

SECRET 8

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My ref:

Your ref:

The Rt Hon Nigel Lawson MP
HM Treasury
Parliament Street
LONDON
SW1 3AG

20 April 1988

Dear Chancellor,

SHIPBUILDING

You copied to me your comments of 30 March on the paper by the Chancellor of the Duchy of Lancaster of 28 March, of which I have also now seen a copy. I understand that at the Ministerial meeting on 31 March my proposal to include an EZ in the package of remedial measures for Sunderland in response to shipbuilding redundancies was given approval. Our officials are working on the detailed case.

I agree with your argument that our responses to such redundancies should be even-handed between the territories. For that reason I felt that there was a strong political argument to supplement the good technical case for a Sunderland EZ. I note your request that we should look to fund the remedial measures from within existing provision. I fully accept this in relation to the foreseen UDC expenditure within the proposed zone, where the costs of my proposal would be drawn from the UDC's provision (however, you would not expect me at this stage of the PESC cycle to commit myself for future years on the overall UDC programme.) The RSA costs will fall to DTI and Kenneth Clarke covered this in his original minute. The main zone benefits of rates and tax relief are not, of course, public expenditure costs.

I am copying this to the Prime Minister, David Young, Malcolm Rifkind, Tom King, Kenneth Clarke and Sir Robin Butler.

Yours sincerely
NDR

PP NICHOLAS RIDLEY

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

