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 for comments
 from him

PRIME MINISTER

BRITISH SHIPBUILDERS: GOVERNMENT RESPONSE

1 You will have seen the draft announcement of the package of proposals we have put together to meet the situation created by the impending BS redundancies, as agreed at EA on 8 May (E(A)(86)15th). ATTACHED

2 The central proposal is for the creation of a new Enterprise Company by BS to provide help and advice to their redundant employees. It will be given funds of £5m (£1½m to be provided by DTI, £1m by the Scottish Office and £2½m from the Reserve). In addition the Secretary of State for the Environment is providing an extra £2m for Urban Programme expenditure in the North East and an extra £1m for derelict land reclamation. I am providing £1m to finance the cost of training up to 1000 redundant BS employees and a further £1m for the Newcastle/Gateshead CAT to spend on job creating measures. In total the package amounts to an additional £10m, of which £4m is specifically for the North East. The remaining £6m for the Enterprise Company and associated training provision will be available nationally.

3 Much of the detail of how the Enterprise Company will operate has still to be settled. Given that it will not have to meet the cost of training fees, I would hope that the bulk of its funds could be used to give direct financial assistance to those who want to set themselves up in business or to move

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to jobs elsewhere. We must ensure that this is tackled with vigour and imagination. Quite apart from the financial assistance the Company can provide, the redundant employees will have sizeable redundancy payments to invest and a range of existing assistance available to them, including the Enterprise Allowance Scheme. I will ensure that the staff of the Manpower Services Commission and my own Department's Small Firms Division work as closely as possible with the Company so as to avoid any duplication of effort. I am particularly concerned that the running costs of the Enterprise Company should be kept as low as possible. I also think it important that the Company should be run by someone from outside the shipbuilding industry.

4 Beyond this immediate package of measures I hope that we can explore other measures to bring new enterprise and employment to the North East. I believe there is a good case for an Urban Development Corporation in Middlesbrough and I hope that the appraisal agreed by EA can be carried out as soon as possible. In my view we should also disperse further Government work to the North East, including future computer developments and perhaps some PSA functions. I suggest that we ask officials to explore the scope for this and report urgently.

I am sending copies of this minute to the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, the Environment and Scotland, the Chief Secretary and Sir Robert Armstrong.

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