

dti

the department for Enterprise

CONFIDENTIAL

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

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Our ref

Your ref

Date

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Dear Paymaster General

BRITISH SHIPBUILDERS

John Lister and Members of his Board came to see me yesterday to discuss the conclusion they had reached that 1000 redundancies should be declared at the Sunderland yards as soon as the Unions had been informed. They have a meeting arranged with the Shipbuilding Negotiating Committee, the national body of their Unions, for Tuesday 23 August. BS propose to announce the redundancies and confirm the cancellation of all the remaining Danish Ferry contracts that day to avoid any risk of leak.

Although it is well known in Sunderland that the Cuban order is still a possibility, and that there are several parties interested in the yards, John Lister reports that there is widespread expectation that the yards will close, or at the very least that substantial redundancies are inevitable. I am bound to say his report and that of my officials confirms that this judgement is well based though they are still doing all they can to encourage a satisfactory bid on terms we and the EC should be able to accept.

AU3ABB



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Our colleagues have agreed that there should be a full package of measures at Sunderland including a new enterprise company, factory building and an Enterprise Zone should the yards close.

I am also aware that John Major agreed with Kenneth Clarke that £4m of DTI provision could be spent on such a package in 1988/89. In all the political circumstances of the North East, and given that the likely outcome at Sunderland is closure, I propose to announce on Tuesday the provision of a sum of up to £1m this year to establish the enterprise company, linking this with the 1000 redundancies BS expect to announce. A draft announcement is overleaf.

Even if terms were agreed that would allow one of the bidders to continue shipbuilding, the likelihood is that 1200 employees at the most will be required in the yards and in the linked pipe work and electrical business Sunderland Forge Services out of a present total of 2,800.

I have been careful in the terms of this draft announcement not to anticipate expenditure beyond this financial year since I know John Major prefers the whole question of remedial measures at Sunderland beyond 1988/89 to be discussed in the PES round. Conveniently the timetable for this should precede any closure announcement at the yard. I also prefer to hold back any more specific announcement on our plans to meet the far more difficult decisions that may follow.

On the other hand those to be made redundant will recognise that we have put back in place measures based on those they would have enjoyed had they volunteered for redundancy during 1986 and the early part of 1987 when a previous substantial tranche of redundancies took place at the Sunderland yards.

It is for this reason in particular that I regard Tuesday's announcement as important and very much hope you will find it possible to agree it should be made in the terms I propose.

I am sending copies of this to the Prime Minister, the Secretaries of State for Employment, the Environment, Scotland, Northern Ireland and Trade and Industry and to Sir Robin Butler.

Yours sincerely
Rosalind Clark

pp TONY NEWTON

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(approved by the Chancellor and signed in his absence)

DRAFT PRESS NOTICE FOR RELEASE ON TUESDAY 23 AUGUST

**TONY NEWTON ANNOUNCES SPECIAL HELP FOR REDUNDANT SHIPYARD
WORKERS IN SUNDERLAND**

"British Shipbuilders have today announced that due to a lack of orders and the problems they face over the Danish Ferry contract they are to declare 1,000 redundancies at North East Shipbuilders in Sunderland. It is clear that this difficult decision would have had to have been taken even if BS were to remain in public ownership, and reflects the worldwide difficulties facing the shipbuilding industry. It was also clear that none of the potential bidders for NESL have orders or potential orders that could employ the full present workforce.

Recently, the economy of Sunderland has been reviving strongly - unemployment has fallen by X over the last Y months, faster than in the North East as a whole. The New Nissan factory is making an important contribution to the local economy, creating X new jobs.

Nevertheless, we recognise our responsibility to the people of Sunderland, and want to help build a more modern and diverse economy that will not in future be dependent on the fate of one industry alone.

We are therefore setting up a new British Shipbuilders Enterprise Company to arrange counselling and retraining for redundant NESL employees and to help stimulate local enterprise in Sunderland. John Lister will become chairman of the new company, and I shall be making up to £1m available over the next six months to help get it up and running.

The Employment Service, the Training Commission and existing enterprise organisations in the North East will make every effort to help those who have been made redundant. I should make clear that these arrangements are not in place of the package of measures promised in the House on 21 July by my predecessor if none of the bidders for NESL were successful and the yard had to close. They are a separate response to the difficult announcement the Corporation has made today.

Meanwhile, BS continue to seek buyers for NESL and there are a number of potential purchasers."

