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SUBJECT cc MASTER

10 DOWNING STREET

From the Private Secretary

23 June 1986

Dear Mike,

MEETING WITH SUNDERLAND DEPUTATION

The Prime Minister this afternoon met a deputation from Sunderland. The Sunderland representatives were as listed on the sheet attached. Your Secretary of State, the Secretary of State for Employment, the Parliamentary Under-Secretary of State for the Environment, Mr. David Coates (DTI) and Mr. Brian Unwin (Cabinet Office) were present.

The Prime Minister welcomed the deputation, noting that she received delegations of this kind very rarely. However Sunderland was special, in part because she had launched two ships built in Sunderland's yards.

Councillor Donnelly was concerned about the impact of the 925 redundancies which had been announced by British Shipbuilders at North East Shipbuilding Limited. With redundancies already in the pipeline the total could well be more than 1,000. There was a possibility that shipbuilding in the Sunderland area could cease. It would be difficult to replace the jobs which had been lost, though the Council had been making great efforts. The Sunderland yards were modern, with an adaptable and skilled workforce. The problems needed to be tackled with central Government. Councillor Donnelly felt that Sunderland was not receiving a fair deal in terms of urban aid money.

Bob Clay MP and others argued for an integrated national maritime policy, to be run by a maritime affairs committee of the Cabinet under the chairmanship of the Prime Minister. There was a need for a co-ordinated overview. This would have to be backed by higher subsidies and higher capital allowances (perhaps 50%) for British ship owners. Credit packages should also be improved and Britain ought to be able to offer financial packages as good as anywhere in

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the world. Public sector orders should be brought forward and a lead ship FSK 20/20 (the unarmed version of the AOR) should be ordered regardless of defence need in order to provide a basis for exports. The yards had to have orders within the next few weeks. Both Mr. Clay and Mr. Bagier MP pointed to the serious unemployment position in Sunderland. Support for shipbuilding would be cheaper for the public finances than allowing yards to close. (I enclose for you and the Department of Employment a copy of a report handed over by the delegation.) Further closures could mean the end of the shipbuilding industry generally: there was a point below which the industry would not be viable.

The Prime Minister doubted the need for a national maritime policy or for a new Cabinet committee. The real need was for orders and the Government was determined to fight for all those which might be available. The Government had offered support for soft loans to win orders from China and in discussions with Chinese Ministers she had pressed the case for Britain very hard. The Government would do everything it possibly could. It was of course important to keep a merchant shipbuilding capacity and a merchant marine. If British owners were compelled to buy British ships that would in turn make the merchant marine less competitive. It was not possible to say that the latest round of redundancies could be withdrawn. Otherwise the shipyards would not be in a position to take advantage of any upturn in shipbuilding orders.

Lord Young noted that it would be wrong for the Government to commit itself to better the terms available elsewhere. That would lead simply to a spiral of subsidies. But it was legitimate to aim to match the terms available elsewhere.

In discussion of available orders, it was noted that public sector orders for a fisheries protection vessel and a ferry had gone elsewhere. No others were in prospect that would be suitable for the Sunderland yards. There was an order in prospect for Danish ferries, but that possibility should be kept strictly private. Mr. Clay suggested that if British Shipbuilders won all the possible orders the relevant yards would not have enough capacity to take them. The Secretary of State for Trade and Industry suggested that it would be overly optimistic to plan on that basis.

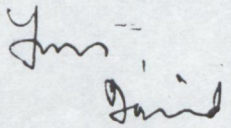
Bringing this part of the discussion to a close the Prime Minister said that the Government was doing all it possibly could to win orders and would continue to do so. The deputation could not say that the Government were optimistic about the prospects for further orders but they could say the Government was moderately hopeful. Councillor Donnelly expressed gratitude. The deputation would say that

the Prime Minister had listened to their views and that she accepted that the workforce were doing their best. It was a blow that the redundancies were not being withdrawn.

The meeting then turned to support for Sunderland. Councillor Brown asked that Sunderland should become a Partnership Area as Newcastle and Gateshead were. He pointed to lower unemployment in Newcastle than in Sunderland and to other benefits which Newcastle received. In reply, Sir George Young said the Government was studying the sharpness of the transition from programme status to partnership status. Sunderland could bid for Derelict Land Grant and would receive priority provided an end user of the land had been identified. There was scope for a link up between Sunderland and central government, perhaps with English Estates, to help the Deptford area. An action plan for the Deptford yard would be needed. Councillor Brown asked that North Sands should be included in this: the Council hoped to induce Nissan to use the North Sands port. (Sir George Young later undertook to consider whether Derelict Land Grant could be made available for North Sands.) Councillor Brown further noted that the Washington Development Corporation had provided invaluable help. There was now some difficulty in obtaining borrowing approval for two large factories. Sir George Young undertook to look into this. Councillor Brown noted that the Development Corporation would disappear in 18 months. Sunderland could not have a Development Agency but there was a need for an organisation to promote Sunderland. Lord Young undertook to consider the possibility of action to encourage managed workshops.

In further discussion Mr. Key said Sunderland would wish to try to link Weirside College with Nissan if phase two of the Nissan project went ahead. This would require money from the MSC. Lord Young undertook to follow this up with Mr. Peter Clark, the Regional Director. (I now understand that Lord Young intends to visit the area in July. No doubt the detailed points mentioned above will be followed up urgently so that so far as possible they are settled before Lord Young's visit.)

I am copying this letter to Chris Snell (Department of Employment), John Howe (Ministry of Defence), Richard Allan (Department of Transport), Neil Mitchell (Sir George Young's Office, Environment) and to Sir Robert Armstrong.


(David Norgrove)

Michael Gilbertson, Esq.,
Department of Trade and Industry.