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Dear Mr Flesher

MEETING WITH MR GORDON BROWN MP

Thank you for your letter of 22 November. I understand that the Prime Minister has agreed to see Mr Brown at 3.45 pm on Tuesday 11 December, with Mr Allan Stewart present, to discuss his concerns about redundancies and closures in his constituency of Dunfermline East.

I attach briefing notes for the Prime Minister on the following topics:

- Note 1 Scottish Economy
- Note 2 Regional Policy Review
- Note 3 Travel to Work Area (TTWA) Review
- Note 4 Industrial Bad News
- Note 5 Role of the Scottish Development Agency
- Note 6 Unemployment and Vacancies in Dunfermline East
- Note 7 YTS and Community Programme
- Note 8 Rosyth Dockyard
- Note 9 Mossmorran
- Note 10 Deep Mining in Fife
- Note 11 Westfield Open Cast Mine
- Note 12 Redundant Mineworkers Payments Scheme

I also attach a copy of a letter which my Secretary of State has just received from Mr Brown. The points he raises are dealt with in the briefing notes 3, 4, 5 and 6.

Yours sincerely
D. Lamberton

J EDDIE GOWANS
for Private Secretary

REGIONAL POLICY REVIEW

BackgroundEffect of review on Mr Brown's constituency

1. Mr Brown's constituency comprises part of both the Kirkcaldy and Dunfermline travel-to-work areas (TTWAs) in Fife Region. Both of these TTWAs have been regraded, as a result of the recent review of the Assisted Areas map, from development area to intermediate area (outer tier) status.
2. This means that, in future, firms in or moving to the Dunfermline and Kirkcaldy TTWAs will no longer qualify for regional development grant (RDG). However, both areas will continue to be eligible for regional selective assistance and also for the European Regional Development Fund and aid from the European Coal and Steel Community.

Representations

3. Mr Brown was active in pressing Ministers on the outcome of the review. He argued for the retention of development area status for the Dunfermline and Kirkcaldy TTWAs and for a special case to be made of unemployment "blackspots" such as Cowdenbeath (in the Dunfermline TTWA). In relation to the prospects for downstream developments at Mossmorran (see Note), he has raised questions about how capital-intensive industries will be affected by the decisions to exclude replacement investment and to impose a cost per job ceiling on capital-related grant. Mr Allan Stewart, Parliamentary Under Secretary of State for Industry and Education, met Mr Brown (and Mr Dick Douglas MP) on 13 November to discuss their views on the implications of the review for Fife Region, and for the Dunfermline and Cowdenbeath areas in particular.
4. The Fife Regional Council made a very full submission in response to the White Paper on Regional Industrial Development and outlined their case at a meeting with Mr Stewart on 3 September. Representations were also received from the Kirkcaldy District Council, the Dunfermline and West Fife Chamber of Commerce, a number of local community councils and a local engineering firm in the Dunfermline area. In addition, a recent letter to the Prime Minister from the Provost of Dunfermline District Council claimed that a postcard campaign had gathered 2,000 signatures from the local community. The campaign was, however, based on the (wrong) assumption that Dunfermline was to lose assisted area status altogether

Basis for decisions

5. i. Dunfermline TTWA qualified only for intermediate area status (and that only narrowly) on the criteria used in the review.
- ii. Kirkcaldy TTWA also qualified only for intermediate area status on the criteria used.

Line to Take

6. The following points might be made in discussion:-

i. Ministers agree that parts of Mr Brown's constituency, such as Cowdenbeath, continue to face problems. But it has to be recognised that the distribution of regional assistance must take account of changes in an area's position relative to other parts of the country. It stands to reason that areas whose position has improved - not necessarily in absolute terms, but relative to others - must have a lower claim on the available resources.

ii. Selective assistance will remain available in both the Dunfermline and Kirkcaldy TTWAs and can be used flexibly to ensure that the maximum incentive remains available for projects which provide clear industrial and employment benefits. Selective assistance can also be used to support modernisation projects which safeguard existing employment but do not necessarily create jobs.

iii. Both TTWAs will continue to qualify for the European Regional Development Fund and the whole of Fife Region is an area specified for aid from the European Coal and Steel Community.

iv. The fullest consideration was given to Dunfermline's (and Kirkcaldy's) position in the light of the objective criterion used in the review and the representations received. It was clear however that their position relative to other areas did not justify development area status.

TRAVEL TO WORK AREA (TTWA) REVIEW

Background

1. The recent TTWA Review was carried out by the Department of Employment using the most up to date information on journey to work patterns, obtained from a 10% sample of the 1981 Census of Population. Decisions were based on a systematic and objective appraisal of the data. Regional Councils in Scotland were given an opportunity to comment on the initial proposals - albeit within a tight time schedule - and their views were taken into account.

2. Once the decision to group areas together was taken the precise boundary of a TTWA was determined by the most closely matching local authority district ward boundaries. In the case of Dunfermline this involved no major changes to the ward boundary. Dr Brown has been reported as claiming that Kinross was included in the new Dunfermline TTWA, thereby lowering its unemployment rate. This impression is incorrect - Kinross has always been the Cowdenbeath local employment office area which formed part of the old Dunfermline TTWA, and the unemployment rates have reflected this. The option of excluding Kinross from the new TTWA was considered after representations from Fife Regional Council, but the Census of Population indicated a substantial flow of residents from Kinross to Dunfermline.

3. There have, however, been a number of minor boundary changes: the inclusion of Glenfarg and Aberdour, and the exclusion of Cardenden/Auchterderran, Auchtertool and Culross/Low Valleyfield. The effect of these changes was to reduce employment in 1981 in the new TTWA as compared with the old one by only 800 out of 46,000. The base for calculating the unemployment rates has fallen by some 1,200 to just over 51,200 and the effect of this change is to increase the percentage rate of unemployment.

4. The claim that figures for the new TTWAs fail to capture the existence of severe unemployment blackspots in certain localities has been put forward by several MPs and commentators in recent weeks. Statistics based on the new TTWAs are in general the best guide to local labour market conditions. While pockets of high or low unemployment may well exist within many TTWAs these cannot be said to constitute local labour markets since they have very strong links with or depend upon the rest of the TTWA. A labour market area is the appropriate unit for regional industrial policy designations - to give AA status only to

a blackspot within a TTWA would probably be ineffective since jobs generated in the blackspot might be filled by residents from other parts of the TTWA. The basic criteria for acceptability as a TTWA were self-containment of 75% and a working population of at least 3,500 although areas in excess of 20,000 working population could have self-containment as low as 70%. Self-containment of 75% requires that 75% of residents in the area also work in the area, and that 75% of jobs in the area must be held by residents of the area. In the case of Cowdenbeath, Census data indicated that under half the residents worked in the area, with over 40% travelling to work in Dunfermline.

TRAVEL-TO-WORK AREA (TTWA) REVIEW AND UNEMPLOYMENT IN DUNFERMLINE

Lines to take

TTWA Review arbitrary?

No TTWA Review was an objective exercise and the methods used in defining the areas have been published.

Significant changes to Dunfermline TTWA?

The new Dunfermline TTWA is very similar to the old one in terms of both area and working population.

How can numbers out of work be rising when the unemployment rate falls?

(penultimate paragraph of Dr Brown's letter)

This is a misunderstanding. Both the numbers unemployed and the percentage unemployment rate have increased over the past year in the Dunfermline TTWA. The change from old to new Dunfermline TTWA has resulted in a fall of some 500 unemployed and 0.7 percentage points in the unemployment rate.

Did lower unemployment in the new TTWA offset Assisted Area status?

Unemployment was one of the factors considered in deciding Assisted Area designations. The fall in unemployment from old to new TTWA was however relatively small (0.7 percentage points) and even for the old TTWA in August 1984 (the last available figure) the unemployment rate in Dunfermline (14.4%) was well below the average for all former Development Areas (15.4%).

The new TTWA contains several unemployment blackspots - eg in the Cowdenbeath area. Why not have a separate TTWA for Cowdenbeath?

This option was carefully considered, but the Census of Population data indicated that the Cowdenbeath area was not sufficiently self-contained in terms of journey to work flows to support a separate TTWA. The area has very strong links with Dunfermline.

Why not designate Cowdenbeath (or similar "blackspots") a Development Area?

TTWAs (as the best approximation to labour market areas) are the appropriate basis for AA designations wherever possible. To give DA status only to a blackspot within a TTWA is likely to be ineffective since jobs generated in the blackspot are likely to be filled by residents from other parts of the TTWA.

INDUSTRIAL BAD NEWS

Background

In his letter of 16 November Mr Gordon Brown MP mentioned 3 examples of companies which had either announced redundancies or where jobs were at risk.

- i. Manclark & Sons which is engaged in the manufacture of uniforms/jackets reduced its workforce by 70 people during November 1984. The entire garment producing department was transferred to another company establishment in England because of reduced demand. (We understand that this should leave a workforce of 50, and we have no indication of possible closure.)
- ii. We are not aware that Jeltek are experiencing any difficulties. The Department of Employment have received notification that the firm have asked its workforce for 10 voluntary redundancies but we understand that this was to enable the firm to employ some of the former employees from Manclark & Sons.
- iii. Similarly we have no indication of serious problems at the Inverkeithing Paper Mill. Although there were 16 redundancies in August of this year, these were due to changes in work patterns.

DEEP MINES IN FIFE

Mines in Fife are located at:-

	<u>Approx employment figure</u> <u>pre-strike</u>
Frances	700
Seafield	1500
Comrie	700
Longannet Complex	
Longannet	60
Castlehill	1000
Solsgirth	1050
Castlebridge	10

The Longannet complex has a secure future providing coal for Longannet power station. The only significant capital investment in the Scottish coal field is taking place at Castlebridge, where a new access shaft (to cut underground journey times) is being developed at a cost of around £50m. Bogside pit, which is part of the Longannet complex, was closed in February 1984 as a result of serious flooding and gassing following the failure of the NUM to provide essential maintenance during the overtime ban. The closure decision by NCB is still subject to pre-strike appeal procedure, which has been deferred as a result of the strike. During the strike two producing faces have been lost at Castlehill, though the future of the pit itself is not in jeopardy.

The future of the linked pits, Frances and Seafield, depends very much on the productivity they can achieve and the future price level of and demand for coal. Publicity was given recently by the NUM in Scotland and the STUC to what were claimed to be NCB closure proposals: one of the scenarios outlined would have involved the closure of Frances/Seafield (leaving only the Longannet complex and Bilston Glen/Monktonhall in operation). It has been made clear by the NCB that this was only one of a series of planning documents and that there are no such closure proposals.

The future of Comrie is still more uncertain and it cannot realistically be expected to continue in operation very far into the next decade, if that.

There has been very little drift back to work in the Fife coal-field with a total of 110-120 men appearing at the pits listed above. The total Scottish drift back is now around 2,250 men, over 900 of whom are at Bilston Glen.

LINE TO TAKE

Future of the Coal Industry in Fife

Coal will continue to be important in Fife for a long time to come and the NCB are investing very considerable sums in the new shaft at Castlebridge to increase the effectiveness of the Longannet complex. Electricity generation will continue to be

based primarily on nuclear power and coal. But coal must be produced at prices which are competitive and we need an efficient, productive mining industry for that. In that sort of industry Scottish miners will have a secure future.

Comment on Scottish "Hit List"

It has been made clear that the documents disclosed recently were planning documents with a range of outcomes and did not indicate the existence of NCB closure proposals.

What future for men who leave the Industry

Those who wish to stay in the industry have the guarantee there will be jobs for them and those who leave have access to extremely generous redundancy terms. In addition to well established policies aimed at providing new employment in mining areas - regional incentives and the Scottish Development Agency, for example - the establishment of NCB (Enterprise) Ltd will be of considerable assistance.

WESTFIELD OPENCAST MINE

The reserves at Westfield, the largest NCB opencast mine in Scotland are almost exhausted. At the peak of production about 700 were employed. This has declined gradually and when production ends fairly soon some 400 jobs will be lost. Towards the end of last year Mr Gordon Brown, Fife Regional Council and the trade unions affected produced a report which advocates the early development of an area adjoining Westfield - the Westfield link site - to ensure some continuity of employment. This development would provide only 70/80 jobs over a six-year period.

As Mr Brown is aware, at the beginning of this year the Chairman of the NCB, in correspondence with the convenor of Fife Regional Council and the TGWU, indicated that there could be no question of the Westfield link site being developed until the marketing position had improved. At that time there were high coal stocks at Westfield and these have increased, with opencast work continuing during the miners strike but no stocks being moved, to a current total of 1.3 million tonnes. A considerable proportion of these are stocked on the Link Site, and then would have to be moved before extraction work could begin. In correspondence with the Secretary of State for Energy Mr Brown was informed that this was a matter for the commercial judgement of the NCB and there was no question of Ministers intervening. The same line was taken by Mr Allan Stewart, Scottish Office Minister for Industry and Education in correspondence and at meetings with Mr Brown, the most recent on 4 July 1984 in Edinburgh when Mr Brown was accompanied by a TGWU delegation from Westfield.

It is too early to say whether the stocks at Westfield will be used up after the coal strike is settled at a pace which would call for the prompt development of the link site.

(A separate note on the Redundant Mineworkers Payments Scheme is attached).

LINE TO TAKE

It has already been made clear to Mr Brown that the development of the Westfield link site depends on the marketing position of coal generally and the stocks on the site in particular. And the miners strike is of course damaging marketing prospects. This is a matter which must be left to the commercial judgement of NCB and there can be no question of Ministers interfering with this decision. NCB however have by no means ruled out development of Westfield link site. A delay in development does not mean that the reserves will be lost and there will be benefits to local employment when the site is developed.

REDUNDANT MINeworkERS PAYMENTS SCHEME

1. At Mr Brown's meeting with Scottish Office Minister Mr Allan Stewart on 4 July he referred to the position of opencast mines at Westfield who are not entitled to redundancy payments under the Redundancy Mineworkers Payments Scheme. Mr Stewart indicated that while this was not a matter for the Scottish Office, he would, on receipt of details of the particular problem from Mr Brown, make enquiries about the position from the Department of Energy. Mr Brown has not yet provided the detailed information.

The question of extending the RMPS to opencast workers has been raised a number of times since the Scheme's introduction in 1968, and the Transport and General Workers Union have been running a campaign since 1980. This has already been put into a higher gear and George Henderson of the TCWU saw Secretary of State for Energy on 21 May and again in early October. During the week ending 26 October TCWU opencast coal workers voted by a large majority "that no coal from accumulated stocks of opencast coal be released pending agreement on the issue of job protection or when inevitable improved severance/redundancy pay".

2. Previous efforts to persuade Government to extend RMPS to opencast workers had tended to stress the fact that the ECSC coal levy applies to all coal production, including opencast, but that because RMPS is not available to opencast workers they cannot benefit from readaptation aid under Article 56(2)(b) of the Treaty of Paris. The ECSC gives aid towards the cost of approved national redundancy schemes to people affected by permanent structural changes in the coal and steel industries. The exhaustion of an opencast site hardly comes into this category. Whilst the Commission have indicated that the ECSC is in principle prepared to contribute to a scheme covering opencast workers, they concur with the view that in present circumstances few if any opencast redundancies are likely to qualify. Whereas in theory the ECSC will repay up to 50% of the cost of a national scheme for qualifiers, in practice the figures are much less - for the RMPS now less than 5%. Extension of RMPS to opencast would therefore not only require primary legislation but would also involve substantial public expenditure for minimal return from the ECSC.

Line to take

The Redundant Mineworkers Payments Scheme is designed to alleviate hardship when a deep mine closes in a settled community, typically after 60-80 years. The closure of an opencast site is quite different. Opencast sites typically last only a few years, with men moving from one to another. Even at Westfield, an unusually long-lived opencast site, the period of development is no more than 20 years. The legislation and additional public expenditure required to extend the very generous terms available under the RMPS to opencast workers could not be justified.

ECSC aid to approved national redundancy schemes applies where the industry is undergoing permanent structural change. The opencast industry is not experiencing permanent change. Exhaustion of a particular opencast site would not qualify.