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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MEDWAY TOWNS AND CHATHAM DOCKYARD CLOSURE

Memorandum by the Secretary of State for the Environment

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1. The purpose of this paper is to seek my colleagues' agreement in principle to the establishment of an Urban Development Corporation to deal with the serious economic problem of the Medway Towns, Rochester and Gillingham, a problem which will be significantly exacerbated as the Royal Navy Dockyard at Chatham is run down and finally closed in 1984.

Economic Situation

2. The Medway Towns, and the neighbouring areas of Gravesham and Swale, have been suffering growing unemployment problems for some time, resulting mainly from the rundown and rationalisation of traditional industries such as cement and the lack of success so far in attracting much new industry to the area. While the recession is partly to blame for this, there seem to be more fundamental reasons of geography and social structure and the visual unattractiveness of some of the relevant sites.

3. The present level of unemployment is 14%-15%. The closure of the dockyard will involve the loss of a further 7000 jobs opportunities contributing to an unemployment rate of possibly over 20% by 1984. Apart from the W Midlands there can be few places outside the assisted areas with equally gloomy prospects. Although there are many areas suffering from high unemployment who would claim that their plight is due directly to or indirectly to government policies I believe that there are none that could claim that their difficulties are due directly to action by the Government as employer. This gives the Medway Towns a special claim to our consideration which is unlikely to apply elsewhere.

4. Before we can carry out, or even usefully consider, a programme of action, we need a concerted strategy for the area, based on objective appraisal and analysis of the problems, free from partisan local loyalties and rivalries. The first point to consider therefort is what organisation we need to achieve this.

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Organisation

5. The local authorities have done what they can, within their limitations. They have invested in new industrial estates, and efforts have been made to attract tourists to the historic parts of Rochester. Lately they have shown they recognise the need to work together, and would be willing to set up some sort of joint committee, possibly chaired by a distinguished and knowledgable outsider. There are other signs of local initiatives. For example, an enterprise agency has been set up sponsored by major private firms in the area.

6. My dealings with the local authorities suggest that they are not united in their interests or aims, or their diagnosis of the situation. They disagree on priorities for industrial investment, on road requirements and on the relevance of the Dockyard itself. These divergences will make it very difficult for a joint committee, even with a chairman of high calibre, to work effectively. Its members would owe their primary loyalties to their own councils and electorate, and could agree only on non-controversial issues. The history of the Docklands Joint Committee in London tends to support this view. I understand it is also shared by the Secretary of State for Employment. The Secretary of State for Industry shares my view on the need for positive action to help the area as a special case, but has more faith than I in the likely effectiveness of a joint committee.

7. In my view, an Urban Development Corporation, on the model we have adopted for London Docklands and Merseyside, would be the most appropriate organisation to draw up the strategy we need and to carry it out. It is of course true that we have had very little time to judge the effectiveness of the two existing UDCs. It is also true that the economic problems of the Medway are very different from those that the existing UDCs were set up to tackle. There is nothing like the acres of derelict land to be reclaimed and therefore no need for the special financial procedures which applied to the initial land acquisition of the first UDCs. I would expect the new UDC to be primarily a land-managing and co-ordinating authority.

8. I would not wish to force such an organisation down the throats of unwilling local authorities, but I believe there is a chance they would accept it (particularly if they thought it gave them a better chance of tangible help from Government). I think they realise the disadvantages of their divisions but lack the capacity to overcome them by their own efforts. Given a minimum of co-operation from the local authorities, a UDC is much more likely to achieve results on the ground within a 2/3 years' timespan than any arrangement that the local authorities may be able to make on their own.

9. We shall also need an effective interdepartmental organisation at Central Government level. The Secretary of State for Industry suggests a Task Force on the model adopted for Merseyside. This can be further discussed in the light of what is decided for organising effective action at the local level: but I must point out that we have a UDC on Merseyside which contributes significantly to the work of the Task Force.

Legislation

10. Legislation would be needed to delete section 134(2) from the Local Government Planning and Land Act 1980, which restricts the power to establish UDCs to metropolitan districts and certain London Boroughs. I understand that there is no suitable legislative vehicle in a current Bill in the present session, but I think the importance of the subject merits a 2 clause Bill on its own. A hybrid statutory instrument would subsequently be necessary.

11. The effective delay involved could be minimised by setting up a shadow UDC, with the authorities' co-operation, as soon as Second Reading has been given.

Finance

12. Although the main function of a UDC would be to prepare a strategy and see that it is carried out it will require some resources to be a credible policy instrument. I can undertake to find any preliminary expenditure from within my programmes. Any projection for future years would be pure speculation at this stage when the local authorities themselves cannot agree on what are the real expenditure needs but the resources required will have to come from whatever total provision for my programmes emerges from the forthcoming Survey. I doubt if we could spend in excess of £10m to £15m within the next 2 financial years.

Procedure

13. If my colleagues agree, I would approach the local authorities immediately concerned - Kent CC, and the District Councils of Rochester Upon Medway and Gillingham - to ascertain their views, both on the principle of a UDC and the area it might appropriately cover. I would report back in the light of these discussions.

Conclusion

14. I ask my colleagues to authorise me to proceed accordingly.

M H

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