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SUBJECT



10 DOWNING STREET

From the Private Secretary

5 July, 1984.

Dear Neil

The Prime Minister, together with Mr. Baker, met Dr. David Clark, M.P., and Mr. Don Dixon, M.P., to discuss the aftermath of the Plessey closure in South Shields. Mr. Alison was also present.

Dr. Clark said that the workforce of Plessey, having cooperated to a very large extent with the closure of the South Shields factory, had been particularly concerned at the announcement by the company of a major expansion at Plymouth. The answers which had been given as to why Plessey had not chosen another site in the north east, had seemed extremely unconvincing. Mr. Baker noted that Plessey had stressed the need for their new factory to be close to their Swindon and Plymouth sites. In any event, the decision was a fait accompli about which the Government had known nothing in advance.

Both the Prime Minister and Mr. Baker stressed that the important point now was to maximise the chance that another high technology company might set up in South Shields. The Managing Director of the company was visiting the area in the next few days accompanied by a team from the Department of Trade and Industry who would be concerned with selling the area to him. Whether this possibility will turn into reality depended upon the outcome of a public sector contract which at this stage looked promising. The contract would last for three years although there was always the chance that during that time additional work would be found. A few hundred jobs would be provided. The company had made it clear that given the relatively short period of the contract, they would only go to South Shields if there was a guarantee that they would not be subject to pressure if there had to be a closure after three years. Dr. Clark said that he would willingly give such an undertaking for himself and for those for whom he spoke. He fully accepted that the Department was doing everything possible to bring the company to South Shields, and he would do whatever he could to support those efforts.

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More generally, Dr. Clark stressed that the unemployment situation in South Shields was becoming desperate. There had been 500 redundancies in recent weeks, and the unemployment rate was going over 25%. Morale, especially amongst young people, was extremely low. He was not convinced that the various aspects of regional policies were helping South Shields as they should, or that South Shields and the north east in general received their fair share of national schemes such as the Community Programme and the Enterprise Allowance Scheme. The Prime Minister wondered to what extent this was due to an absence of a tradition of individual enterprise in the area. Nevertheless, she undertook to look into the point Dr. Clark had made. Dr. Clark also mentioned his view that shipping was tending not to use the Tyne because the charges imposed by the Port of Tyne Authority were higher than in comparable ports. The Prime Minister undertook also to look into this point.

Following the meeting the Prime Minister asked that the various points made by Dr. Clark should be followed up. In particular, she asked that the relevant Departments should look at the extent to which the various programmes providing assistance for the unemployed and for small business were taken up in the north east in general, and in South Shields in particular. She would be grateful for a letter to Dr. Clark setting out the information at our disposal, and, if as Dr. Clark had argued, this suggested that South Shields received less than might be expected, a commentary on the reasons for this.

I am accordingly sending a copy of this letter to Peter Smith (Department of Employment), and Andrew Allberry (Department of the Environment), for any contribution which they wish to make.

Tim Flesher

Neil McMillan, Esq.,
Department of Trade and Industry.



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10 DOWNING STREET

From the Private Secretary

5 July, 1984.

I enclose a note of a meeting which the Prime Minister held with Dr. David Clark, M.P., and Mr. Don Dixon, M.P., about South Shields. During the course of the meeting Dr. Clark suggested that shipping is failing to use the Tyne owing to excessive charges imposed by the Port of Tyne Authority. I should be grateful if you could look into this and arrange for a draft letter for the Prime Minister to send to Dr. Clark.

BTI

I am copying this letter to Neil McMillan (Department of Trade and Industry).

Timothy Flesher

Henry Derwent, Esq.,
Department of Transport.

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MEETING BETWEEN DR. CLARK AND MR. DON DIXON OF PLESSEY

* but see overleaf. but Dr Clark is not aware of this

The company which is interested in taking up manufacturing space in the South Shields area is Northern Telecom (NT)*. NT's interest is dependent on obtaining a British Telecom order which has still not been landed. NT have stressed to us that if this order should be landed it will provide three years' work at the most. They have expressed concern that they should not have to endure at the end of three years the sort of political campaign which has been organised against the Plessey closure. David Clark, MP, understands this worry entirely and has given an assurance that NT will not be subjected to a high profile political campaign against closure should NT after three years be required to run down production. He has, however, said that his political position would require that some token gesture in this regard would no doubt be necessary. NT have been told this and they are relieved that any such campaign would be moderate.

The process of selling South Shields to NT has already started, although it is the DTI's opinion that the area should be sold to them on good commercial grounds. However, it will be stressed to NT how important, for political and social reasons, it is that they should be seen to be good citizens. Although the NT Board will no doubt be hard-headed, discussions with Wally Benger, the Managing Director, have revealed that he understands this point. The Department has also impressed on Mr. Benger that there is no pressure to occupy the current Plessey site, although we place great importance in them setting up somewhere in the immediate vicinity. The DTI's Invest in Britain Bureau will be arranging for Mr. Benger to visit the South Shields area as soon as possible.

The DTI has, over the last few weeks, been optimistic that there is a real prospect of landing NT in the South Shields area. They would indeed be a valuable capture. Already, Plessey are starting to lay off part of their workforce.

The mood of the workforce over the last few weeks has, however, changed. Although their campaign against the closure has still

not become militant, there is no doubt that the workforce and the MPs for the area are bitterly disappointed at Plessey's sudden announcement to open a further manufacturing facility at Plymouth.

It is important to note that David Clark has not been advised as yet that NT are the company with whom the Department has been negotiating and nor are they aware that British Telecom is the company for whom they will depend for this major contract.

David Clark understands entirely that the Department has not revealed this to him because it has been NT's express wish to keep their considerations confidential. The DTI continue to wish to keep this confidential and David Clark will not press to know.

The DTI's North East Regional Office is still holding discussions with the South Tyneside Borough Council on the question of nursery workshops and is considering with the Council whether there is any scope for assistance through the non-quota section of the European Regional Development Fund. These discussions are continuing as quickly as they can.