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From; J B UNWIN

12 May 1986

SECRETARY OF STATE FOR EMPLOYMENT

BRITISH SHIPBUILDERS (BS): ESTABLISHMENT OF ENTERPRISE CORPORATION AND OTHER MEASURES TO ASSIST THE AREAS HARDEST HIT BY REDUNDANCIES

You were invited at E(A)(86)15th Meeting to prepare, in conjunction with the other Ministers most closely concerned, an announcement to be made on 14 May of Government measures to assist the areas hardest hit by redundancies.

2. To take matters forward quickly, I have considered this with officials from your Department and the other Departments concerned, and summarise in this minute a possible package, together with a draft statement announcing it. I assume that the latter will be made orally by the Secretary of State for Trade and Industry, and will be prefaced by appropriate reference, which DTI will prepare, to the BS announcement on the same day.

Package of Measures

3. The package we have considered may be summarised as follows:-

(i) British Shipbuilders (Enterprise) Corporation

4. BS have agreed to set this up. Its main purpose will be to ensure that redundant BS employees have every opportunity for retraining and employment, and for setting up new businesses, taking advantage of existing agencies where available. More specifically, its functions will cover:

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- (a) Active counselling of redundant employees
- (b) Facilitate and where necessary provide training
- (c) Facilitate re-employment in existing firms
- (d) Advise and assist former employees with setting up new businesses through
 - training
 - Rent subsidies or converting buildings no longer required for shipbuilding that cannot be sold on the open market
 - Equity or loan finance.

5. It will be established as a wholly owned subsidiary of BS with its own Managing Director and Non-Executive Directors from outside, with possibly MSC and DTI represented. The precise details of its structure and administration will, however, need to be discussed in detail with BS and the Departments concerned after the announcement, in particular to ensure that administrative and related costs are kept as low as possible.

6. On funding, I recommend that up to £5 million should be made available by the Government in the current year and that this should be found as follows:-

	£ Million 1986-87
DTI	£1.5m
Scottish Office	£1.0m
Treasury	£2.5m
(From the Reserve)	

The Treasury and the DTI have confirmed that they would accept this; the Scottish Office think that £0.5m would be a more reasonable contribution from them and have reserved their Secretary of State's

position.

7. In addition, you have offered to provide from your existing resources an extra £1 million specifically for the retraining of redundant BS employees in direct cooperation with the new Enterprise Corporation. This will pay the training fees for nearly 1,000 people for up to 13 weeks. The MSC will arrange for training to be provided and meet the full cost of the training fees. The Enterprise Corporation will pay income maintenance to all redundant employees who undertake such training. The level and nature of this income support are to be agreed between the DE/MSD and the Corporation.

(ii) City Action Team (CAT)

8. You have undertaken to make a further £1 million available from your existing resources for the CAT for Newcastle/Gateshead to spend on job creation measures and to stimulate enterprise in the North East. It will enable the Team to support projects that lack initiative or adequate funding but which show promise for the future.

(iii) Derelict Land and Urban Programmes

9. The Secretary of State for the Environment has agreed to reallocate from within his existing resources an extra £2m for the Urban Programme and £1m for the Derelict Land Programme in the North East Region (whose present allocations are £35m (Urban) and £13m (Derelict Land)). DOE foresee no problems in ensuring that the additional schemes meet the necessary value for money tests, and project proposals will be processed in the normal way.

10. In sum, the package will consist of the following:

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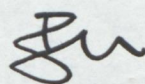
1986-87

<u>Measure</u>	<u>Cost £m</u>
BS (Enterprise) Corporation	5.0
Extra MSC Training	1.0
Newcastle/Gateshead CAT	1.0
Derelict Land	1.0
Urban Programme	2.0
Total	10.0

11. Of the £10.0m total, £7.5m will be found by Departments by reallocation of existing resources (subject to the reserve by the Scottish Office), and £2.5m from the Reserve. In addition, you will be asking the MSC to explore within existing resources new ways of increasing private sector sponsorship of projects within the Community Programme and the development of projects which can be floated off as small businesses; and the Secretary of State for Scotland will be examining with the Scottish Development Agency and other bodies what additional measures might be taken to help the areas in Scotland affected by the BS redundancies.

12. I attach a draft statement incorporating the above proposal. You will no doubt wish to know as quickly as possible whether your colleagues are content so that the statement can be finalised in good time to be made by the Secretary of State for Trade and Industry on Wednesday.

13. I am copying this minute and enclosure to the Private Secretaries to the Secretary of State for the Environment, the Chief Secretary, the Secretary of State for Scotland, the Secretary of State for Trade and Industry, and for information to Mr Norgrove at No 10 and Miss MacNaughton in the Lord President's Office.


J B UNWIN

British Shipbuilders Package; Draft Statement
by Secretary of State for Trade and Industry on 14 May

[Introductory passage on BS announcement, to be prepared by DTI]

The Government propose to provide immediate support of up to £5 million in the current financial year to British Shipbuilders to enable them to set up a new subsidiary, British Shipbuilders Enterprise Ltd. This will provide an expert and practical service for those facing redundancy. It will ensure that they have at their workplace counsellors with the skills and resources to guide them towards retraining and redeployment opportunities, and to provide financial support to take advantage of those opportunities. Most importantly, it will also offer financial help and advice to employees wishing to take the initiative of setting up their own business. The new company will be managed and staffed by professionally trained people.

2. In order to supplement and strengthen this initiative, my Rt Hon friend the Secretary of State for Employment will also provide a further £1m specifically for the retraining of redundant employees of British Shipbuilders in direct co-operation with the new Enterprise Corporation. He will also make available £1m for the City Action Team for Newcastle/Gateshead to spend on job creation measures and to stimulate enterprise in the North East.

3. The Community Programme is already being expanded in the North East from its present level of 22,000 jobs to 29,000 jobs at an extra cost of some £30m. The new Enterprise Corporation will work closely with the Department of Employment and the Manpower Services Commission to ensure that the maximum effective assistance is given to people who are looking for other jobs or who want to retrain. My Rt Hon friend has accordingly asked the Manpower Services Commission to make a special effort to explore new ways in which the resources of the Community Programme and the Enterprise Allowance Scheme can be brought together to start new projects which can lead to permanent jobs in the North East.

4. In addition to these direct measures to help those suffering redundancy as a result of the BS closures, my RHF the Secretary of State for the Environment has reviewed the derelict land reclamation and Urban Programmes in the worst hit areas. The reclamation programme in the North East region this year is already substantial at £13m but this will be increased by a further £1m.

Reclamation projects promoted by the private sector will have first call on these extra resources and the Government will also support reclamation schemes undertaken through the Community Programme and some additional local authority schemes.

5. My RHF also proposes to allocate an extra £2m under the Urban Programme, adding to the region's £35m programme this year. This will be used to give particular support to projects which encourage new businesses. Both the additional Derelict Land and Urban Programme resources will be specifically targetted on those localities that clearly need most help and could provide up to another [] jobs.

6. Finally, the new British Shipbuilders Enterprise Corporation will, of course, also operate in Scotland. My Right Hon and Learned Friend the Secretary of State for Scotland will therefore consider urgently with the Scottish Development Agency and other bodies the additional measures that they might take to help the areas affected by the redundancies announced today.

7. [I am confident that these measures will provide a substantial combination of incentive and practical help to those worst affected by the restructuring proposals announced by British Shipbuilders today. The new measures will, of course, be in addition to the existing regional aid programmes for which the areas concerned are already eligible].