

CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(82)30

12 March 1982

COPY NO 66

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MEDWAY TOWNS AND CHATHAM DOCKYARD CLOSURE

Note by the Central Policy Review Staff

1. The Secretary of State for the Environment suggests (E(82) 28) that an overall strategy is needed to address the economic problems of the Medway Towns. To this end, he proposes that he should be authorised to explore, with the relevant local authorities, the possibilities of setting up an Urban Development Corporation (UDC).
2. The CPRS agrees that there would be significant advantage in producing an economic strategy for the area, but questions whether the circumstances are sufficiently exceptional to justify the setting up of a separate Corporation.

Unemployment levels and prospects

3. The present level of unemployment in the Medway Towns area is 14-15 per cent for an employed population of around 120,000. This is fairly high for the South East region, but not for many other parts of the country, even outside the assisted areas. For example, Birmingham, with more than four times the employed population (around 700,000) has an unemployment rate of nearly 17 per cent. Similar rates prevail in much of the rest of the West Midlands: over the whole of the West Midlands metropolitan area the average rate is 16-17 per cent. The forecast of 20 per cent for the unemployment rate in the Medway Towns by 1984 has been derived by the local authorities themselves; there is no official equivalent.
4. Primarily due to the influence of London, the South East is still one of the more buoyant regional economies; it is likely to remain so

CONFIDENTIAL

in an upturn. The Medway Towns are well situated within the South East (and are not far from London). Unlike the assisted areas and West Midlands they do not suffer significantly from having a large and outdated industrial structure.

The Dockyard closure

5. The loss of 7000 jobs from the Naval Dockyard will have a marked effect on unemployment; the extent will depend on the out-migration and new job opportunities that occur as a result of the closure. But there can be no doubt about the responsibility of the Government as employer for adding to the employment problems in the area. When a private sector firm closes down a plant that has been a major source of employment in an area, it is good practice for it to seek to mitigate the economic impact. Resources given for this purpose have included land, the loan of management expertise and finance. As an example, when Tate and Lyle closed down their Liverpool plant with a loss of 1500 jobs, they left a legacy of £1m to help the area cope with the resulting employment problems.

6. The PSA, acting as the MoD's agent, is currently involved in discussions with the local authorities about the future use of the land. On finance, the MoD has already agreed to give a sum of £5,000 to a local enterprise trust - although this hardly matches the scale of the problem.

Organisation

7. The CPRS believes that quite exceptional reasons are needed for taking over direct responsibility for an area from the local authorities (even if they are willing) and handing it to a quango such as a UDC - especially when, as for the Medway Towns, this may well require time-consuming and probably contentious legislation. The two existing UDC areas - the London and the Liverpool docklands - have severe and intractable problems going back over decades (and had the added difficulty of local authorities which were able to nullify each other's decisions). The Medway Towns do not.

8. As an alternative to the proposal of a UDC, the Secretary of State for Industry has suggested a joint committee of the local authorities.

CONFIDENTIAL

with an influential outside Chairman. It has also been suggested that the local authorities might be prepared to delegate certain powers to such a committee. The CPRS thinks that this offers the best way forward.

9. It would seem right for the Government as employer to channel some extra resources into the area. Thus dockyard land might be disposed of in a way which brings significant benefit locally, but perhaps not the maximum revenue for the MoD. Some of the management expertise currently within the Dockyards might be lent to help set up small businesses and advise existing ones. Financial help would also be appropriate, perhaps through the joint committee (which would thus increase the incentive for the local authorities to agree priorities), or through the enterprise trust, or in other ways. The mechanics would need further work, but one possibility might be to offer the local authorities increased approvals for capital expenditure within a co-ordinated approach. The sum involved might be comparable with the legacy left by Tate and Lyle to Liverpool (either in absolute terms: £1m, or in proportion to the jobs lost: £4m).

10. MoD clearly have a major role to play, but it can be argued that not all the consequential burden should fall on the defence budget. The tasks are mainly those in which Department of Industry might normally take the lead, with support from Department of the Environment. If Ministers wish to follow this approach, the CPRS suggests that officials from these departments, the Treasury and any other department with a major interest should examine:

- how they can best co-ordinate their efforts on the ground in the Medway Towns area;
- the ways in which resources (land, management expertise and finance) might be provided to help the area;
- how the financial resources should be split between departmental budgets.

Conclusions

11. Ministers are invited to decide:

- (a) that the economic problems of the Medway Towns area are not sufficiently exceptional to merit exploring further the possibility

CONFIDENTIAL

of a UDC for the area;

(b) whether they wish to pursue as an alternative the idea of a joint committee with an outside Chairman;

(c) whether officials from the departments concerned should be asked to examine the ways of providing Government assistance outlined in paragraph 12.

Cabinet Office

12 March 1982

CONFIDENTIAL