses which will result from these closures and redundancies are large. Very seldom do single closures have such an impact nor (short of a BL catastrophe) are there likely to be more than a handful of comparable ones in the future. While any "forecasts" of the impact on the localities must be speculative some estimates of the resultant rates of unemployment (based on experience of previous steel closures) together with present (January 1980) unemployment are shown in Annex A. The table takes account of all manpower redundancies planned at the works in question.

1.2 The impact of any consequent job losses in other industries or in local services is much more uncertain. While, for instance, the coal industry in South Wales will be affected the incidence and timing of any resultant job losses cannot at present be estimated with any degree of certainty - and are unlikely to be known even when BSC's final decisions are made; their impact on the areas affected by the current closures and contraction in the steel industry (and other areas) is not therefore taken into account in the recommendations contained in this Paper. A separate review may be necessary once these secondary effects are known.

1.3 A number of surveys into the rate of redeployment of redundant workers have been carried out, but no clear pattern has emerged that could be helpful in predicting the rate at which redundant steel workers will find new jobs particularly since many of those who do will displace other job seekers. Local conditions are a major determinant anyway. Such evidence as there is - including surveys of 1978 redundancies at Glengarnock (BSC) and Swan Hunter Teesside (British Shipbuilders) - suggests that workers are redeployed considerably more slowly now than in the early 1970s. All the surveys show that relatively few workers moved house in order to find new work. The most found in any survey was 4% and these tended to be the younger and more skilled.

Consett

1.4 From the table at Annex A it will be seen that the closure at Consett^{will} have the worst effect in terms of unemployment in the immediate locality. Unemployment in the Consett Travel to Work Area (TTWA) is already 11.6% and could rise to over 20%, as a direct result of the closure. Moreover, Consett's relative isolation makes it difficult to attract alternative employment and for those made redundant to find jobs within reasonable commuting distance. Further details on Consett are given in Annex A.

Scunthorpe

1.5 The Unemployment rate in the Scunthorpe TTWA is 6.4% somewhat above the GB average (5.9%). The contraction at the steelworks may result in unemployment rising to over 10% and this will be compounded by a further 500 redundancies due to take place by August in Scunthorpe announced by BSC's subsidiary Redpath Dorman Long Ltd. Further details are given at Annex B.



South Wales

1.6 The loss of 11,300 jobs in South Wales arising from the option now being discussed by BSC would have a direct effect on the TTWAs of Port Talbot, Neath/Resolven, Swansea, Newport and Pontypool as indicated in Annex A and some effect upon South Wales as a whole. Considerable job losses are likely to take place as a result in other industries such as coal and transport - although the time-scale of these losses will be longer than in steel and as explained in paragraph 1.2 their incidence is not yet clear. However, the Welsh Office estimate that a minimum of 5,000 - 6,000 jobs will be lost in the coal industry in the next 12 months or so, most of these arising in the areas suffering the steel job losses.

1.7 If BSC were to choose any option other than their preferred 'slimline' one the local effects would be much more serious. Complete closure of the Port Talbot works (12,584 direct job losses) might result in unemployment of over 15% in the Port Talbot TTWA. The other choice, complete closure of Llanwern (9,353 job losses might result in unemployment of 14% in the Newport TTWA). Either of these more drastic options would also have a more serious impact on the 'secondary' industries such as coal.



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CHAPTER 2

EXISTING HELP FOR STEEL CLOSURE AREAS AND ASSISTANCE FROM EUROPE

Existing Help for Steel Closure Areas

2.1 Steelworkers made redundant by BSC will on past form receive generous severance payments. Assistance is also available in large-scale redundancies from the Manpower Services Commission (MSC) to help find alternative employment and provide training for the workers involved. Further details of this help are given in Annex D.

2.2 Regional Selective Financial Assistance under Section 7 of the Industry Act 1972 is available for viable, commercial projects which create or safeguard employment in the Assisted Areas. The amount of Section 7 grant is the minimum necessary to secure particular projects. The maximum assistance available is determined by reference to the status of the area concerned and is therefore higher in Special Development Areas (SDA) than in Development Areas (DA) or Intermediate Areas (IA). Steel closure areas qualify, however, for assistance up to the maximum of £5,000 per job irrespective of their formal Assisted Area status.

2.3 Steel closure areas also merit the attention of BSC (Industry) Ltd, a subsidiary of BSC set up to help attract jobs to steel closure areas. BSC (Industry) Ltd is already active in Consett but not yet in the other areas discussed in this paper. A background note on the company is at Annex E.

Assistance from Europe

2.4 Steelworkers made redundant by BSC are eligible for readaptation grants funded jointly by the Government and by the European Coal and Steel Community, which also gives assistance to encourage industrial projects which provide employment opportunities for redundant steelworkers. In addition some assistance might be available to projects in steel closure areas under proposals made by the European Commission to the Council of Ministers for the use of the non-quota section of the European Regional Development Fund (although Consett and Scunthorpe have not yet been included within the ambit of these proposals). Further details of these measures are given in Annex F.

2.5 As a result of a commitment by the Chancellor of the Exchequer to the TUC a separate exercise is being conducted into whether more funds from European sources can be channelled into steel.



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CHAPTER 3

REMEDIAL MEASURES FOR CONSETT AND SCUNTHORPE

(a) FACTORIES

3.1 Advance factories are one of the more effective means of attracting industry. They also offer the most tangible evidence of Government action to the local community, provided they can be started promptly, and tenants found within a reasonable time. They have invariably formed part of Government response to sudden large closures in major industries such as steel and shipbuilding. For instance, some £15m of additional funds were allocated to the Shotton area for factory development following BSC's announcement in November 1979 of the cessation of iron and steelmaking by March 1980. In Corby, as a New Town, Government advance factories are built by the Corby New Town Development Corporation. It already had a substantial factory building programme in hand and the Department of the Environment has made a further £3 million available for infrastructure and site consolidation for the development of an additional 70 acre industrial site

3.2 The remedial measures package of £48 million announced by the secretary of State for Wales will be devoted to land acquisition, and site preparation for factories and to the building of advance factories in the catchment areas of BSC's Port Talbot and Newport works over the next two years. A target of 1½ million sq ft of factory space (providing space for firms employing about 4,500 people) has been established for this period; details for later years still have to be determined.

Private Sector

3.3 Private factory development in Consett and Scunthorpe is insignificant, and it would not be reasonable to expect any private sector involvement in urgent programmes of this kind. The search for willing partners would militate against a quick response; but in any case, given the private sector's pre-occupation with rental (and therefore industrial) growth, it is unlikely that any willing institutional partner could be found even at the price of heavy initial subsidy. Therefore the Government agencies will have to provide the factories in the first instance wholly from public funds; it is possible that completed and fully tenanted factories could be sold to the private sector once a satisfactory growth climate in the areas had been established although it would be unrealistic to hope for early recovery of expenditure in this way.

Programming

3.4 The ability to sell completed estates for a reasonable return will depend on the rental levels achieved. It is therefore important not to flood the market so as to avoid undue delay in letting, which would lead to



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depression of rents. It is important too, ^{to} keep any factory building programmes in perspective. The comparison with Merseyside, for example, needs to be borne in mind. Unemployment there is now 11% (90,000 unemployed compared with the projected unemployment in Consett of 7,000 people); but only 525,000 sq ft of factories are built, under construction or planned for the area and 10% of this is already under offer to prospective tenants.

3.5 Any programme of advance factories for Consett and Scunthorpe should comprise an appropriate initial provision for each area, with a view to the replacement of factories as they are allocated. This would ensure continuous availability of a suitable range of sizes in each area without flooding the market unduly. With this in mind a 5 year programme with an annual ceiling is suggested with provision for review in the light of developments. Altogether the programme would amount to 575,000 sq ft in Consett and its vicinity (providing upwards of about 2,000 direct jobs) and 225,000 sq ft (providing rather more than 1000 direct jobs) in Scunthorpe. Further details of the proposals are given in Annex G. Its estimated cost would be £19 million spread over the five years of the programme.

Environmental Measures

Consett

3.6 Consett is characterised by severe environmental problems and is dominated by the overpowering structure of the steel works and the associated slag heaps. The Coopers and Lybrand Report recommends that a special fund be made available to implement a programme of environmental works to improve the image of the District. Derelict Land Clearance grants could help to achieve this although funds for these are strictly limited and a special allocation would be needed if this were to feature prominently in any package of remedial measures. The Northern Region as a whole already receives over 30% of the £20 million currently available for derelict land clearance in England. Derwentside's share in 1979/80 was £150,000. The local authorities' capacity for self-help is limited because of the severe restrictions on the Locally Determined Sector borrowing approval. Further resources might however be available for the reclamation of certain derelict urban/industrial sites within the measures now being discussed by the EEC Commission to aid steel closure areas through the non-quota section of the ERDF (paragraph 2.4).

Scunthorpe

3.7 Scunthorpe is not characterised by environmental problems in the same way as, say, Consett. Little needs therefore to be done

FOOTNOTE: * This report into the prospects for attracting employment to the area was commissioned jointly by BSC(Industry) Ltd, Durham County Council and Derwentside District Council. .



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in the way of environmental improvements. A problem is a relative shortage of fully serviced land for industrial development, together with some physical impediments to development. These problems are largely within the capability of the local authorities to solve. The main contribution that DoE could make would be to ensure, within available resources, that funds are available for the infrastructure and servicing of industrial sites.

Communications

3.8 No transport measures are necessary for Scunthorpe beyond those already in train.

As for Consett however the Coopers and Lybrand report on the area considers that improvements to the road between Consett and Stanley (the main town in the area) to be a key element in the industrial regeneration of the area. In addition if the unemployed in Consett are to be encouraged to seek jobs elsewhere some extension of bus services and fare subsidies may be necessary.

3.9 Improvements in roads and bus services are, however, for the Durham County Council to undertake within the resources available to them. Although the Department of Transport has no spare resources from which to fund these improvements directly or any locus to intervene it will as far as is possible and within the national total available for local transport spending in 1981/82 which will form the basis of the next annual Transport Supplementary Grant allocation seek to allocate sufficient resources to the County Council to allow them to undertake these improvements if the Council judge them to be of high priority.

3.10 The future of the freight line between Consett and Newcastle is a matter for the British Railways Board.

3.11 A further discussion of communications in Consett and Scunthorpe is at Annex H.

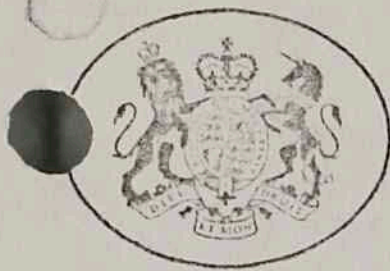


Status Enhancement for Consett

3.12 Alone among the areas affected by BSC's current proposals, Consett is already a Special Development Area. Thus it already benefits from the maximum level of regional incentives available in Great Britain, often up to the maximum permitted by the EEC. The Group considered other possible measures to 'enhance' the status of the area, to focus attention more directly on it, and perhaps to make assistance available beyond EEC ceilings. (In this latter respect training assistance under Section 7 may be of some relevance (see paragraph 5.5).

3.13 A number of measures were considered and these are examined at Annex I. Of These, assistance for Consett under the Inner Urban Areas Act or by setting up an Urban Development Corporation there, were rejected by the Group. The possibility of setting up an Enterprise Zone in Consett was also examined. This would have some presentational advantage and the fiscal incentives associated with such zones might be an additional encouragement to firms there. However Ministers are looking for sites for Enterprise Zones which have real promise of success and Consett should not/included in the initial list of sites in the announcement about Enterprise Zones although if local authorities in Consett asked for an EZ this would of course be considered on its merits.

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CHAPTER 4

ASSISTED AREA STATUS (English and Welsh Areas)

- 4.1 In his announcement on 4 February 1979 on remedial measures for South Wales steel areas the Secretary of State for Wales said that the Government would announce any changes in Assisted Area (AA) status as soon as possible after the BSC had made its final decision on the implementation of its planned reduction. With Shotton and Corby no firm decisions on AA status were taken before we were certain what BSC would do. An upgrading is in practice irreversible in the short term and there is no flexibility as there is with other remedial measures such as factory building. Nevertheless although no firm decisions on AA status should be taken at this stage it would be helpful to consider now the general approach that might be adopted. Ministerial agreement on the approach would facilitate the taking of quick decisions later on (an early response to BSC's final decisions will be expected especially as some of the areas concerned are due to be downgraded in August 1980). Such agreement might also provide a basis for officials to notify possible changes to the EEC Commission on a contingency basis as we did in the case of Shotton and Corby; this, might, too, save time later on.
- 4.2 On 17 July 1979 the Secretary of State for Industry announced the conclusions of the review of regional industrial policy. The July decisions were designed to provide a stable framework for regional policy to concentrate assistance more effectively on the areas of most need; to greatly reduce the coverage of Assisted Areas, and to save public expenditure. However these decisions as far as they affect those Special Development Areas (SDAs) and Development Areas (DAs) which are due to lose their AA status are subject to a review before they are fully implemented in August 1982.
- 4.3 What principles should govern changes in AA status of individual areas in the interim period before this coming review? One option open to Ministers is of 'fine tuning' to upgrade (or downgrade) individual areas as their circumstances meet the prevailing criteria for the relevant AA grade. However this could probably result in a number of upgradings especially in the next few months given the probable extent of closures and redundancies in the depressed economic climate. This would undermine the stability of regional policy which is vital if it is to succeed in influencing investment decisions by industrialists. Moreover since, in practice, it is politically much easier to upgrade an area than to downgrade it, 'fine tuning' would result in an extension of AAs contrary to a main objective of the July decisions.
- 4.4 The second option open to Ministers in the interim period before the review of post 1982 boundaries is to make changes only in response to sudden and certain changes in the area's circumstances which are likely to have a large long term effect. A steel closure as large as those discussed in this report is an obvious example, but a normal 'big' closure whether in the private or public sector would not be.



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4.5 A related issue which Ministers will wish to consider, and which is particularly relevant to South Wales, is how far changes in AA status should anticipate major closures or redundancies which are not yet certain. There is no need to indulge in such speculation on BSC's intentions as the Government's announcement will follow the Corporation's final decision. However even then the impact in South Wales will be by no means clear since the incidence and timing of the other possible closures there, especially of collieries will not be known. The Group (Welsh Office dissenting) consider that any announcement of changes in AA status of areas affected by the steel reductions should take into account other job losses only if these are then known to be certain, although obviously the Government would make clear its willingness to keep the prospects for the areas concerned under review and to make further changes if necessary. The Welsh Office consider however that the Government will be expected in any announcement of AA changes in South Wales to take account of probable job losses in other industries consequent on the steel reductions.

4.6 The case for changes in AA status of the TTWAs that will be directly affected by the manpower reductions planned by BSC are discussed in Annex J. The main choices are as follows:

- (i) to reverse the decision to strip Scunthorpe of its Intermediate Area (IA) status; to leave Newport as an IA (as planned for 1982 under the July decisions); and to retain the whole of Port Talbot TTWA as a DA (thus partially reversing July decisions). Cost £6 million per year;
- (ii) to upgrade Scunthorpe and Newport to DAs and to retain Port Talbot TTWA as a DA. Cost £10 $\frac{1}{2}$ million per year;
- (iii) as (ii) but to upgrade the Port Talbot TTWA to an SDA. Cost £13 $\frac{1}{2}$ million.

Other changes that could be made are: the reversal of the decision to downgrade the Neath TTWA from an SDA to a DA. (Cost £1 million per year); the upgrading of Cwmbran (within the Pontypool TTWA) to DA should it be decided to upgrade Newport to a DA. Cost £2 $\frac{3}{4}$ million per year.

4.7 The Group (Welsh Office dissenting) considered that the changes at option (ii) above would be an appropriate response. The Welsh Office argued that on the planned job losses at the BSC works at Port Talbot would by themselves lead to that TTWA meriting SDA status and that there was also a strong case for reversing the downgrading to DA of the Neath TTWA particularly if account were taken of the likely job losses in coal mining. All were agreed that if BSC concentrated its rationalisation of capacity in South Wales on Port Talbot then the case for SDA status of that TTWA would be very strong. The Group could not reach agreement on whether if the rationalisation were concentrated on Llanwern, where Newport merited SDA, rather than DA, status.



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CHAPTER 5

MANPOWER DEVELOPMENT AND LABOUR MOBILITY AND TRAINING

5.1 This Chapter first considers what special measures might be taken by the MSC to help people in areas affected by the steel reductions to find jobs. Secondly it describes a possible scheme currently under consideration for giving financial assistance to firms where saving costs are a significant factor in location decisions. The main objective of this second scheme of assistance would be to provide an added inducement to firms to set up in SDAs and DAs.

5.2 Annex D sets out the normal contribution the MSC makes for any major closure through an augmented provision of its normal placement and training services. It is, however, clear that the employment effects of the major redundancies are not confined to steel workers. Those thrown out of work by the secondary effects of the redundancy may be worse affected since they may receive no redundancy pay and have no special action taken on their behalf. The labour market in the community as a whole will be affected, particularly new entrants to the labour force, the long term unemployed and older workers. Training capacity in local industry may be reduced and the skill base eroded as firms close down.

5.3 Help for community - Manpower services can support the creation of new jobs by new or incoming industry through appropriate training efforts; can help workers retrain for new employment where job opportunities exist; can help workers move house to find employment elsewhere; and can provide temporary jobs as work experience for the unemployed. The MSC's normal services will go some way to fulfill these aims. In the steel areas the MSC considers that additional measures might be justified to support employment creation and to help unemployed workers, in the context of a more general Government approach. Some measures that MSC considers might be introduced are examined in Annex K, although it is acknowledged that they are bound to be of limited effectiveness in relation to the scale of the problem.

5.4 Because of the cuts already imposed on MSC's proposed expenditure in 1980/81 and commitments already made, it would not be possible to provide the additional help outlined in Annex K unless further resources were made available. An indication of the possible additional costs (just under £2 million) is given in the appendix to Annex K though it is very difficult to foresee the take-up rates for such schemes. Additional staffing resources would also be needed, especially in respect of a training subsidy where monitoring would be required.

5.5 Assistance for Training in Firms - Training costs can be a significant factor in location decisions. A scheme under Section 7 of the Industry Act 1972 to provide financial assistance towards these costs could therefore prove attractive to potential investors, especially inward investors with a choice of location between the UK and other countries in Europe. In particular,



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the scheme could directly improve the prospects of steering new investment to steel closure areas where there is generally only a limited range of skills available and the need for large scale retraining can be a major disincentive to potential incoming firms. Officials have considered the introduction of a scheme to provide training grants on a number of occasions in the past, but an early stalling point has been the attitude of the Commission. However, it is now clear that Commission officials would regard such a scheme as falling outside the ceilings on regional aid applied to Assisted Areas in the UK. This means that such a scheme might be a real additional inducement to firms who receive the maximum assistance permitted under these ceilings as can happen in SDAs such as Consett.

5.6 Officials are therefore now giving consideration to a scheme of this kind. It would apply to projects providing a minimum of 25 jobs in SDAs or DAs. As such it would be an instrument of regional policy rather than one directed specifically at steel closure areas. But it could play a major part in attracting projects to steel closure areas: indeed such areas would probably make the greatest demands on a scheme in the short term.

5.7 Projects would qualify for assistance where a major training programme was necessary and where, therefore, training costs represented a significant element of total project costs. The grant provided would cover 40% of the basic wages of trainees and instructors and of the materials consumed. It would attract from the European Social Fund a matching contribution of 40% of those costs; all other costs, including allocated overheads, would be borne by the firm. The Department of Industry (and in Scotland and Wales the Scottish and Welsh Offices respectively) would be formally responsible for the scheme but the appraisal and monitoring of training programmes and processing of applications to the ESF would be handled by the Department of Employment and the MSC.

5.8 Assuming an average training period of 13 weeks, an annual allocation of £5 million under Section 7 and £5 million from ESF would finance training for 9-10,000 jobs in SDAs and DAs. Whilst the Department of Industry, SEPD and WOID would seek to meet part of the cost from the existing Section 7 allocations an extra £2 million to £3 million would be required to finance the full scheme. This would, of course, be matched by the extra contribution from the ESF.

5.9 A separate submission will be made to Ministers within the next week or two.



CHAPTER 6

COMPENSATION TO LOCAL AUTHORITIES FOR LOSS OF RATE INCOME

6.1 Closures result in a loss of rate income - quite sizeable in some cases - for the local authorities concerned. Although the drop in rate income is eventually made up by increases in the Rate Support Grant (RSG) there is a time lag; additional RSG would not normally be earned until the second financial year after that in which the closure takes place. Under the previous Administration authorities suffering losses from the steel closures at Hartlepool, Ebbw Vale, East Moors and Shelton were compensated. The local authorities in Corby, Shotton and other proposed steel closure areas are now pressing for similar compensation for the loss of their rate income on the basis that the sizeable reduction in their income will preclude them from taking effective action to deal with the social consequences of the closures or facilitate expansion of industry through site servicing and infrastructure works.

6.2 The loss of rateable value for the prospective closures of steel works are proportionately considerably greater than for those which took place under the previous administration. Derwentside District Council will lose almost 17% of its rateable value compared with a maximum loss of less than 6% from those earlier closures. In the case of Port Talbot and Llanwern, the 'slim-line' proposals will mean partial closure of operations and the likely loss of rateable value to the respective District Councils cannot be readily determined. However, the rateable value of the Port Talbot plant as a whole represents about 41% of Afan Borough Council's total rateable value and that of Llanwern some 17.5% of Newport Borough Council's rateable value.

6.3 There are strong arguments however against compensation arrangements in the present cases. Legislation would almost certainly be necessary if such arrangements were to be repeated. Moreover, any new scheme would certainly establish a precedent which could be relevant to closures in other industries - coal and shipbuilding are immediately relevant. Treasury have expressed the view that compensation, if any, should be within the RSG total. But that is impossible under current legislation and the Local Government, Planning and Land (2) Bill as published. Local authorities would probably oppose pre-emptive Schemes on the total of RSG. Finally, account must be taken of the case of Bilston, which was time-barred under the earlier scheme and would, if dealt with retrospectively, create other precedents. On balance it was generally felt that compensation for loss of rate income should not be included amongst the remedial measures. The Welsh Office, however, has drawn attention to the continuing strong pressure from local authorities for such compensation and points out that even if the loss is eventually made up, the gap poses an especially difficult problem for the districts involved. The Welsh Office therefore believes that the question merits further consideration.

CHAPTER 7

MONITORING ARRANGEMENTS

7.1 In one previous closure at Ebbw Vale, a formal working group, comprising representatives of all the bodies concerned in the area affected was set up to monitor the effects of the rundown and of remedial measures. The Group meets regularly under the Chairmanship of a Minister or senior official. Experience of the working of this monitoring committee would suggest however that such formal arrangements would not be needed for the present round of closures, although some form of ad hoc monitoring arrangements between Regional Offices of interested Departments (in Wales, the Welsh Office and the various agencies), the local authorities concerned and BSC(Industry) Ltd would be desirable. Some local authorities in Wales are suggesting other forms of coordination but these can be considered separately by the Welsh Office if need be.



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CHAPTER 8

SUMMARY OF OPTIONS: FINANCIAL AND MANPOWER IMPLICATIONS

8.1 This Chapter sets out the options for remedial measures. It also gives the cost of each option and whether, in the view of the relevant Department, an addition would be required to that Department's financial allocation. It should however be noted that the Treasury believes that any extra expenditure on remedial measures should be contained within Departments' existing allocations.

8.2 The summary does not cover the £48 million to be spent on factories in South Wales as this has already been decided upon and announced. Nor does it include the financial or manpower implications of the possible scheme for training assistance (paragraphs 5.5-5.9 and 8.1) as a separate submission to Ministers will be made on this. None of the other options would result in any significant increase in the numbers employed by Central Government Departments or agencies.

REMEDIAL MEASURES FOR CONSETT AND SCUNTHORPE (CHAPTER 3) FACTORIES

8.3 Another 65,000 sq ft of factories should initially be built in Consett. Over the next five years further factories would be built up to a limit of 80,000 sq ft per year to replace space as factories are let. Site preparation and pre-tender work for 50,000 sq ft of these replacement factories should be put in hand immediately. 15,000 sq ft of factories per year over the next five years in the nearby town of Stanley is also proposed.

8.4 65,000 sq ft of factories should be provided initially in Scunthorpe. Replacements would be provided as factories are let with the objective that not less than 45,000 sq ft would be available at any time over the next five years.

8.5 Altogether this proposed five year factory programme would cost a maximum of £19 million (£2m in 1980/81; £5m in 1981/82; and £4m for each of the remaining 3 years- at 1980 PES prices). This expenditure has been



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absorbed in the existing allocations of the Department of Industry.

ENVIRONMENTAL MEASURES

8.6 A derelict land clearance programme to clear the site of BSC's works at Consett would cost £6 million over the next five years and in the opinion of the Department of the Environment would require an additional ^{financial} provision. No special programme is proposed for Scunthorpe.

COMMUNICATIONS

8.7 Improvements in roads and bus services to Consett are ~~the~~ responsibility of Durham County Council but, subject to resources then available nationally, the Department of Transport will consider an allocation to the Council under the 1981/82 Transport Supplementary Grant Allocation in respect of the necessary improvements if the Council accord them a high priority. The future of the rail line serving BSC there is for British Rail.

8.8 No further improvements in communications to Scunthorpe are called for.

CONSETT: STATUS ENHANCEMENT

8.9 As Consett is already a Special Development Area it cannot be given a higher regional grading. Inner area status or an Urban Development Corporation for the area is rejected. While any application from the local authority for an Enterprise Zone would be treated on its merits Consett should not be included in the initial list of sites announced for the purposes of consultation as the prospects of success for an EZ in Consett are not high.

ASSISTED AREA STATUS (CHAPTER 4)

8.10 No firm decisions on Assisted Area status of the English or Welsh areas should be made until BSC have finally decided on their reductions. The main options are as follows:

- (i) to reverse the decision to strip Scunthorpe of its Intermediate Area status, to leave Newport as an Intermediate Area and to retain



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the whole of the Port Talbot Travel to Work Area (TTWA) as a Development Area (DA) (thus reversing the July decision). The extra public expenditure resulting from this option would be about £6 million per year;

(ii) to upgrade Scunthorpe and Newport to DAs and to retain the whole of the Port Talbot TTWA as a DA. Cost: £10 $\frac{1}{2}$ million per year;

(iii) as (ii) above but upgrading the whole of Port Talbot TTWA to a Special Development Area (SDA). Cost £13 $\frac{1}{2}$ million per year.

Other possible changes are to retain Neath as an SDA (£1million per year) and if Newport is to be given a status higher than IA, to give the same status also to Cwmbran Employment Office Area (within the Pontypool TTWA, cost £2 $\frac{3}{4}$ million per year).

8.11 The majority of the Group considered that option (ii) above would be an appropriate response to the planned job losses. The Welsh Office however argued that the Port Talbot TTWA merited SDA status and that there was also a strong case for reversing the downgrading to DA of Neath particularly if account were taken of the likely job losses in coal mining. All were agreed that if BSC were to concentrate its reduction on Port Talbot then the case for SDA status for that TTWA would be very strong. The Group could not agree on whether, if BSC were to concentrate the reduction on Llanwern, Newport merited SDA, rather than DA, status. Advice on the treatment of Cwmbran will be submitted in due course.

8.12 The Department of Industry considers it unlikely that the extra expenditure that would fall on its Vote as a result of such upgradings could be absorbed in its existing allocations.

MANPOWER DEVELOPMENT AND LABOUR MOBILITY AND TRAINING (CHAPTER 5)

8.13 The special measures that could be introduced by the MSC are set out in annex K. Of these the MSC favour the following:



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- (i) to extend work assessment and reorientation course;
- (ii) to extend small business training;
- (iii) to encourage mobility;
- (iv) to assist Industrial Training Boards.

8.14 The cost would be just under £2 million which the MSC considers could not be accommodated within its existing financial provisions.

8.14 A separate submission to Ministers will shortly be made on a possible scheme under Section 7 of the Industry Act 1972 to provide assistance towards the cost of in-plant training. The scheme would apply to projects in Special Development and Development Areas but a substantial proportion of the assistance would be directed to steel closure areas where the scheme could be particularly attractive to potential investors. It would attract a matching contribution from the European Social Fund.

COMPENSATION TO LOCAL AUTHORITIES FOR LOSS OF RATES (CHAPTER 6)

8.15 The Group (the Welsh Office dissenting) did not consider that special compensation should be given to the local authorities concerned in respect of rate income lost because of the closures. Legislation would be necessary.

MONITORING ARRANGEMENTS (CHAPTER 7)

8.16 No formal arrangements with local authorities to monitor the effects of the reductions on the areas are necessary. Ad hoc arrangements can be set up if necessary.

Department of Industry
18 February 1980

Plant	TTWA	Redundancies (Steel Closures/ Demanning)	May 1979 Unemployment	Average 1979 Unemployment		January 1980 Unemployment		Unemployment assuming 70% of those made redundant register and that 90% of those are males	
				Total Rate	Male	Total	Male	Total	Male
Port Talbot	Port Talbot	5,236	5,320 (6.5)	3,475 (6.4)	5,546 (6.9)	3,745 (6.9)	5,901 (7.4)	7,044 (13.0)	9,566 (11.9)
	Neath	748	2,115 (8.1)	1,358 (7.7)	2,181 (8.3)	1,346 (7.7)	2,332 (8.9)	1,818 (10.4)	2,856 (10.9)
	Swansea	901	8,084 (7.5)	5,206 (8.2)	7,976 (7.4)	5,397 (8.5)	8,327 (7.7)	5,965 (9.4)	8,958 (8.3)
Llanwern	Newport	3,824	5,963 (6.7)	4,179 (7.4)	6,360 (7.2)	4,430 (7.8)	6,783 (7.7)	6,839 (12.1)	9,460 (10.7)
	Pontypool	533	3,599 (7.2)	2,414 (7.7)	3,833 (7.6)	2,195 (7.0)	3,588 (7.2)	2,531 (8.1)	3,961 (7.9)
Scunthorpe	Scunthorpe	4100	3,413 (5.3)	2,175 (4.9)	3,611 (5.6)	2,668 (6.0)	4,107 (6.4)	5,251 (11.8)	6,577 (10.8)
Consett	Consett	4,350	3,283 (10.5)		3,475 (11.1)	2,482 (12.4)	3,636 (11.6)	5,222 (26.0)	6,681 (21.3)



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ANNEX B

CONSETT BACKGROUND AND POSSIBLE EFFECT OF CLOSURE

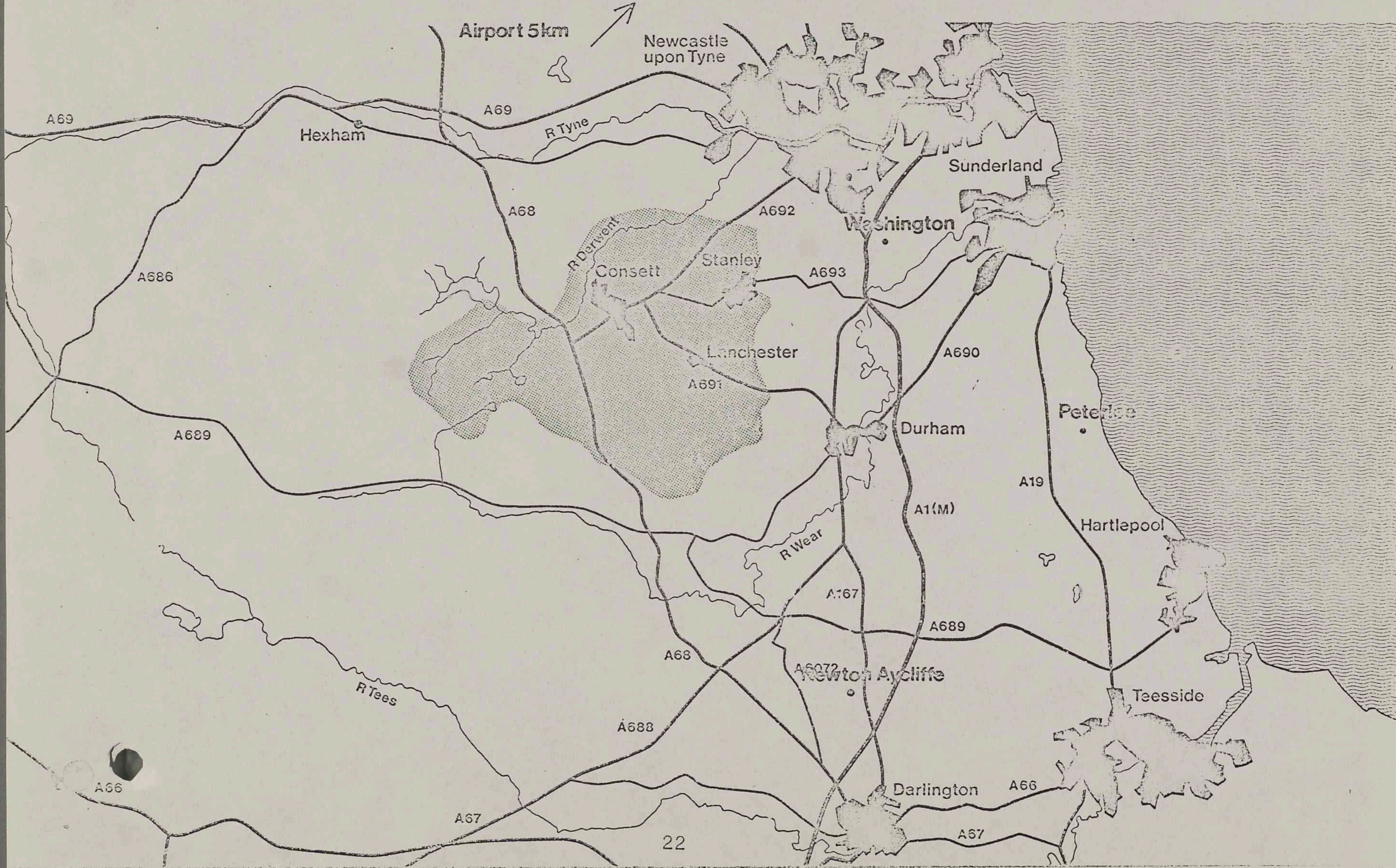
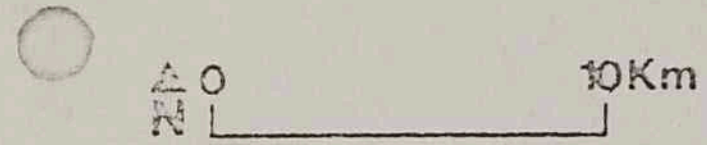
1 The town of Consett itself has a population of about 24,000 and is situated on an exposed site some 900 ft above sea level, surrounded by moorland. Its Employment Office Area (EOA) together with those of Lanchester and Stanley form the area of Derwentside District Council and constitute the Consett Travel to Work Area (TTWA). A map is attached to this annex. Derwentside has high unemployment and physical dereliction. The outstanding feature of the area's economy since the war has been the decline in coal-mining employment from nearly 17,000 jobs (42.5% of total employment) in 1951 to 250 jobs today (less than 1% of total employment) and even this last mine is now due to close. In recent years there have been significant losses in steelmaking as well. Because of the rundown in coal mining, the area was given SDA status in November 1967. Unemployment in the Consett TTWA in January was 11.6% (3636 persons), 12.4% male (2,482).

EFFECT OF STEEL REDUNDANCIES ON THE AREA

2 In June 1976, there were 17,831 workers in the Consett EOA of whom some 30% (42% male) were employed in metal manufacturing. In the Derwentside District as a whole, there were 31,321 workers with 17.1% employed in metal manufacturing. With so many people employed in metal manufacturing (almost wholly in the BSC Consett works), the effect of the 4,000 redundancies on the economies of Derwentside, and even more so Consett itself, will be drastic. This will be compounded by a further 350 redundancies arising from the earlier announced closure of the plate mill at the Consett steelworks. BSC (Industry) Ltd estimate that the "multiplier" effect of the closure would mean a further 600 jobs or more being lost in the area. On the assumption that 70% of the redundant steelworkers register as unemployed, unemployment in the TTWA following the closure could rise to well over 20%. Since Consett is generally unattractive to industry, unemployment is bound to remain very high for a long time, unless many people find work elsewhere.

Figure 1.1 Derwentside District location

Derwentside District
New towns





SCUNTHORPE: BACKGROUND AND POSSIBLE EFFECT OF REDUCTIONS

The area principally affected by any redundancies from the Scunthorpe Steelworks would be the Scunthorpe-Barton-on-Humber TTWA, which surrounds the Borough of Scunthorpe itself and extending northwards to cover a large part of the south bank of the Humber. Scunthorpe's economy is dominated by the steel industry, which accounts for about a third of the total employment within the TTWA.

EFFECT OF STEEL REDUNDANCIES ON UNEMPLOYMENT

2 Some 4,100 redundancies are expected in Scunthorpe by about August following the proposed steelworks closure. These represent the 2,800 redundancies announced by BSC (and a further 300 not yet announced), together with a further 500 from an earlier demanning programme and 500 from BSC's subsidiary, Redpath Dorman Long. The unemployment rate in the Scunthorpe TTWA in January 1980 was 6.4% (4,107 persons) which is slightly above the average for GB (5.9%). Because of the domination of the town by BSC, any reduction in job opportunities at the works will have serious repercussions for the local labour market, as well as more directly on the unemployment register. There would also be some "multiplier" effects of the BSC run-down on other economic activity in the area. Although it is not possible to estimate this aspect with any precision, it does underline the general assessment that the unemployment rate in Scunthorpe following the redundancies programmes will rise to over 10% (see Annex A).

3 Over 90% of the total BSC Scunthorpe workforce of 17,500 live within the Scunthorpe TTWA (nearly 70% within the Scunthorpe Borough itself). About 1,500 of the workforce travel in from neighbouring areas including Hull, Grimsby, Doncaster, Goole and Gainsborough but the effect on the areas is likely to be only minimal.

4 The potential for a sizeable number of jobs from other sources is also slight, both within Scunthorpe itself and the surrounding areas. Given that the population of the area has been growing rapidly, with a consequent increase in the number of school leavers coming on to the jobs market, the unemployment rate is thus liable to continue to persist at a high level (probably over 8%) for some years.



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ANNEX D

EXISTING HELP FOR REDUNDANT STEELWORKERS

1. Manpower Services Commission

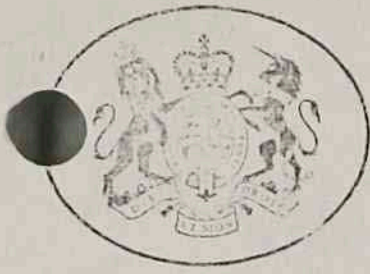
Special assistance is available as far as resources and circumstances allow from the Manpower Services Commission (MSC) to help find alternative employment and provide relevant training for workers involved in large scale redundancies. This is as follows:

- a. Information is assembled on the structure of the redundant workforce by their residence, age and skill, the phasing of the redundancies and the action the employer himself will take to reduce the number redundant (eg by wastage, early retirement, transfer, voluntary early release, etc).
- b. a special trawl is made of relevant employers over a wide area to identify suitable vacancies additional to those already notified.
- c. the availability of training places in local Skillcentres, colleges and other institutions is reviewed. Preliminary indications are that additional places would be needed to meet demand at Scunthorpe and Consett, and possibly also in South Wales. This could be done through arrangements with colleges or in employers' establishments.
- d. Shortly before redundancies begin, special teams of employment advisers visit the works to register the redundant workers, to begin placement action, and to advise them of training, mobility and other assistance available from the MSC. The placement action will include speculative submissions to relevant local employers who had not notified vacancies. Training before redundancy will be offered. This in-plant service will last as long as the redundancy procedures are going on. Once individuals have left, they will normally use the services of their local Job-centres.

3. This procedure of providing an augmented placement and training service has proved quite successful in helping redundant workers, though redeployment depends on jobs being available or individuals being willing to take up offers of training and mobility assistance.

4. Special BSC Measures

Workers will be entitled to statutory redundancy payments from BSC (normally increased by 50% by BSC) together with readoption grants funded jointly by the Government and by the European Coal and Steel Community. In addition, from past experience, BSC and unions can be expected to negotiate special severance pay which, in the case of Shotton and Corby has averaged over £6,500 per worker.



ANNEX E

BSC (Industry) LtdBackground Note

BSC (I) was set up in 1975 to plan and co-ordinate all BSC's activities aimed at attracting industry to, and creating new jobs, in steel closure areas. Most of the steel closure areas are in the Assisted Areas and BSC (I) helps companies to evaluate the variety of incentives which are available from Government, EEC and Local Authority. In addition BSC(I) can offer its own expertise and a number of other incentives as follows:

- (i) selling or leasing BSC land for the development
- (ii) buying and then leasing equipment for a project
- (iii) supplementing Government/ECSC retraining aid
- (iv) converting old BSC buildings into "neighbourhood workshops" and leasing them to very small businesses
- (v) assisting with market research

2. Much of the above assistance is on terms that represent an explicit or implicit subsidy.

3. BSC(I) has considerable presentational advantage in alleviating the impact of steel closures. Its own publicity is vividly presented and generates a large number of responses from companies interesting in locating in steel closure areas. However the main financial attraction for companies setting up in the Assisted Areas is to be found in regional development grants, regional selective assistance and Government factories, so the real value of BSC (Industry) Ltd is as a marketing body, rather than as a source of additional aid.



MAXIMISING EUROPEAN COMMUNITY ASSISTANCE FOR STEEL CLOSURE AREAS

This annex covers the three sources of European Community aid which might be relevant to steel closure areas: The European Coal and Steel Community (ECSC); the European Social Fund (ESF); and the European Regional Development Fund (ERDF). It also describes the European Community's proposals for Integrated Operations.

European Coal and Steel Community

2 Under the ECSC's Iron and Steel Employees Readaptation Scheme (ISERBS) redundant steelworkers are eligible for:

- (i) tide-over payment to bring earnings in new jobs up to 90% of pre-redundancy earnings, and special unemployment benefits payable to unemployed ex-steelworkers;
- (ii) payment for, and during, approved retraining courses;
- (iii) travelling and re-settlement grants to encourage mobility within the steel industry.

3 As well as helping individual redundant steelworkers, the ECSC also makes available medium term fixed rate loans with a 3% interest rebate for industrial projects which create employment opportunities for redundant steel workers and for factory building. Gross rates are currently around 10% for a standard 8 year loan; the interest rebate represents a resource transfer to the UK. These conversion loans are made in foreign currencies and are of interest to manufacturing industry only insofar as exchange risk cover is available under a scheme operated under Section 7 of the Industry Act 1972. The scheme has recently been extended to the end of 1981 subject to a ceiling on new borrowing of £200 million. In addition to ECSC, this scheme covers borrowing from the European Investment Bank and under the proposed Ortolli facility. Conversion loans advanced or negotiated in the last two years under the exchange risk cover scheme total over £100 million.

4 Commissioner Vredeling has recently suggested that the UK is not using all the ECSC aid available to it. However, applications for re-adaptation benefits are submitted to the Commission as soon as possible; the ECSC and the UK share the total costs. As this is a statutory scheme, the question of 'maximising' does not really arise: we pay the benefits to all those who are eligible for them. Reconversion loans are pushed hard and are particularly attractive to UK manufacturing industry given that the exchange risk cover scheme removes the risk of exchange loss. In 1979 the UK took some 30-35% of total conversion loans provided by ECSC and 42% of money paid out on interest rate subsidies; the level of borrowing is expected to be substantially higher in 1980. As for payments to redundant steelworkers, proposals for the workers affected by the closures announced by BSC in December have not yet been put forward because the closures have yet to be finalised; the Commission has however been forewarned. In 1980 the UK will ask that £22 million be allocated to it.



5 Commissioner Vredeling's remarks probably refer however to the UK's reservations on the Commissioner's proposal for 'social volet' (comprising early retirement and work sharing). The UK has expressed a cautious interest in the idea of early retirement but feels that work-sharing in the steel industry would be counter-productive. It would subsidise jobs, put off inevitable redundancies and adversely affect the competitiveness of undertakings. In any case there is no scope for such measures in the present ECSC budget. Most other Member States have misgivings about the proposals, nor is it clear where the money would come from as there are unresolved legal problems.

European Social Fund (ESF)

6 ESF is an employment fund. It may grant assistance to schemes of training, re-training, resettlement mainly to help the unemployed. In this sense, it is complementary to the ECSC since the latter covers, inter alia, the retraining of redundant steelworkers and the former the training and retraining of other workers in steel areas. There are no national quotas under the Social Fund. Member States submit applications which, assuming they are eligible under the Fund's Regulations, are judged according to a pre-determined set of guidelines which enable the applications to be ranked in order of priority.

7 The Fund operates under two main budgets. One assists particular groups of workers (young people, migrants, women, former agricultural workers, and workers in the textile/clothing sector). The other is mainly reserved for schemes to help workers from regions of high unemployment, (in the UK the Assisted Areas). Although the Social Fund makes no specific provision for steel workers, high priority is given to schemes to assist workers in areas affected by serious industrial restructuring problems, notably steel, for which Community policies exist.

8 In 1979 the UK got £130 million from the Fund (26% of the budget). Over 90% of this is for general measures run by central government departments and agencies such as TOPS. Up to now Steel Closure areas benefitted only indirectly from the Fund through the allocations made to these general measure.

9 The proposed training scheme under Section 7 of the Industry Act 1972 (paras 5.5-5.9 of the main report) would enable additional ESF money to be channelled to private firms. The ESF contribution would match the level of assistance provided under Section 7 - ie £5 million. The Commission has been consulted about the scheme which is being considered by officials.

European Regional Development Fund (ERDF)

10 The Regulation governing the ERDF requires that where Fund aid is granted, priority has to be given to national priority areas, which in the United Kingdom are Special Development Areas, Development Areas and Northern Ireland. Hence with the exception of Scunthorpe and Newport which are Intermediate Areas* all the areas affected by the current round of steel closures are in ERDF priority areas. Moreover the Commission's proposals for the use of the first tranche of aid from the small non-quota section

* It is proposed in paragraph 4.7 that these two areas also should be given Development Areas status.



of the ERDF, currently being considered by the Council of Ministers, include a measure specifically aimed at aiding steel industry areas in difficulties. The Commission have proposed that £27.8m of a total of the £142m non-quota aid should be allocated to this measure between 1980/84, of which £21.3m would be for the UK. The UK zones which would benefit under the Commission's proposals are Strathclyde, Cleveland, Clywd, South Glamorgan, West Glamorgan, Gwent and Corby but the UK is pressing for the addition of Derwentside (Consett) and Scunthorpe. The UK is also pressing for a larger share of the total non-quota aid, with a high proportion of the extra allocation going to steel closure areas.

Integrated Operations

11 The Commission's proposals for "integrated operations" are essentially for the coordination of aid given from various existing Community financial instruments (ERDF, ECSC, Social Fund, EIB etc) to particularly disadvantaged areas. No additional sources of finance are likely to be available. The Commission plan to test the scheme in a small number of pilot areas. These are (in the UK); Belfast, South Wales, Clydeside, Tyne and Wear and Merseyside. Apart from the integrated operations exercise, the Commission are currently running a scheme of a similar kind but on a smaller scale to assist the coordination of aids to steel closure areas through the appointment of "expert advisers" whose task it is to bring possible sources of EEC aid to the attention of interested parties in their areas. Two such advisers are now at work in the UK, one in West Central Scotland and one in South Wales. The latter is also covering those parts of South Wales where the coal industry is in decline.

PROPOSED FACTORY BUILDING PROGRAMME IN CONSETT AND SCUNTHORPE

Consett

1. The English Industrial Estates Corporation (EIEC) has about 45,000 sq ft currently on offer in Consett for nearly half of which there are prospective tenants in view and a further 33,000 sq ft under construction. Factories in Consett have not always been easy to let (one lay empty on the market for 5 years), though most have been let within a year of completion. We should not therefore embark on too large a programme in Consett itself, notwithstanding a possible unemployment rate, after the closure, of over 20%. Nevertheless, in view of the restricted stock now available there, and the pressure for an immediate response, it would be reasonable to authorise the immediate construction of a modest range of small and medium sized factories in order that a full range is available. A reasonable package would consist of 1 x 15,000 sq ft, 2 x 10,000 sq ft, 3 x 5,000 sq ft and a range of nursery units up to 2,500 sq ft amounting to 15,000 sq ft (amounting to 65,000 sq ft in all).
2. A total of 125,000 sq ft would then be under construction or on offer in Consett. Simultaneously, it would be desirable to start with site preparation work to accommodate a further 125,000 sq ft. This would facilitate the prompt replacement of those let as advocated in paragraphs 3.3 and 3.4 of the main paper. Not all this work would be carried out at once but site preparation and all pre-tender work for 50,000 sq ft of this should be put in hand immediately. Thereafter site preparation and construction of factories should continue in line with the rate at which the existing stock is let in order not to accumulate too large an empty stock. Land would be available in Consett for such a programme at the EIEC's Consett No 1 site.
3. On the optimistic assumption of an annual letting rate of 80,000 sq ft, the cost of such a programme might amount to £2m annually, and it is suggested that this should for the time being be offered as the ceiling for, say, 5 years.
4. However, even factories amounting to 500,000 sq ft will provide only about 1800 jobs over the five years. Since it is probably not practical to provide more jobs in this way in Consett, additional attention should be paid to surrounding areas.
5. In particular, a substantial proportion of the workforce live in the nearby small town of Stanley, which is within the Consett TTWA, where the Department already has a small estate with a little vacant space and is negotiating for a further 5 acres. The unemployment level in Stanley will be similar to that in Consett, and it would be reasonable to provide for a small programme in this town also to mop up further jobs as far as practicable. A provision of £250,000 annually for 5 years would be sufficient, and would provide for an additional 15,000 sq ft annually.
6. Finally, there is scope for providing jobs at other centres in the area, provided that travelling facilities are adequate and the workforce is willing to undertake this. A certain number of new jobs will become available at Team Valley as a result of the participation of Legal & General in a £3m project there (announced on 14 February), and the Washington New Town Development



Corporation has at present 150,000 sq ft of factory space available and has about 325,000 sq ft of factory space under construction.

7. The total additional expenditure ceiling under all these proposals would be £2¹/₄m annually, with some ballooning in the second year.

Scunthorpe

8. No advance factories have so far been built in Scunthorpe, although a block of 4 nursery units of 2,500 sq ft each was included in the last programme and is about to begin. The numbers unemployed in Scunthorpe are likely to be about the same as in Consett, but the unemployment rate only about half the Consett percentage level. On the assumption that, Scunthorpe will be given no more than DA status, (as compared with SDA at Consett) and on the basis of its more favourable location, a rather lower level of initial factory building at Consett seems reasonable. We suggest an immediate programme of 65,000 sq ft in a suitable range of sizes (say, 1 x 15,000 sq ft: 2 x 10,000 sq ft: 3 x 5,000 sq ft and 15,000 sq ft of nursery units including those already authorised, together with an undertaking to ensure that not less than, say, 45,000 sq ft is available at any time during the next 5 years.

9. In Scunthorpe, the Borough Council are taking immediate action to ensure that up to 300 acres of land become available as required for industrial development over the next few years. They are prepared to make available now some 20 acres of suitable ready-serviced land of their own for advance factories.

10. On an assumed letting rate of 45,000 sq ft annually, and allowing for land costs, the annual rate of expenditure would be £1.3m (again with some ballooning in the second year. This would provide for about 1000 direct jobs over the five year period of the programme.



COMMUNICATIONS IN CONSETT AND SCUNTHORPE

The only direct Government responsibility for communications is for trunk road construction and maintenance; British Railways are responsible for rail services, while buses and local roads are the responsibility of County Councils. The Minister of Transport takes a view on the total level of resources each County should spend each year as the basis for his distribution of Transport Supplementary Grant in each County but the County decides on the size and the content of the programme it undertakes.

Consett

1 Consett is not served directly by a trunk road, but the A1(M), some 15 miles to the east, provides good north/south connections. Consett is linked to the A1(M) and to places where there are job opportunities by 3 major local roads, the responsibility of Durham County Council, all of which have been partly improved over the past 10 years and are capable of taking extra traffic. A sense of isolation is induced, however, by the fact that the roads have to climb up to the town and are vulnerable to bad weather. The Coopers and Lybrand Report on Consett considers by-passes on these roads at Annfield Plain and Leadgate to be a key element in the industrial regeneration of Derwentside, and has recommended that they should be brought forward from the County's 1983-88 programme. A map of the Consett area showing the major roads is at Annex B.

2 Car ownership in Derwentside is considerably below the national average and local bus services therefore assume a greater importance. Frequent services are provided to Sunderland, Washington and Newcastle, although these are affected by bad winter weather. Fares in the District can however be up to twice as those in neighbouring Tyne and Wear, partly because of the different rates of subsidy provided by the respective county councils. If mobility is to be encouraged, to widen the job and labour market, some extension of bus services and subsidies may be needed.

3 The road and bus service improvements will be for Durham County Council to promote if they deem them of sufficient priority compared with the rest of the transport needs in the county for which they are responsible. Under the present system the Department of Transport has no locus to intervene, as it could not be claimed that these improvements were of a national rather than just of local importance. Even if they were, the Department of Transport has no spare resources from which it could fund the proposals directly. But, as far as is possible, within the national



total available for local transport spending in 1981/82, which will form the basis of the next annual Transport Supplementary Grant settlement, the Department will seek to allocate sufficient resources to Durham County Council to allow them to undertake these improvements if the Council judge them to be of high priority.

4 Good rail connections from Newcastle provide Derwentside with convenient links to the rest of the UK. However, the District itself has only a freight line which connects Tyne Yard to the BSC works at Consett. The Coopers and Lybrand Report recommends that this line should be kept open to help attract and expand industry in Consett. The Department of Transport will bring this to the attention of the British Railways Board, but it is for BR themselves to make decisions on the future of this line in accordance with the requirement for their freight business to operate on a commercial basis.

Scunthorpe

5 Scunthorpe is served by the Doncaster to Grimsby railway line, and there has also been major transport investment in the area, for example on the South Humberside Motorway (M180) and on the Humber Bridge. Scunthorpe is well connected westwards into the national motorway system via the M18, M180 and M181 spur. This, allied to other road schemes which are in the pipeline, and Humberside County Council's awareness of the role bus services can play, should provide useful assistance to South Humberside's economy, and transport measures beyond those already in prospect are not thought necessary. Trunk road schemes in preparation include the completion eastwards of the M180 to Grimsby and the Immingham Link (starting 1980/82); and local roads include the Scunthorpe North West Orbital Road, and improvements at West March serving the docks and the Pyewipe Industrial Estate.



Status Enhancement For Consett

1. The Group looked at the following three possibilities to 'enhance' the status of Consett to focus attention more directly on it and perhaps make assistance available beyond EEC ceilings.

Enterprise Zones

2. The Government proposes to set up a limited number of Enterprise Zones (EZs), each of a few hundred acres, which for a period of 10 years would benefit from the fiscal and other measures listed in the Appendix to this Annex. Neither Consett nor Scunthorpe is included in the list of possible sites which it is intended will form the basis for consultations. The EZ proposals are unlikely to make a major impact on the attractiveness of an Assisted Area for industrial investment, although in a suitable location they could give a boost to commercial investment. In the case of Consett it seems fairly clear that the EZ package would not outweigh the disadvantages to investors of such an isolated and unattractive location, although (depending on the EEC attitude to the extent of benefits in EZs) it would be a way of offering potential investors there more assistance than is available under the EEC Ceilings on regional assistance.

3. E Committee said of the choice of EZ sites that "it would be better to choose sites which had a more encouraging prospect of revival". Ministers have also indicated that they would not want to propose too many sites at consultation stage. In view of the unattractiveness of Consett as a location, especially for commercial investment, there would be little advantage in adding Consett to the list of possible EZ sites that is to be published when the announcement of the EZ proposals is made. Naturally, though, if the local authorities asked for an EZ at Consett it could be considered on its merits in comparison with other possibilities in the North East.

4. More generally, it should be noted that already in England one of the six short listed sites for EZs (Bilston) and one of the four reserve list sites (Corby) are related to steel closures. In Wales, the sites under consideration are both in areas near to Port Talbot which at present provide significant numbers of the workforce at the plant. Ministers might not want the selection of EZ sites to be too heavily identified with the pattern of steel closures.

Inner Urban Areas Act

5. Because of the level of urban deprivation in the town, the Coopers and Lybrands Report recommends that Consett be designated under the Inner Urban Areas Act 1978 so providing the local authority with additional powers to give financial assistance to industry. However under the Act designation could only apply to the whole of the Derwentshire District which apart from Consett itself is a semi rural area of small market towns and mining communities. The district's total population was 89,000 in mid 1978 - well below the minimum threshold of 100,000 currently used in considering districts in England for designation as inner urban areas with special needs. Moreover the powers

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available to designated districts under the Inner Urban Areas Act are limited, as are the Urban Programme resources available to support them. For these reasons designation under the Inner Urban Areas Act would not be appropriate.

Urban Development Corporations (UDCs)

6. UDCs are being set up under the Local Government Planning and Land Bill for the Dockland areas of London and Merseyside to help regenerate the two areas. There may be a call for a similar body to be set up in Consett but Ministers have publicly stated that Merseyside and London Docklands are the only candidates for this treatment; Tyneside for instance is not included. Even though the Bill as drafted could enable other areas to be designated there is no intention on the part of Ministers to extend the list.



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BENEFITS TO BE AVAILABLE IN ENTERPRISE ZONES

1. Relief from development land tax
2. 100% capital allowances for commercial and industrial buildings.
3. Total or partial exemption from rates.
4. Exemption from the requirements of the Industry Training Boards to pay a training levy.
5. Speedier processing of planning applications.
6. The reduction of government requests for statistical information.
7. (relevant only in non-Assisted Areas). Abolition of the requirement for industrial development certificate procedures.



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ASSISTED AREA STATUS

This annex considers the case for changes in the Assisted Area (AA) status of those areas of England and Wales likely to be affected by the steel reductions except for Consett which is already an SDA.

2 It is assumed in view of the residual uncertainty and following the precedent established on Shotton and Corby that Ministers would not wish to take any final decision on AA changes before BSC's final decisions on the implementation of the reductions although it would be desirable in respect of those areas due to be downgraded on 2 August 1980 to arrive at decisions some time before that date. It may however be prudent to take preliminary soundings of the EEC Commission on a contingency basis (see paragraph 24 below).

3 Estimates of the possible levels of unemployment in the relevant Travel-To-Work-Areas (TTWAs) directly due to the planned manpower reductions at Port Talbot, Llanwern and Scunthorpe are at annex A to the report. While such estimates must be speculative they do provide a yardstick for comparing the likely effects on the various local unemployment rates. The AA status of the relevant TTWAs and status that will take effect under the regional policy decisions taken last July are shown at the appendix to this annex.

4 While the following paragraphs make some reference to likely consequent job losses, particularly in collieries in South Wales, the arguments centre on the direct impact of BSC's planned steel reductions. Neither the timing or incidence of colliery closures are known, nor are they likely to be known at the time of any early announcement of changes in AA status of the areas in response to BSC's final decisions. The majority of the group thought that it would be imprudent for any such announcement to anticipate future job losses although Ministers could make clear that they would keep the status of the areas under review in the light of developments. The Welsh Office however considers that the Government is under pressure to look at the steel rundown in South Wales as a whole and that there are good grounds for believing that some 5-6,000 jobs will be lost in the coal fields in the next twelve months, mostly in the areas that will also suffer the steel job losses.

5 Proposals for upgrading have to be considered not only in relation to the circumstances of the TTWAs concerned but also in relation to the regional policy decided upon in July. Those decisions were designed to establish a stable framework for the



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policy while reducing drastically the average of the AAs from 40% of the GB working population to 25% and concentrating assistance on the areas of most need. In the review the normal minimum threshold for consideration of an area for DA status was an unemployment rate in the TTWA of 8% and for SDA status 9½%. Since then unemployment in Great Britain has risen and is continuing to rise. The average unemployment rate in January 1980 for those areas that will be Development Areas (DAs) after August 1982 is 9.0% and for post 1982 Special Development Areas (SDAs) 11.1%. It must also be borne in mind that the downgradings of those SDAs and DAs that are to lose their AA status completely are subject to review before they take effect in 1982.

6 We consider that in the meantime changes in AA status should be made only when the area suffers from a major change to its employment prospects. Upgradings should normally be considered only if long term unemployment is likely to be well above the average for the relevant grade of Assisted Areas, as defined by the post 1982 boundaries.

7 There are however difficulties in applying the tests advocated in the previous paragraph to the areas affected by BSC's slimming down. The regional policy review looked at the relativity of areas according to firm data on past unemployment. Now, in contrast, we must make a judgement on the future prospects of the steel areas concerned, and, moreover on how those prospects compare with those of other Assisted Areas. Not only is unemployment rising throughout the country; not only are there uncertainties about closures in other industries mentioned in paragraph 4; but even the estimates of the local impact on unemployment of the steel reductions are subject to a wide margin of error.

8 The cost of upgradings is, of course, also relevant. A central objective of the decisions announced in July was a saving of public expenditure. Unfortunately it is impossible to predict accurately the extra expenditure which could arise from the various options discussed in this annex. The bulk of this expenditure will be on regional development grants (RDGS) with a small amount on regional selective assistance. The amounts spent on each depends on how attractive the areas (with any changed AA status) prove to private investors.

9 With these general consideration in mind the following paragraphs consider individual areas. Present unemployment rates quoted are the provisional figures for January 1980.



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SCUNTHORPE

10 It is clear that the decision to strip Scunthorpe TTWA of its Intermediate Area (IA) status in 1982 cannot be maintained if the steel reductions take place. It is difficult to estimate the cost of keeping Scunthorpe an Intermediate Area after 1982 but in the light of recent experience there it could be as little as £25,000 per year (on regional selective assistance) although it could be more if investment were higher. There would be no expenditure on RDGs after August 1980. IA status would however be unlikely to attract much investment to Scunthorpe especially because an adjacent TTWA. Grimsby is a DA (although its unemployment rate is only 6.7%). Moreover it would be difficult to justify leaving Scunthorpe an IA when the possible level of unemployment after the steel job losses of 10.8% is well above the average for post 1982 DAs, 9.0%.

11 The cost of making Scunthorpe a DA might be of the order of £3 million per year from August 1980.

12 SDA status for Scunthorpe could not be justified. The possible level of unemployment after the reduction (10.8%) is somewhat below the average for post 1982 SDAs (11.1%). The upgrading of Shotton to an SDA - an apparent precedent - was decided on the basis of possible levels of unemployment which were much higher than those now made for any of the area concerned other than Consett, already an SDA. Corby was made only a DA even though estimates of possible unemployment (of over 20%, higher than any of those now affected except Consett) could be argued to justify an SDA grading although the main reason for not giving Corby SDA status (favourable geographical location) does not apply with the same strength to Scunthorpe

SOUTH WALES

13 In South Wales the TTWAs most affected would be Port Talbot and Newport.

Port Talbot

14 As the possible level of unemployment in the Port Talbot TTWA (11.9%) after the slimming down is well above the average for post 1982 DAs (9.0%) the case for making the whole of the TTWA a DA (thus reversing the decision to make part of it an IA in August 1980 and incidentally ending the difference in status between different parts of a TTWA) is very strong. The only question is whether it should be an SDA.

15 The arguments for this further upgrading are that

- (a) the comparisons that will be made with Shotton (although Shotton's upgrading to an SDA was on the basis of much higher possible levels of unemployment); and



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- (b) that the possible unemployment is higher than the average for post 1982 SDAs (11.1%).

16 The arguments against the upgradings are:

- (c) its costs: over £3 million per year more than DA status in view of the increased RDGs that will be available;
- (d) Port Talbot despite its western location, has not until now done too badly in employment terms (e.g. the Ford Brigend plant is in the same TTWA); its accessibility is good and will improve (although not significantly) when the M4 is completed.

17 The majority view was that DA status was a sufficient response if the BSC proceeded with its present plans i.e. spread the capacity reductions between Port Talbot and Llanwern. If complete closure of Port Talbot were decided upon (with possible resultant unemployment of the order of (15%) the Group considered that SDA status of the TTWA would be merited. The Welsh Office however considered that SDA status for the whole or part of the TTWA was fully justified in either case. They argued that Ministers might also wish to take into account the prospect of heavy local job losses due to possible pit closures.

Newport

18 Most of the Newport TTWA* is at present an IA although a small part has DA and SDA status which will be downgraded to IA and DA status respectively after August 1980. The possible level of unemployment there after the planned steel reductions is at 10.7%, much the same as that for Scunthorpe. This suggests that it should be treated in the same way as Scunthorpe. Because of Newport's natural attractions to industry (its communications with the South East of England, and also the West Midlands, probably make it more attractive than Corby) its upgrading will undoubtedly divert mobile projects from more peripheral locations in South Wales or in the English Assisted Areas. It could be argued that this attractiveness together with the relative ease with which people in the area can look for alternative employment in Bristol should mean that IA status would suffice. But there is a good (although not cast iron) case for making Newport TTWA a DA. The cost of making Newport a DA might be of the order of £1½ million per year but could be more if the area proves attractive to investors.

FOOTNOTE: *Since the July review representations have been made about the boundary between Newport and Bargoed TTWAs in Islwyn district. Ministers have agreed that decisions on this will be taken after the AA status of Newport has been determined.



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19 SDA status for Newport could not be justified. Indeed the Group (the Welsh Office dissenting) considered that DA status might be sufficient even if BSC were to decide to concentrate the job losses at Llanwern (possible resultant levels of employment in the TTWA might be of the order of 14%).

Pontypool

20 Most of Pontypool TTWA is a DA and will remain so after 1982. The exceptions are Cwmbran Employment Office Area (EOA) and part of Abergavenny EOA which are IAs and will remain so. The job-lost from the planned rundown at Llanwern would be to increase unemployment from 7.2% to 7.9% - not enough to justify any change in the AA status of the TTWA as a whole.

21 The Welsh Office consider however that if Newport were to be given a status above IA Cwmbran EOA should also be upgraded as otherwise Cwmbran New Town which is close to Newport and which the Welsh Office intend to figure prominently as a location for industrial development after the steel reductions will be left surrounded by DAs. However this suggestion which would result in extra expenditure of between $\pounds\frac{1}{2}$ - $\frac{3}{4}$ million per year may have wider implications for regional policy. Officials will be submitting further advice on Cwmbran when the time comes to take firm decisions on AA status.

Neath

22 Neath is due to be downgraded from an SDA to a DA in August 1980. Only 748 of those employed at the BSC works at Port Talbot live in the Neath TTWA. Unemployment there following the reduction at the works could rise to 10.9%, 1% below that for Port Talbot and just below the average for post 1982 SDAs. Unless therefore it is decided to make Port Talbot an SDA, it would be difficult to justify reversing Neath's downgrading. Even if Port Talbot were to be made a SDA the case for keeping Neath an SDA is not compelling although the Welsh Office thought that it would deserve serious consideration, especially since significant coal closures may occur in the area. The cost of retaining Neath as an SDA would be of the order of £1 million per year.

Swansea

23 Most of the Swansea TTWA is a DA, due to be downgraded to an IA in August 1980; the rest, at present an SDA, will then become a DA. The planned steel reduction at Port Talbot might



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increase unemployment from 7.7% to 8.3%. This would not reach the average for the post 1980 DAs and suggests that its intended downgradings should be allowed to take effect. However if Port Talbot were not to be made an SDA after the steel reductions, the Welsh Office would wish to consider the question of the balance of AA gradings in West Glamorgan as a whole with a view to arguing for DA status for the Country as a whole i.e. not only Port Talbot TTWA but also that the downgrading of Swansea should be reversed: the cost of this reversal would be about £4 million per year.

EEC COMMISSION

24 Under the Treaty of Rome any changes in Assisted Area status must be approved by the European Commission. On past experience it is likely that the Commission will take about two months to come to a decision. It would however be possible, as was done with Shotton and Corby, to notify the Commission in advance of possible upgradings on a contingency basis.

SUMMARY

25 The main choices open to Ministers are as follows:

- (i) to reverse the decision to strip Scunthorpe TTWA of its present IA status, to leave Newport TTWA as an IA and to retain the whole of the Port Talbot TTWA as a DA (thus reversing the July decisions). The extra public expenditure resulting from this option would be about £6 million per year;
- (ii) to upgrade Scunthorpe and Newport TTWAs to DAs, to retain the whole of Port Talbot TTWA as a DA.
Cost: £10½ million per year;
- (iii) as (ii) but also upgrading Port Talbot TTWA to an SDA. Cost £13½ million per year.

26 Other possible changes are to retain Neath TTWA as an SDA (£1 million per year) and if Newport is to be given DA status to give this status also to Cwmbran EOA (in the Pontypool TTWA) - cost £½ - £¾ million per year..

27 The majority of the Group considered that option (ii) would be an appropriate response. The Welsh Office favoured option (iii) and argued that consideration should also be given to reversing the downgrading of Neath. Further advice on Cwmbran (see paragraph 21) will be tendered in time for Ministerial consideration of final decisions on AA status.



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28 In the light of Ministers preliminary reactions to those options, it is recommended that the EEC Commission be notified of the possible changes on a contingency basis. This would not commit Ministers to any final decisions.

RPDG1
15 February 1980

ASSISTED AREA STATUS OF STEEL REDUCTION AREAS

This annex shows the Assisted Area (AA) status of those 'Travel to Work' areas (TTWAs) directly affected by the planned BSC reductions together with changes resulting from the regional policy review. A dash denotes no further change.

	BSC WORKS	TTWA	EOA	AA STATUS		
				PRESENT	AFTER 1ST AUGUST 1980	AFTER
WELSH AREAS	PORT TALBOT	PORT TALBOT TTWA	Maesteg EOA	SDA	DA	
			Cymer EOA	SDA	DA	
			Port Talbot EOA	DA	IA	
			Bridgend EOA	DA	IA	
			Porthcawl EOA	DA	IA	
		NEATH TTWA	Neath EOA	SDA	DA	
			Relsolven EOA	SDA	DA	
		SWANSEA TTWA	Pontardawe EOA	SDA	DA	
			Ystradglynlais EOA	SDA	DA	
			Morrison EOA	DA	IA	
			Gorseinon EOA	DA	IA	
			Swansea EOA	DA	IA	
	LLANWERN	NEWPORT TTWA	Newbridge EOA	SDA	DA	
			Risca EOA	DA	IA	
			Chepstow EOA	IA	-	
Newport EOA			IA	-		
PONTYPOOL TTWA		Pontypool EOA	DA	-		
		Blaenavon EOA	DA	-		
		Abergavenny EOA	DA/IA	-		
		Cwmbran EOA	IA	-		
ENGLISH AREAS		SCUNTHORPE	SCUNTHORPE TTWA	-	IA	-
		CONSETT	CONSETT TTWA	-	SDA	-



ANNEX K

MANPOWER DEVELOPMENT AND LABOUR MOBILITY

1 The Manpower Services Commission (MSC) considered a number of possible measures (additional to those normally provided) to support employment creation and to help unemployed workers in steel closure areas. The following four measures are recommended by MSC in this context.

a. to extend work assessment/re-orientation courses which run for 2 - 3 weeks and set out to improve life and social skills and provide a practical look at the individual's retraining and employment possibilities. They also seek to improve redundant steel workers' job-finding skills and to provide an opportunity for trainability testing;

b. to extend "small business" training which aims to advise redundant steel workers on how to establish businesses and to give them initial training in manpower skills;

c. to provide additional assistance for workers who wish to move to a job in another area and through improving mobility allowances: this could reasonably apply to any person unemployed in the area;

d. to provide a measure of financial assistance through Industrial Training Boards for firms who take on first or second year craft apprentices who are made redundant by the steel industry. This is a measure which has already been strongly pressed on the Government in existing steel closure areas and would have considerable impact.

2 It would be necessary for any such scheme to take account of existing arrangements, including the retraining provisions already provided under the auspices of the Iron and Steel Employees Re-adaptation Benefits Scheme. The estimated cost of these schemes is given in the Appendix to this Annex.

3 In addition to these measures to be included in a remedial package, the MSC agreed:-

a. that additional places should be made available under the Youth Opportunities Programme in the affected areas: this could be done within existing resources;

b. that consideration should be given later in the year to increasing the number of temporary jobs available in the areas under the Special Temporary Employment Programme: this would require additional resources, and the jobs would be open to all long-term unemployed;

c. that consideration be given to preserving or increasing the number of first year craft apprenticeships, on a selective approach through the Industrial Training Boards: this could be done within existing resources.



4 The possibility of special schemes for subsidising the daily travelling expenses of steel workers who take employment some distance from their homes is also being considered.

5 The MSC also considered three other possible aspects of a remedial package. These were:

- a. to extend the training facilities available to employers who engage former steel workers including the possibility of providing them with free sponsored training or the services of mobile instructors;
- b. to introduce a recruitment and training package under which the Employment Services Division of MSC would select any unemployed individual who would benefit from retraining. They would be placed with employers in jobs with a genuine element of training with payment of training allowances for 13 weeks while the employee was receiving training and work experience. There would be no guarantee of subsequent employment though job offers might follow.
- c. a training subsidy whereby an employer moving into a steel area or expanding there would be given financial assistance in respect of initial training provided for workers engaged. BSC (Industry) Limited have proposed a scheme of this kind.

6 The MSC did not consider that these three schemes were justifiable on manpower policy grounds. It did however accept that a training subsidy in particular might reasonably be seen as part of a general package of inducements to incoming industry, and hence worthwhile as industrial aid (eg under Section 7 of the Industry Act). It is discussed further in this context in paragraph 5.5 of the Report.



ESTIMATED COST OF MSC'S ADDITIONAL MEASURES

Though take-up of training and other facilities cannot be accurately forecast, the schemes which might form part of a remedial package might cost broadly as follows:-

a.	Work Assessment Courses	£150,000
	400 trainees at £375	
b.	Small business training	£480,000
	200 trainees at £2,400	
c.	Mobility	£800,000
	200 movers at £4,000 (?)	
d.	Apprentices	
	100 trainees at £800 (adoption grant)	} £380,000
	100 trainees at £3,000	
	(additional place)	
Not recommended by MSC	e.	Free Direct Training Services
		at £500 per trainee
	f.	Recruitment and Training Package
		at £650 per trainee.

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