



From the Minister of State for Industry

CONFIDENTIAL

DEPARTMENT OF TRADE AND INDUSTRY

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THE HON PETER MORRISON MP

The Rt Hon John MacGregor CBE MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1

NBPN.

26 March 1986

Dear Chief Secretary

TIN CRISIS : GOVERNMENT SUPPORT FOR CORNWALL

As you know I had a meeting with the Prime Minister this morning about Government support for Cornwall. I also had a word with you earlier today at the Cabinet Office.

In the wake of the collapse of the International Tin Agreement, Geevor tin mine has decided that next Monday its workforce will be given seven days notice that the mine is being put on a care and maintenance basis. This will mean that 340 workers will be laid off in the week beginning 7 April. This will increase the unemployment rate in the Penzance and St Ives Travel to Work area (TTWA) from 24.1% to over 26%. However, the workforce is drawn mainly from Pendeen and St Just, where the effect on unemployment will be very severe. Because of the involvement of successive Governments with the International Tin Agreement, I am convinced that the Government should be seen to be doing something to help alleviate the problems of the area arising from the cessation of production at Geevor mine.

I have reviewed the options open to us, and I have come to the conclusion that the most appropriate additional help which we could give would be to make available in the Penzance and St Ives Travel to Work Area a slightly amended version of the Business Improvement Services package of schemes of assistance to small businesses which is currently operated by my Department. This would help enable the local economy to diversify into activities other than tin mining.

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I propose that, subject to EC Commission approval, we should make available flm for this purpose, which will be spent over the next 3 - 4 years, depending on demand. I will find the money for this proposal within my Department's existing estimates and PES provision. Under my proposal there would be 50% grants to small firms (200 or fewer employees) for consultancy, marketing, and feasibility projects, and 50% grants to providers of services to small firms in respect of market research, the provision of common services, and advisory and counselling services. There would also be 15% grants for investment projects in firms with 25 or fewer employees. These investment grants would be additional to any regional development grant but would not be available as well as regional selective assistance. The main eligible activities would be manufacturing - but not mining, steel, shipbuilding/repairing and textiles (unless diversifying into new activities) - and service activities in support of other eligible activities. However agriculture, horticulture, fishing, retailing and personal services would not be eligible.

The introduction of these special arrangements in the Penzance and St Ives Travel to Work Area can be expected to lead to strong pressures to introduce similar arrangements in one or two other parts of the country. I can assure you that I shall resist these pressures when they arise.

The present BIS package was introduced to take advantage of European Regional Development Fund (ERDF) non quota funds available for declining steel, shipbuilding and textile areas, and currently about two-thirds of the cost is met by the ERDF. Although the proposed BIS package in West Cornwall would be eligible for normal ERDF assistance I need to consider further whether the administrative costs of an application would be justified in the light of the likely overall effect on the UK's ERDF receipts.

I should be grateful for your urgent agreement to my proposals. As you know, the Prime Minister would like us to make an announcement tomorrow or when the redundancies are declared.

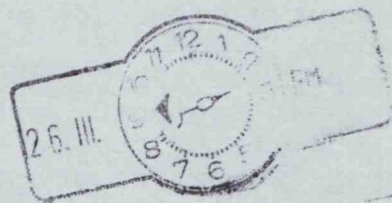
I am copying this letter to the Prime Minister.

*Yours sincerely
Halima L. Hardy*

pp PETER MORRISON

*Dictated by the Minister
and signed in his absence*

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Treasury Chambers, Parliament Street, SW1P 3AG

The Hon Peter Morrison MP
Minister of State for Industry
Department of Trade and Industry
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London
SW1

Prime Minister
Geoffrey reduncers are
being announced today
(114). The extension of BIS
is being announced
tomorrow

27th March 1986

Dec. Peter,

TIN CRISIS: GOVERNMENT SUPPORT FOR CORNWALL

Thank you for your letter of 26 March. *at Hep*

You assure me that you will fund the £1 million within your existing Estimates and PES provision, and that you will resist any pressures to introduce similar arrangements outside the Penzance and St Ives travel to work area. On that basis, I can agree to your proposal.

I am copying this letter to the Prime Minister.

Yours ever,
John

JOHN MacGREGOR

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TRADE Tin Council #2

