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*Transport*



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21 MAR 1983  
PRIVATE SECRETARY

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Secretary of State for Industry

18 March 1983

Rt Hon Cecil Parkinson MP  
Chancellor of the Duchy of  
Lancaster  
Privy Council Office  
Whitehall  
London SW1A 2AT

*Union file w/ 24/3*  
*Any Pros - Not GR.*  
*cf - no.*

*Dear Chancellor of the Duchy,*

I spoke to you on Thursday evening about this correspondence which I have had from Joel Barnett. You will see that the firm in his constituency, the Standard Railway Wagon Company Limited, has secured an agreement for a project to introduce a new fleet of high-capacity air braked rail vehicles, but the project is threatened by the pressure on BREL for all manufacturing work to be placed at Shildon. Although Joel Barnett's letter is carefully worded, it is clear that he is supporting his constituency firm's opposition to the pro-Shildon pressure groups and of course this is totally consistent with the line being taken by Michael Foot and the Labour Party in the Darlington By-election.

I have checked with Sir Peter Carey that there is no procedural objection to use being made of this correspondence, subject to there being no public mention of the company's name, and it may well be that Willie Whitelaw can use it when he is in the constituency after the weekend and that David Howell can use it in the Debate on Wednesday. Obviously, David will wish to warn Joel Barnett that he intends to refer to the matter.

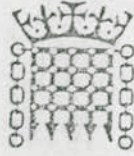
As I write, I am not quite clear whether the Section 8 referred is Section 8 of the Industrial Development Act or of some similar legislation operated by the Department of Transport. No doubt David's office will be able to advise.

*Yours sincerely*

*Patrick Jenkin*

PATRICK JENKIN

(Approved by the Secretary of State and signed in his absence)



1983 III 14 15:37

HOUSE OF COMMONS  
LONDON SW1A 0AA

The Rt. Hon. Patrick Jenkin, M.P.  
Secretary of State for Industry,  
Ashdown House,  
123 Victoria Street,  
LONDON.  
SW1E 6RB

*Self*  
*I am seeking*  
*advice*

TO <i>M/Gates</i>	COPIES TO
FOR ADVICE (AND DRAFT REPLY IF APPROPRIATE)	<i>Fisher</i> <i>W.H.M.</i> <i>W.R.</i> <i>M. Keble</i> <i>M. D. ...</i> <i>M. ...</i>
PLEASE BY: <i>M. ...</i> <i>21/3/83</i>	

8th March, 1983

Dear Patrick,

I enclose a letter I have received from the Managing Director of the Standard Railway Wagon Company Limited in Heywood in my constituency. As you will see, he refers to the scheme requiring a contribution under section 8 and to the fact that his application was made on 28th February last. I am sure you will appreciate how serious the problem is in a town like Heywood where there is already a very high level of unemployment and I should be glad if the application could be considered urgently.

Yours sincerely,

# The Standard Railway Wagon Company Limited

(A MERCANTILE CREDIT COMPANY)

Registered Office:  
Green Lane, Heywood, Lancashire.

GREEN LANE  
HEYWOOD  
LANCASHIRE OL10 1NB

OUR REF LTR/KMC

YOUR REF .....

DATE 28th February, 1983.

Telephone: Heywood 64135/9  
Telex: 63327

Registered in England No. 275210

The Rt. Hon. Joel Barnett M.P.,  
House of Commons,  
London,  
SW1A 0AA.

Dear Joel,

You will be aware of our efforts to obtain orders for our Heywood works which hopefully will secure the future viability of the Company and save jobs in this very depressed area.

To this end, we have been in negotiation with British Rail and the British Steel Corporation over many years and have at last succeeded in putting a case together for the introduction of a new fleet of high capacity air braked vehicles on terms which are competitive with road transport. - To do this we require the willing support of our labour force and of our parent Company who are to provide the necessary funds on preferential terms over an extended period to reduce unit costs.

In addition to this the scheme requires a contribution from the D.O.T. under the terms of the Section 8 agreement and our application for grant was lodged on Friday, 28th January, 1983.

We now learn that great pressure is being brought to bear by British Rail Engineering through Local Authorities and sympathetic M.P.s for all the manufacturing work to be placed at Shildon. We, on our part are naturally concerned about the plight of fellow railwaymen who might lose their jobs through no fault of their own. However, we can see no justification for such support which if successful would lead to the closure of our Heywood plant and a loss of 150 jobs.

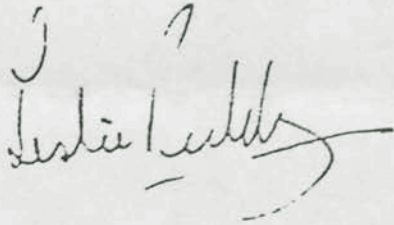
The lobbying on behalf of Shildon takes no account of our contribution to the scheme and that without the building work my Group would lose interest in the entire concept following which no orders would be placed for wagons and the railway business would be lost to road.

/Cont'd.....

The Rt. Hon. Joel Barnett, M.P.

I would therefore, be obliged if you would draw the importance of the foregoing to the attention of your colleagues in the House if only to bring some commonsense into the discussion as further vacillation can only delay matters and put vital jobs at risk.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'L.T. Reddy', with a long horizontal flourish extending to the right.

L.T. Reddy.

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CONFIDENTIAL

Ref. No: TPT(83)7  
18.3.83

BRIEF FOR DEBATE ON  
RAILWAY WORKSHOPS  
on  
TUESDAY 22nd MARCH 1983

Background:

On 17th February, British Rail announced plans to rationalise its engineering business with total losses of 3,500 jobs. These job losses will take place at Shildon (2000 jobs), Horwich (1100 jobs) and Temple Mills (300 jobs). The Opposition have clearly picked this issue to turn attention to Shildon which is next door to Darlington. This brief concentrates on Shildon and the Darlington Region.

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Conservative Research Department,  
32 Smith Square,  
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Enquiries on this brief to:  
Katharine Marsh  
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A. The Closure of Shildon and the Darlington By-election

On 17th February, British Rail announced plans to rationalise its engineering business and announced the closure of the British Rail engineering works at Shildon, County Durham, with the eventual loss of about 2000 jobs. The choice of this particular issue by the Labour Party as a subject for debate is obviously a desperate bid to recover the flagging Labour vote in Darlington. Shildon is next door to Darlington and about 200 workers live in the constituency of Darlington. Labour is determined to make Shildon a political football - an aim which has become evident during the by-election campaign and an aim which is not confined to the Labour Party.

The main point to bring out in this debate is the opportunism of the Labour Party and the Alliance in trying to make a political issue out of a closure which would have been unavoidable which ever Party was in Government. Darlington voters and workers at Shildon deserve to be told the truth and not to be treated as electoral 'fodder' for any short term bribe political parties choose to offer.

B. Shildon - a political football

Michael Foot during a visit to Shildon has promised that a Labour Government would keep Shildon open. Bill Rodgers for the SDP also announced that the SDP would save the works, but a few days later Mr Tony Cook the SDP candidate announced they would give Shildon a two year reprieve.

The NUR shop stewards in Shildon have criticised the candidates for making it a political football.

The Conservative candidate Michael Fallon has emphasised that he will not buy votes over the Shildon issue but has said that he favours some sort of BR/Industry task force to help provide opportunities for employment - (along similar lines to BSC help at Corby), and Ministers have reiterated this point and criticised Labour and the SDP of playing 'Ducks and Drakes' with Shildon.

Labour's Hypocrisy

To listen to Labour politicians one would think that they had never sanctioned works closures themselves. Under Labour, industrial plants closed often were there were no longer adequate markets to enable them to remain viable. However, while allowing closures Labour did nothing to encourage alternative long term employment because they did not recognise the importance of small business and private enterprise in the provision of employment in the future.

Closures under Labour occurred for example at BSC works at:

Ebbw Vale  
East Moors  
Shelton  
Glencarnock  
Bilston

Shipbuilding Yards. Eric Varley then Secretary of State for Industry admitted that 'certainly some yards will close...I can't

speculate as to which yards, but it's absolutely certain'. (Time, 26th June 1976). When electoral defeat loomed for Labour in April 1979, Gerald Kaufman announced that the Marathon Shipbuilders would be reprieved.

C. Sildon - Closure of BREL Workshops - Background

Sildon makes and repairs wagons for BR itself; to a limited extent for private customers; and for export.

BR have concentrated wagon building there and the range of trades is not as great, and the layout not as flexible, as at some other work eg Doncaster, which they now intend to use for any residual wagon work.

The Sildon workers are 'heavy fabrication trades' ie Plater, Welder, Riveter, Fitter. There are no vehicle building craftsmen, and very few electricians, so that diversification to other BREL activities would not be practicable.

1. Why must it close, irrespective of BR's investment limit?

Sildon is a single-purpose works with capacity to build 1500 wagons a year, and to repair 15000 a year. The BR requirement for wagons has dropped very dramatically with the change from wagon load traffic, and the use of the larger air-braked wagons.

BR do not require any new wagons this year and their annual requirement in the period 1983-86 is not expected to exceed 150 a year - which is far below the viable capacity of Sildon. The requirement is determined by the customers that the rail freight business can attract. It has nothing to do with investment limitations.

2. What are BR's plans for closure?

BREL have given a lot of thought to ways in which they could help to alleviate the closure. They have consulted BSC, who have wide experience in this type of problem, and engaged consultants to conduct a study of possible job-creation. They will support the efforts of the local Enterprise Trust. (NB John MacGregor opened the Darlington and South West Durham Enterprise Agency on 8th March. Negotiations have been underway for several months to start an Enterprise Agency at Sildon itself.

3. Is the problem that Sildon Works are out of date?

The problem is not that Sildon is out of date, or inefficient. British Rail have never suggested that. The problem is that Sildon's workload has declined to the point where the plant can no longer be run on a viable basis. BR's total new wagon build programme is not expected to exceed 150 wagons per year during 1983-86, while Sildon's capacity is 1,500 new wagons per year. The Congo order, recently won, is only for 115 wagons. The current level of wagon repairs is only 9,000 wagons per year, while the plant has a capacity to repair 15,000 wagons per year. It is a problem, therefore, of capacity compared to the likely workload, rather than the performance of Sildon itself.

4. Is the closure the result of investment limitations?

Government support for the railways is at record levels. They received nearly £1 billion in grant last year. The investment ceiling has been maintained at the same level in real terms as under Labour but BR are spending below their investment ceiling. Even so, BR has been investing more under this Government than under Labour. Nearly £1600 million has been invested by BR since 1979 compared to just over £1100 million over the previous 4 years. We all want to see British Rail carrying out more investment, but this will not solve Shildon's problem. The situation is more complex than that. The decision of BR to withdraw from the individual wagon load business, and the introduction of modern freight wagons (ie for Speedlink services and full trainloads), has had an impact on Shildon's workload which cannot be overcome by investing in other things.

5. Why is no new work available for Shildon?

Shildon is a specialist works which builds and repairs freight wagons only. Other workshops, which traditionally have done a wider range of work than Shildon will be able to handle the expected workload.

6. Is the closure of Shildon the result of the Serpell Report?

No. The Serpell Report identified over-capacity as a crucial problem facing BREL, but it is something British Rail have been grappling with from well before the Serpell Committee was set up. British Rail originally informed their unions in March last year of the need to close Shildon. Following consultations with the unions, the closure was temporarily withdrawn, while both sides discussed how to tackle the problem of over-capacity. Despite every effort to find an alternative solution, management have now concluded that the closure of the Shildon Works is unavoidable. It is a management decision taken by British Rail in the normal course of running its business.

7. What has the Government done to help?

The Government has done a great deal to help BREL win export orders - Ministerial visits, trade delegations etc. Where appropriate it has supported the financial arrangements BREL was able to offer overseas buyers. There is no real prospect that exports can replace the decline in home orders. The world railway engineering market is becoming increasingly competitive, particularly for wagons. The recent order of 115 wagons for the Congo was a major achievement but Shildon has a capacity for 1500 new wagons a year.

8. What would happen if Shildon were reprieved?

If Shildon were reprieved, it is likely that BR would have to make cuts in other BREL works.

D. Government Help to Shildon/Darlington

It would be useful if members could draw attention to the help



being given to the Shildon/Darlington area and the greater opportunities for small businesses and for employment in the Chancellor's Budget.

#### DARLINGTON & SHILDON - NEW BUSINESSES AND REGIONAL AID

Shildon and Darlington are 'Intermediate' Areas, recent developments include:

##### 1. Darlington and S W Durham Travel to Work Area

Since 1966, around 55 manufacturing firms have located projects in the area. Of these, 18 have since closed. The remaining firms employ a total of 3,800 people and include Carreras Rothman which opened in 1971 and Darchem which opened in 1974. More recent positive developments include the following:

- Cleveland Bridge & Engineering Co Ltd opened a new £26 million factory at Darlington in January 1982, and have recently won a £20 million contract to supply steel sections for a new power station in Berlin.
- Tallent Engineering, Darlington, have increased their workforce by 80 as a result of a contract to supply suspension arms for the Ford Sierra.
- Fine Fare is to build a 56,000 sq ft super store at Bishop Auckland employing 180 people by mid-1983.
- GEC Telecommunications, Aycliffe, are recruiting 165 workers in 1983 as a result of their job-sharing scheme.
- Construction of a new £1½ million office and shops development in Aycliffe town centre has begun with the expectation of 100 new jobs.

##### 2. Regional Aid

###### a) Assisted Area Changes

Following the Government's review of regional industrial policy in 1979, the Bishop Auckland Employment Office Area was down-graded to a Development Area on 1 August 1980 and was further down-graded to an Intermediate Area on 1 August 1982. Darlington and Aycliffe were down-graded to Intermediate Area status on 1 August 1980, and therefore the whole of the Travel to Work Area now has Intermediate Area status.

###### b) Selective Financial Assistance

Between May 1979 and 31 December 1982, £12.9 million has been offered under Section 7 of the 1972 Industry Act towards the cost of 35 projects. This has provided 3,453 additional jobs and safeguarded a further 2,213. (Project costs £92.4 million).

In addition, Section 8 assistance amounting to £308,000 has been offered for 19 projects in the same period.

c) Industrial Estates/Advance Factories

At 31 December 1982, 25 factories totalling 27,676 sq metres were complete and available which included 7 reserved units (6,046 sq metres). During 1982, 11 units totalling 1,509 sq metres were occupied.

SPECIAL EMPLOYMENT SCHEMES

1.	Temporary Short-time Working Compensation Scheme: (potentially redundant jobs supported) Darlington Travel to Work Area	453
2.	Job Release Scheme: Darlington Travel to Work Area	378
3.	Young Workers Scheme: Darlington Travel to Work Area	826
4.	Community Programme Darlington Travel to Work Area	162
5.	YOP (number of entrants between 1.4.82 and 31.1.83) Darlington and Sedgfield Local Authority Areas	3,720
	Total beneficiaries	5,539

SHILDON

The Government recognises the damaging social consequences of any major closure of a business. All Government Agencies will be working with BR, the local authorities and other people locally to find new opportunities and new jobs. BREL have made it clear that they want to work locally through development trusts to help create new work and BREL are prepared to provide financial resources to help in this work. (Members may like to draw a parallel with the BSC-funded scheme at Corby).

E. BUDGET - Help for Small Business and Employment

CHANCELLOR IN HIS BUDGET SPEECH announced many measures helpful to small business. Many areas where the Conservative Back Bench Committee for Small Business and the various small business groups had submitted proposals for improvement received favourable attention. Since 1979 this Government has now introduced over 100 measures to assist small firms. Preliminary details of the more important of this year's measures are given below.

BUSINESS START-UP SCHEME - Now to be called BUSINESS EXPANSION SCHEME. Scheme extended to April 1987. Annual relief increased to £40,000. Restriction on proportion of issued capital qualifying for relief removed (formerly 50 per cent). Relief available for investment in existing trading companies as well as new companies.

LOAN GUARANTEE SCHEME - Extended to May 1984. Further £300 million

to be made available.

SMALL ENGINEERING FIRMS INVESTMENT SCHEME - This scheme, previously most successful, to be re-opened to run for three years to 1987. £100 million to be made available to provide grants of one third of cost of high technology machine tools by small engineering firms.

INFORMATION TECHNOLOGY - Further grants to be made available to assist with initial investment and marketing of new technology.

ENTERPRISE ALLOWANCE - Pilot scheme, whereby grants of £40 per week for up to a year are made to unemployed to assist them in setting up a business, is to be extended to whole of UK from 1 August 1983.

SMALL COMPANY CORPORATION TAX - Rate reduced to 38 per cent on up to £100,000. Full rate of 52 per cent charged on profits over £500,000. Effective marginal rate is 55½ per cent.

EMPLOYEE PROFIT SHARING SCHEMES - Existing annual limit of value of shares which can be made available to an employee free of income tax is increased from £1,520 to 10 per cent of earnings with maximum of £5,000.

CAPITAL GAINS TAX - Retirement relief increased from £50,000 to £100,000.

CAPITAL TRANSFER TAX - Relief on minority shareholdings in private trading companies and tenanted farmland increased from 20 per cent to 30 per cent.

OTHER ASSISTANCE not specific to small business includes income tax (higher personal reliefs, higher thresholds for higher rates of income tax and investment income surcharge), national insurance surcharge (down from 1½ per cent to 1 per cent from August 1983), higher ceiling of £30,000 for mortgage interest relief and increase in CTT threshold to £60,000

JOB SPLITTING SUBSIDY for part-time job release scheme.

Government help available for Intermediate Areas

- a. Selective assistance using powers under section 7 of the Act including:
  - i in-plant training scheme;
  - ii exchange risk guarantee scheme;
- b. Inclusion in the assisted areas factory building programmes of the English Industrial Estates Corporation;
- c. Assistance from the quota section of the European regional development fund;
- d. Loans from the European Investment Bank.

In addition the following assistance measures are available on a national basis and therefore to manufacturing firms in the area:

- a. General support arrangements under section 8 of the Industry Act 1972 for assisting large projects;
- b. Six schemes offering assistance under section 8 of the Industry Act as follows:-
  - i Flexible manufacturing-including robotics-scheme
  - ii Coal-firing scheme;
  - iii Private Sector steel;
  - iv Microelectronics industry support programme;
  - v Computer aided design and test equipment support;
  - vi Small firms loans guarantee scheme.
- c. Support for innovation; a general support facility for promoting research and development. Special arrangements within this facility include:
  - i Microelectronics application projects;
  - ii Information technology;
  - iii Fibre optics and optoelectronics scheme;
  - iv Electronic computer aided design, manufacture and test;

- v Computer aided design and computer aided manufacture;
- vi Software products scheme;
- vii Advisory service for small and medium-sized companies.

Conservative Research Dept  
32 Smith Square LONDON SW1

KM/CR  
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