

Confidential Filing

PM's meeting with Robert Kilroy-Silk MP

PRIME
MINISTER

March 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
10.3.81							
16.3.81							
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
8 April 1982

HYGENA

The Prime Minister was grateful to see a copy of Mr. Baker's letter of 30 March to Robert Kilroy Silk, MP, which showed that there had been some encouraging progress on one of the propositions raised with the Prime Minister by Mr. Milroy Silk when he called on her last month.

MAP

Neil McMillan, Esq.,
Department of Industry.



2,
Prime Minister

A small piece of good news, following
Robert Kilroy Silk's discussion on
the Hygena closure.



FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

KENNETH BAKER MP

Robert Kilroy Silk Esq MP
House of Commons
LONDON
SW1A 0AA

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 6401
SWITCHBOARD 01-212 7676

30 March 1982

MA 1/4
Copies to:

Mike Pattison No 10 ✓
PS/Secretary of State
Mr Worman
Mr Dick
Mr Johnson, RSI
Mr Avery, PTM
Mr Lodge NWRO (on file)

Ken Baker

HYGENA

Since my letter of 15 March, my Department's Regional Office has continued its discussions with the Managing Director of Hygena about his plans to set up a new but smaller operation. I am pleased to be able to tell you that a satisfactory package has now been put together, and an offer of selective financial assistance made and accepted orally. There is now every reason to believe the project will go ahead.

Ken Baker
KB

KENNETH BAKER

SUBJECT



10 DOWNING STREET

From the Private Secretary

17 February, 1982

As you know, Mr. Robert Kilroy-Silk, M.P. came to see the Prime Minister yesterday to discuss two closures in his constituency. Mr. Baker was present.

Mr. Kilroy-Silk spoke first about Ashland Mill. He explained that this plant, at the Preston end of his constituency, faced problems very similar to those involved in an earlier Courtauld Group closure which he had discussed with the Prime Minister. Carrington Viyella had a trained, loyal workforce producing obsolescent output. The workforce had accepted redundancies, had given up free transport, and had increased their productivity. But the Group had not been prepared to invest in modernisation of the plant, at a time when they were concentrating production on plants already updated. There was no prospect of similar employment in the area. These constituents were not Mr. Kilroy-Silk's natural supporters, and they were now asking him what they had done wrong.

In further discussion, the Prime Minister acknowledged that the problems appeared to lie with past management inadequacies. But she and Mr. Baker confirmed that there was no prospect of direct Government assistance.

Mr. Kilroy-Silk then turned to Hygena, at the Merseyside end of his constituency. He expressed his dissatisfaction with Norcross' handling of the closure, after their frequent contacts with him during the period of Labour Government. In both cases, he felt that the Government ought to be prepared to bring pressure on the Groups which owned the factories but, failing that, he hoped that it might be possible for the Government to assist with a management buy out proposition under preparation for Hygena. The proposal was still confidential. The company's Managing Director was in a position to raise some capital, and about fifty employees were ready to pool their redundancy payments. An advance factory had already been offered, and Norcross were prepared to allow the continued production of one of their lines. Mr. Baker said that he had not previously been aware of how far this proposal had gone. He would, as a matter of urgency, look

/at

at the possibility of providing some assistance, perhaps by putting those involved in touch with one of the companies now specialising in support for this kind of management buy out. He would be in touch with Mr. Kilroy-Silk direct.

I should be grateful if you would let me have copies of any follow up correspondence arising from the meeting. At present, I see no need for the Prime Minister to write further unless Mr. Kilroy-Silk approaches her.

M. A. PATTISON

Jonathan Hudson, Esq.,
Department of Industry



10 DOWNING STREET

PRIME MINISTER

Robert Kilroy-Silk has asked to see you about two closures. I attach notes on Hygena, Astland Mill, and the Ormskirk constituency as a whole. For background information, the folder also includes a map of the area and your recent exchange of correspondence about textiles in general and Astland Mill in particular with Mr. G.F. Jones of the North Lancashire and Cumbria Textile Workers Association.

MP.

15 February 1982



FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

KENNETH BAKER'S OFFICE

Caroline Stephens
10 Downing Street
WHITEHALL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212
SWITCHBOARD 01-212 7676

6401

✓ MA

15 February 1982

Dear Caroline

I enclose briefing for the Prime Minister's meeting with Mr Kilroy-Silk MP tomorrow at 4.45 pm which Mr Baker will attend. The briefing includes notes on the Ormskirk constituency, Hygena Ltd and Carrington Wyella including the Astland Mill.

You will no doubt remember that Mr Kilroy-Silk came to see the Prime Minister on 2 April last year to discuss the closure of Courtaulds' nylon plant at Aintree and afterwards gave a misleading interview to the press about the possibility of Government assistance.

You will also recall that the Prime Minister has recently received a letter from Mr G F Jones of the North Lancashire and Cumbria Textile Workers Association which raised the question of the closure of Astland Mill. I enclose copies of the relevant papers.

Yours ever
E A Riley

MRS E A RILEY
PRIVATE SECRETARY

M29/M29AAF



MEETING WITH MR KILROY-SILK MP: 16 FEBRUARY
CLOSURE OF CARRINGTON VIYELLA'S ASTLAND MILL

Points to make

- 1 Regret Carrington Viyella's announcement of the closure of Astland Mill involving 208 jobs (and other redundancies and closures in the North West recently announced by Carrington Viyella, involving a further 900 jobs). Recognise the problems facing the textile industry and Merseyside.
- 2 The closure of Astland Mill is a matter for the commercial judgement of Carrington Viyella. The Government have no power to prevent the closure.
- 3 Understand the mill uses outdated equipment (shuttle looms) and cannot compete economically with more modern plants. Carrington Viyella's strategy, rightly, is to concentrate on more profitable, branded products.
- 4 Carrington Viyella have received Government assistance in the past, but it was not sought for Astland Mill (eg for modernisation). Textiles and clothing as a whole receive significant assistance: £88 million was offered or paid in 1980/81 and £41 million in 1981/1982 so far. Assistance towards new investment is available under Section 7 (until Ormskirk loses Assisted Area Status on 1 August 1982) and Section 8 of the Industry Act 1972.
- 5 Textiles is the most protected industrial sector. Under the Multi-Fibre Arrangement and other similar arrangements, 600 quotas are in force. In the current negotiations to renew the MFA the Government are wholeheartedly committed to obtaining a tougher and more effective regime than present arrangements.



MEETING WITH MR KILROY-SILK MP: 16 FEBRUARY
CLOSURE OF CARRINGTON VIYELLA'S ASTLAND MILL

Background

Carrington Viyella (CV) is the fourth largest textile firm in the UK in terms of turnover (£300 million in 1980) and currently employs in total about 15,000 people (down from 24,000 at the start of 1980). The Group manufactures a wide range of textiles and clothing products, including well known brand names (Dorma, VanHeusen and Viyella).

In common with most firms in textiles and clothing the recession has badly affected CV. Sales were down 20% by volume in 1980 resulting in a loss of £31 million. Half year results in 1981 showed only a slight improvement. In the course of this contraction the group undertook a major reorganisation, cutting out the loss making parts of the business and concentrating on profitable branded products.

On 22 January CV announced 1100 redundancies to take place over the next six months in the North West, mostly in the woven fabric and garment divisions. The closure of Astland Mill at Tarleton, Ormskirk was included, involving 208 redundancies between April and July. In discussion with the Department of Industry's North West Regional Office, the Chairman of CV's woven fabrics division said that Astland mill was CV's last shuttle weaving plant, a process which is outdated and losing money for CV. The plant is unable to compete with others using the latest water-jet and air-jet looms.

PRIME MINISTERS MEETING WITH ROBERT KILROY SILK MP

PART II: HYGENA LTD, KIRKBY

1 Hygena Ltd is a subsidiary of Reading-based Norcros Ltd, a group with substantial interests in Construction, Consumer Products, Engineering, Print and Packaging. Group results half year to 30.9.81 - Turnover £162m, profit £11.28m.

2 Hygena has operated from Kirkby since 1949. It is probably Britain's best known kitchen furniture maker, which in 60s and 70s lead the market with its "White Space", "System 70" and self-assembly ranges. Turnover rose from £3m in 1965/6 to £24m in 1975/6.

3 However, by mid 1977 it was apparent that the company had severe financial problems (its Kirkby labour force had reduced from 1800 to around 1100 in 3 years). CONFIDENTIAL: DI investigation at that time concluded that the main cause was over-optimistic sales forecasting, which had resulted in expansion to substantial overcapacity (without selective assistance), and several major errors in product development and marketing policy. The company was losing £1m per month and running Kirkby at $\frac{1}{3}$ capacity, having already closed a sister factory at Worcester opened only 3 years earlier. Norcros was providing financial support.

4 Temporary Employment Subsidy was made available on all 1100 jobs to avoid Norcros withdrawing its support. Hygena was subsequently able to reduce its operating losses by measures including shedding of 200 further jobs in 1978. However it was unable to reach break-even in a declining market and spreading world recession. In October 1979 it sought 300 more redundancies.

5 The company was in touch with DI throughout this period but did not come forward with any investment/rationalisation proposal which would have attracted Financial Assistance. In early 1980 it was clear that closure was a distinct possibility. Despite Norcros' efforts in restructuring - with a high degree of workforce co-operation - it was still losing money in 1981 at £1m pa and operating a 3-day week. Norcros took the view that further investment in Hygena to attempt to reverse its decline would not be commercially sensible in a depressed market. The only course was to cease trading.

6 The surprising point was perhaps speed of closure: the announcement was made on 27.1.82, the last working day for the factory that week, for immediate effect; it would not re-open the following monday. 640 redundancies were involved.

7 CONFIDENTIAL: The Managing Director of Hygena has approached DI with a management "buy out" proposition which could involve some 50 jobs. This is under consideration, but he is unlikely to acquire

the assets from Norcros as cheaply as he hopes and the approach should not be raised as Good News at present⁷.

8 LINE TO TAKE

The Prime Minister may wish to:-

- Refer to previous DEm support (TES) and discussions with DI, but say that Norcros' commercial judgment is that there is no future for the Kirkby operation and the Government will not intervene in that decision.
 - Point out that Kirkby is within the Merseyside SDA and that DI will consider requests for financial assistance from any purchaser of the business subject to its usual criteria on viability, employment and additionality.
-

C C J Martin
DI/NWRO
11.2.82

PRIME MINISTER'S MEETING WITH ROBERT KILROY SILK MP

PART I : ORMSKIRK COUNTY CONSTITUENCY

1 The Constituency covers a largely agricultural area of West Lancashire, but on its southern border includes a substantial Local Authority overspill area of Merseyside.

2 It contains parts of 5 Travel to Work Areas (TTWAs):-

PRESTON (Transitional Intermediate Area)

- the non industrial villages of Hesketh and Beconsall;

ORMSKIRK (Transitional Intermediate Area)

- Skelmersdale New Town (Special Development Area);

SOUTHPORT (Permanent Intermediate Area)

- excluding the coastal conurbation of Southport and Formby;

ST HELENS (Development Area)

- the town and environs of Rainford only; and

LIVERPOOL (Special Development Area)

- the areas of Kirkby, Melling and Aintree, (Liverpool overspill).

A map is attached at Annex A.

3 Unemployment

TTWA	JANUARY 1982			MAY 1979	
	Number	Rate %	Notified Vacancies	Number	Rate %
Preston	18393	12.4	429	6799	4.7
Ormskirk (of which Skelmersdale)	6710 (4965)	21.8 -	94 (63)	3354 (2642)	10.8 -
Southport	5657	17.0	200	2475	7.5
St Helens	10971	16.7	238	5080	7.7
Liverpool	89222	18.7	1327	57060	11.8



NOTES

(i) Approximating the Constituency to Ormskirk EOA and Kirkby EOA and rural communities of Preston, Southport and St Helens TTWA, it is estimated that the constituency has around 11,000 unemployed, of which 8,500 live in the Liverpool overspill area.

2 There is no industrial focus to the constituency. Its residents look to the large towns on its borders - Preston, Skelmersdale, Wigan, St Helens and of course Liverpool.

3 The situation on the overspill estates is notably serious. The local EIEC Kirkby Industrial Estate has experienced heavy job loss in recession (and before). In 1980 7 closures cost 1000 jobs (Massey Ferguson 545) and there were 1000 other redundancies. In 1981 a further 7 closures cost over 400 jobs and other redundancies exceeded 1100. A similar picture emerges on the Walton Vale industrial area nearby. Also, in 1980, Courtaulds closed its Aintree plant with 1500 redundancies.

4 The Astland Textile Mill closure (see part III) is at Tarleton in the agricultural north of the constituency and thus locally more important (although only 208 jobs are involved) because there has been and is little alternative industry.

5 LINE TO TAKE

- Acknowledge that the situation in Kirkby is worsening, but stress that it is assisted at the highest level of Regional aid (Special Development Area (SDA) status).
- Reaffirm the Government's commitment to a selective and concentrated regional policy which enhances relative status of Merseyside SDA.
- Refute the suggestion that Ormskirk TTWA as a whole should retain Assisted Area status.

{the main TTWA unemployment concentration is in fact in Skelmersdale New Town - outside Mr Kilroy Silk's constituency}



ORMSKIRK
CONSTITUENCY

TTWA

LOCAL EMPT
OFFICE

SOUTHPORT TTWA

WEST LANCASHIRE

ORMSKIRK TTWA

SKEME
LOCAL
OFFICE

LIVERPOOL TTWA

ST HELENS
TTWA

KIRKBY
L.D.

95/162

For Information



10 DOWNING STREET

Mr Armstrong
P. Munn
P. Bee
Miss Mueller
Mr. Naugie
Mr. Bryant
Dir NWK

10 February, 1982

THE PRIME MINISTER

RECEIVED IN

15 FEB 1982

OFFICE OF THE
MINISTER OF STATE
KENNETH BAKER

Dear Mr. Jones,

Thank you for your letters of 22 and 27 January about the textile industry.

Let me assure you that there is no question of the Government sitting back and letting the industry die: I am well aware of the industry's problems and I recognise the substantial contribution to the economy still being made by textiles and clothing.

The aim of the Government's economic policies is to foster a competitive economy for the longer term in which all industry, including textiles, can compete internationally. Within these policies and the United Kingdom's international obligations we are doing all we can to help the textile industry; but you must accept that the scope for Government action is not limitless.

The redundancies and closures recently announced at Carrington Viyella are regrettable, particularly when, as you point out, the mill is working to near capacity. However, in such a fiercely competitive international industry as textiles, out-dated shuttle looms cannot hope to compete indefinitely with the latest air-jet equipment. My sympathies go to those who are affected; but this closure decision was not one in which the Government could intervene. It was based on the company's commercial assessment of their current situation and the future viability of the plants concerned.

I cannot agree with your view that the Multi-Fibre Arrangement (MFA) does little to help the textile industry. Under the present MFA and similar arrangements the UK has some 600 quotas against imports of textiles and clothing from countries in which labour or

I regret that I will not be able to take up your suggestion that I should visit Astland mill. My diary is heavily committed for the coming months. As I have said, I fully appreciate the difficulties the textile industry is facing. I have considerable sympathy for those connected with the industry, particularly in view of the improvements in productivity that have taken place and the industry's good record in industrial relations. I can assure you that the Government is concerned that there should be a viable future for the textile and clothing industry and our policies are designed to create an economic and trading climate in which this can be realised.

Yours sincerely

Raymond Webster

G.F. Jones, Esq.

other costs are particularly low. This is a level of protection unparalleled in any other industrial sector. All through the negotiations over the last year, both within the Community and later with the developing countries in Geneva, the Government has been wholeheartedly committed to obtaining a regime under the new MFA which would be tougher and more effective than that under the present Arrangement.

The protocol extending the MFA, which was adopted in Geneva on 22 December after long and often acrimonious negotiations, provides for all the major UK objectives. Since the MFA itself is solely a framework agreement, the practical details will have to be settled in the bilateral negotiations this year with each supplier country. The Community has stated that, if it is unable to negotiate satisfactory bilateral agreements by the end of this year, it will withdraw from the MFA. We are insisting that this link must be maintained and have made it clear that we will be unable to agree to Community participation in the renewed MFA unless satisfactory global ceilings are agreed to cover sensitive imports from all low-cost suppliers.

The textile and clothing industry already benefits from significant assistance from the Government. Under the Industry Act 1972 and the Temporary Short-Time Working Compensation Scheme the Government offered or paid £88 million in the financial year 1980/81 and during 1981/82 a further £41 million has so far been made available to this sector. It is true that much larger sums have been allocated to British Steel and British Leyland and other nationalised industries. The Government inherited these loss-making activities from the previous administration and, even if we had decided to run them down rather than continue to support them, sizeable Government expenditure on them would have been unavoidable. The first aim of the financial assistance which is being provided is to put these organisations on a viable footing so that Government intervention can cease. In the case of British Leyland and British Steel substantial progress has already been made: productivity has improved and capacity has been significantly reduced. The assistance available in Northern Ireland is exceptional because of the severe difficulties facing the Province. Assistance is available there for textiles and clothing as well as for motor vehicles.

R25/11

NORTH LANCASHIRE & CUMBRIA TEXTILE WORKERS ASSOCIATION

FORMERLY

(Preston & District Powerloom Weavers, Winders and Warpers Association)

Secretary:
GEORGE FREDERICK JONES
Telephone 53415

Office:
TEXTILE CENTRE, 6 SEDGWICK STREET,
PRESTON, PR1 1TP

Ref: GFJ/JW/82/7

The Right Honourable Margaret Thatcher,
Prime Minister,
10, Downing St.,
LONDON.

22nd January, 1982.

Dear Mrs. Thatcher,

I am writing to inform you of the continuing recession in the textile industry, making the assumption that you are not already aware of this fact. I make this assumption because it seems impossible to believe that the Government can sit back and let one of our basic industries die.

Carrington Viyella have just announced a further 700 job losses in the North West, this in an area where high unemployment is the order of the day.

A factory which is due to close down, Astland Mill in Tarleton, a village just outside Southport, Lancashire, is a modern, highly efficient weaving mill. Overmanning is not a problem and is practically unheard of in the textile industry. Productivity is high and co-operation between management and the trade unions is taken for granted.

Despite the joint efforts of management and trade unions the industry continues to be decimated, with loyal and hard working people thrown on to the scrap heap and, regretfully, no sign of the situation improving. Indeed, if anything, the picture is looking blacker by the minute and it is a real possibility that Carrington Viyella will collapse completely.

Is it too much to ask that the industry be given a fair chance? Why should hard working people be denied the opportunity of earning a living? And, in textiles, a fairly modest one. It is certainly not high wages that are killing the industry.

Can we please have an honest reply as to whether the Government is prepared to either help the industry or, at least, tell us that we are all expendable and that no future exists for a British textile industry.

The Multi-Fibre Arrangement, which is currently being re-negotiated, is yet another slap in the face and practically gives free reign to unlimited imports from equally unlimited sources. It could possibly be that the sellout of the industry to Third World and European competitors is the final straw that will completely finish it.

Is there any possibility that money can be given to companies in the textile industry to keep them going and protect a hard working section of the community's jobs? Public money has been given in large quantities to British Steel, British Leyland and other nationalised industries. The De Lorean company are currently requesting a further £40 million pounds, this on top of the £70 million pounds that they have already received.

This sort of cash assistance is sorely needed to save our industry, coupled with realistic import controls.

cont.....

I am obviously aware that the Tory Party is very much in favour of "free trade" and argues that this prevents import controls being implemented. Other countries have no such scruples and protect their industries at all costs. Japan, for instance, make it practically impossible for other countries to import into Japan by way of extravagant Safety and Quality demands on motor cars.

A further problem is that of cheap labour, where people work for virtually nothing producing textiles that are then shipped into our country thus crippling our own industry.

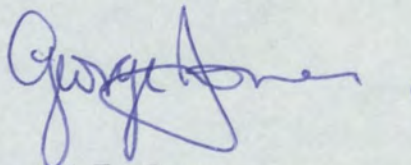
You may feel that this letter was written in a somewhat despondent mood. I would like you to attend the closure of a factory and answer the questions put by textile workers.

Why is the industry being allowed to die? I, personally, cannot answer this question for what our country will do when no textile industry exists is obvious. Cheap foreign textile imports will suddenly become expensive foreign imports and there will be nothing we can do to alter the situation.

Can I end this letter by reminding you that the British textile industry is a highly efficient one, manned by hard working, conscientious work people whose continuing plea to the Government is:-

"Give us a fair deal, we are the best and most efficient producers of textiles in the world but we cannot compete with sweated, slave labour".

Yours sincerely,



G.F. Jones,
Secretary.

Copies To:-

The Right Honourable Margaret Thatcher.
Mr. John Biffen, M.P.
Mr. Den Dover, M.P.
Mr. Jack Straw, M.P.



CF
✓

10 DOWNING STREET



10 DOWNING STREET

Secretary

9 February, 1982

Can your brief please reach us
by close of play on Monday,
15 February.

With the compliments of

re to your Research Assistant today
the meeting with the Prime Minister
Wednesday, 16 February at 1645 hrs. I
requested for Mr Baker to be present and
will take place at No.10. I hope
it is convenient.

Above sent to
J.C. Hudson
D/Ind

R Kilroy-Silk, Esq, MP



me

RM

cc: K. Baker, MP

10 DOWNING STREET

From the Private Secretary

9 February, 1982

I spoke to your Research Assistant today to confirm the meeting with the Prime Minister for next Tuesday, 16 February at 1645 hrs. I have arranged for Mr Baker to be present and the meeting will take place at No.10. I hope this will be convenient.

CAROLINE STEPHENS

R Kilroy-Silk, Esq, MP

VB

PRIME MINISTER

cc: Mr. Gow

Robert Kilroy-Silk, M.P., asks if he might come and see you again about two closures in his constituency, Hygena and Astland Mills.

Can I put him in after Questions one day asking Kenneth Baker to be present at the same time?

ES.

8 February 1982

*Yes not
write Kenneth Baker office*

SUBJECT



Prime Minister
file 186

10 DOWNING STREET

From the Private Secretary

2 April 1981

Dear Jonathan

ROBERT KILROY-SILK MP:
MEETING WITH THE PRIME MINISTER

The Prime Minister met Mr. Kilroy-Silk, at his request, at 1530 on 2 April. Your Minister and Ian Gow were also present.

Mr. Kilroy-Silk said that since he had asked for the meeting to discuss the proposed closure of the Courtaulds' plant at Aintree, the workforce had met and accepted the inevitability of the factory's closure. They had reluctantly decided to negotiate the best redundancy terms they could.

Mr. Kilroy-Silk wanted to put to the Prime Minister the points which had been made to him by the management of Courtaulds. They had said that the main reasons for their decision were high energy prices in this country - as much as 10-12 per cent higher than in Europe; an exchange rate which had risen by 27 per cent against the DM and the French franc in three months; and high UK interest rates.

Mr. Kilroy-Silk said Merseyside had suffered a number of blows recently. Tate and Lyle and Bowater had announced closures, and there were threats over Ford and Vauxhall. Twenty thousand redundancies had been declared in Merseyside since the last election, and there were now 109,000 unemployed chasing 2,000 vacancies.

The Prime Minister said that the employment position was not static. Two hundred and eighty thousand people came off the register each month, the overwhelming majority going into jobs. She said that Courtaulds had been closing their factories even before the last election.

On energy prices, the Prime Minister said that British coal was more expensive than imported coal and that we were suffering as far as electricity was concerned because we had not gone nuclear quickly enough. All of that was true regardless of exchange rates. She said that the taxpayer was providing £309 million to the electricity industry this year. She intended to bring about greater benefit to the largest users of electricity. At present, there was a smaller differential in this country between the prices paid by small users and large users than was the case in Europe, where large users had much greater advantage. The Government would do what it could for industry, and would also take up vigorously subsidies given by other countries - for example, the Dutch gas subsidies.

/Your Minister

Your Minister said that Courtaulds had reached a strategic decision to come out of nylon and to concentrate on acrylic and polyester fibres. That was the real explanation for the Aintree closure.

The Prime Minister asked Mr. Kilroy-Silk for his views on what the Government could do to help Merseyside more generally. Mr. Kilroy-Silk said that attitudes in the area were different from those elsewhere in Britain. Some of the explanation lay in the tradition of casual labour, arising from the customs in the docks. There was no long history of manufacturing industry, much of which had been brought to the area by Mr. Macmillan and Sir Harold Wilson. There was at present a tremendous air of depression and gloom, and he feared for the prospects for the young people now leaving school. He suggested that there might be established a Merseyside Development Agency. The Prime Minister said that the Government had already taken several different initiatives to help Merseyside, and that she had been chasing progress on them herself. She said that the proposal for the Urban Development Corporation had been put through the House of Commons. More land was needed for it, over and above the 400 acres which had been acquired from the Mersey Docks and Harbour Company. The local authority had been slow in delineating the Enterprise Zone at Speke, and she had put pressure on them. Altogether, something like £185 million was going into Merseyside via industrial help, the partnership arrangement, its Special Development Area status and so on. Her fear was that it would be impossible to persuade manufacturing industry to site large new factories there.

Mr. Kilroy-Silk said that he had to admit that labour productivity in Merseyside had not been as good as it might have been. Liverpool had a reputation for an embittered workforce. He suggested that it might be possible to site further public service headquarters staffs in Merseyside. He put forward Community Industry as one possibility. The Prime Minister said that there had been great resistance to proposals for dispersal to Bootle, and your Minister pointed out that there was already the Giro Headquarters in the area.

The Prime Minister said that she shared Mr. Kilroy-Silk's concern about Merseyside. It did seem to her to present problems of a different nature from those facing, say, Glasgow, or Shotton. The Government had done everything it could in organisational terms. It was also possible to contemplate investment in schemes such as the Liverpool Inner Ring Road, but projects such as that would give only temporary benefit. It seemed to her that the best hope for the future lay in the service sector or small businesses. She said that she had fought to save Bowaters and failed. She mentioned the proposed job creation scheme based on the Tate and Lyle closure, but said that the total of all these initiatives was small compared with what was wanted.

Mr. Kilroy-Silk said that he had been struck by the Prime Minister's positive attitude towards the problems of Merseyside, which he had not been expecting. He asked whether he could say to his constituents that she understood their problems, was concerned about them and would be prepared to help. He hoped that she would allow him to say that if possible schemes were put to the Government, she would back them. The Prime Minister said that she could not undertake to put in more money, but drew Mr. Kilroy-Silk's attention to the funds already available through Section 7 and Section 8 Assistance. Your

/Minister reminded

Minister reminded Mr. Kilroy-Silk that offers of regional aid and Section 8 Assistance had been made to Courtaulds, who had said that they did not want to put money into nylon.

Finally, the Prime Minister invited Mr. Kilroy-Silk to put forward his own concrete suggestions for helping the area. He said that one thing which would help would be to renovate the council housing in Kirkby, which was the area of his constituency which caused him most concern and where male unemployment was running at 40 per cent. He said that he would be very glad to respond to the Prime Minister's question after giving it more thought; she invited him to put his proposals direct to your Minister.

I am copying this letter for information to Richard Dykes (Department of Employment), Richard Tolkien (H.M. Treasury) and David Edmonds (Department of the Environment).

You ever

Nick Sarden

J. C. Hudson, Esq.,
Department of Industry.

CB



FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 6401
SWITCHBOARD 01-212 7676

Kenneth Baker's Office

Nick Sanders Esq
Private Secretary to
The Prime Minister
10 Downing Street
London SW1

18 March 1981

Dear Nick,

M

Thank you for your letter of 10 March. As requested, I attach a brief for the Prime Minister's meeting with Mr Kilroy-Silk on 19 March to discuss the closure of Courtaulds' Aintree factory.

I am copying this letter and enclosure to Stuart Hampson (Department of Trade).

Yours sincerely,

Jonathan Hudson

JONATHAN HUDSON
Private Secretary



MEETING WITH MR R KILROY-SILK MP, ON CLOSURE OF COURTAULDS'
AINTREE FACTORY: 19 MARCH 1981

Points to Make

1. Regret the announcement by Courtaulds of the closure of their nylon factories at Aintree (and Carrickfergus). Appreciate that the loss of a further 1,550 jobs on Merseyside is a serious blow.
2. Closure decision for Courtaulds to take in the light of commercial considerations and future prospects. Government has no powers to prevent the company closing the factory.
3. Man-made fibres as a whole are going through a difficult period, not least because of world-wide overcapacity for many of their products. Textile (ie non-industrial) demand for nylon has been declining as other fibres eg polyester have become more popular. Courtaulds' announcement made this clear.
- ← 4. Energy costs not determining factor in Aintree closure.
5. Helping textile industry through the quotas introduced by the government and commitment to work for a very strong successor to current Multifibre Arrangement.
6. Government intervention to try to save Aintree factory would not be sensible. To do it for this and many other factories would increase public expenditure and hamper further movement to even lower interest rates that industry wants.
7. Courtaulds also in its strategy, like government, working for the retention of viable long-term jobs.
8. Remind MP that Labour Government did not intervene to prevent Courtaulds closure at Skelmersdale in 1976.



BACKGROUND NOTE

On 20 February Courtaulds announced the closure of the remainder of their production capacity for the manufacture of nylon filament yarn for textiles, involving the loss of nearly 2,000 jobs. These latest closures will mean the end of the Aintree (1,550 jobs) and Carrickfergus (Northern Ireland) factories. The Aintree redundancies will be spread over a period from 21 May 1981.

The market for nylon textile yarn has been declining since 1973-4 due in part to shifts to other fibres eg polyester. This has resulted in heavy European over-capacity. The announcement by Courtaulds also mentioned the recession, strength of Sterling and UK energy costs as contributory factors. (Energy costs, although heavy, particularly compared with eg France and Germany were not by themselves responsible for the closure. Courtaulds have said that even if the energy bill for Aintree had been halved it would not have made the site viable).

Courtaulds have examined all the options including rationalisation and modernisation but the costs (around £20 million) are unthinkable in the Group's present financial position. Courtaulds turned down an offer made last July by the Department of £1.1 million Industry Act selective assistance towards a £6.7 million modernisation project at Aintree.

Courtaulds' withdrawal from nylon is part of a general trend towards greater specialisation by European fibre producers. The Dutch-controlled British Enkalon is ending UK production of nylon textile yarn, but hopes to continue in nylon carpet yarn. ICI has now pulled out of most polyester yarn production and will in future concentrate on its main strength, nylon. Courtaulds will now concentrate on viscose and acrylic fibre, of which it is a world-scale producer. In continental Europe eg Rhone Poulenc (France) and Akzo (Netherlands) are also cutting back their operations.

OTHER MAJOR COURTAULDS CLOSURES

Courtaulds' pre-tax profits in the half year to 30 September were £2.8 million compared with £30.2 million in the same period of 1979. In the past year over 25,000 jobs have been lost throughout the Group and their UK workforce is now down below 75,000 (85% in textiles). The main redundancy impact has been felt in fibres, yarns and fabrics. Major closures in the last six months have included 9 Spinning mills (mainly in Lancashire) with a combined loss of some 1,500 jobs.

Earlier major Courtaulds closures which were announced under the previous Administration include Spennymoor, County Durham in March 1979 with the loss of 1,570 jobs; and a weaving plant at Skelmersdale, Lancashire in the constituency next door to that of Mr Kilroy-Slik, in October 1976, with the loss of 1,000 jobs.

UNEMPLOYMENT ON MERSEYSIDE

Unemployment in the Merseyside Special Development Area (SDA) as a whole in mid February was almost 110,000 (15.8%). In the Liverpool Travel-to-Work Area (included in the SDA) it was just over 77,000 (16.2%)¹. In the Ormskirk Travel-to-Work area, (not included in the SDA but which includes Skelmersdale) it was 5,274 (17.1%).



The rate of rise in unemployment on Merseyside over the past year has been at about the national average. Other areas in the North West have been hit harder. However, there is evidence that the rate of unemployment on Merseyside will increase with the advent of a "second wave" of closures and redundancies. In addition to Courtaulds, other major redundancies (announced or in prospect) include Vauxhall (3,000), Tate & Lyle (1,500) and Mersey Docks & Harbour Co (1,000).

Chemicals and Textiles Division
Department of Industry

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10 DOWNING STREET

From the Private Secretary

10 March 1981

I attach a letter the Prime Minister has received from Robert Kilroy-Silk, M.P., asking her to see him to discuss the closure of the Courtauld factory in Aintree. As you know, the Prime Minister has agreed to see Mr. Kilroy-Silk at 1600 on Thursday 19 March, and your Minister has been invited to the meeting. I should be grateful if, in consultation with the Department of Trade if necessary, you could let me have a short brief for the Prime Minister, to reach us here by close of play on Wednesday 18 March.

I am copying this letter and its enclosure for information to Stuart Hampson (Department of Trade).

N. J. SANDERS

J.C. Hudson Esq
Department of Industry.



10 DOWNING STREET

THE PRIME MINISTER

9 March 1981

Dear Mr. Kilroy-Silk,

Thank you for your letter of 5 March, asking to see me about the proposed closure of the Courtauld factory in Aintree. As I said in the House, I stand ready to meet constituency members to discuss imminent closures in their constituency. My office will therefore be in touch with you to find a suitable time.

I have, however, made it clear on several occasions that I believe that it is right that groups of members or delegations should meet the appropriate Minister rather than bring their case to me. I am therefore very ready to see you yourself, as a constituency member, but must ask that any larger deputation should meet my Ministerial colleagues.

Yours sincerely
Margaret Thatcher

Robert Kilroy-Silk, Esq, MP

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10 DOWNING STREET

PRIME MINISTER

This letter to Robert Kilroy-Silk is self-explanatory. The Department of Industry confirm that the Aintree factory which Courtaulds are to close is in Mr Kilroy-Silk's constituency.

As I have already told you, we have rather a large number of Labour members coming in to see you over the next 10 days. I am afraid that this is inevitable if we are to see all who have written to you.

MS

6 March, 1981

6 March, 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 5 March. This is receiving attention and you will be sent a reply as soon as possible.

N. J. SANDERS

Robert Kilroy-Silk, Esq, MP



HOUSE OF COMMONS
LONDON SW1A 0AA

5th March 1981

Dear Prime Minister,

I will recall that you said that you would be prepared see the Member for a constituency in which a factory was to close.

Would you therefore see me about the closure of the Courtauld's Aintree factory where 1550 jobs are to be lost.

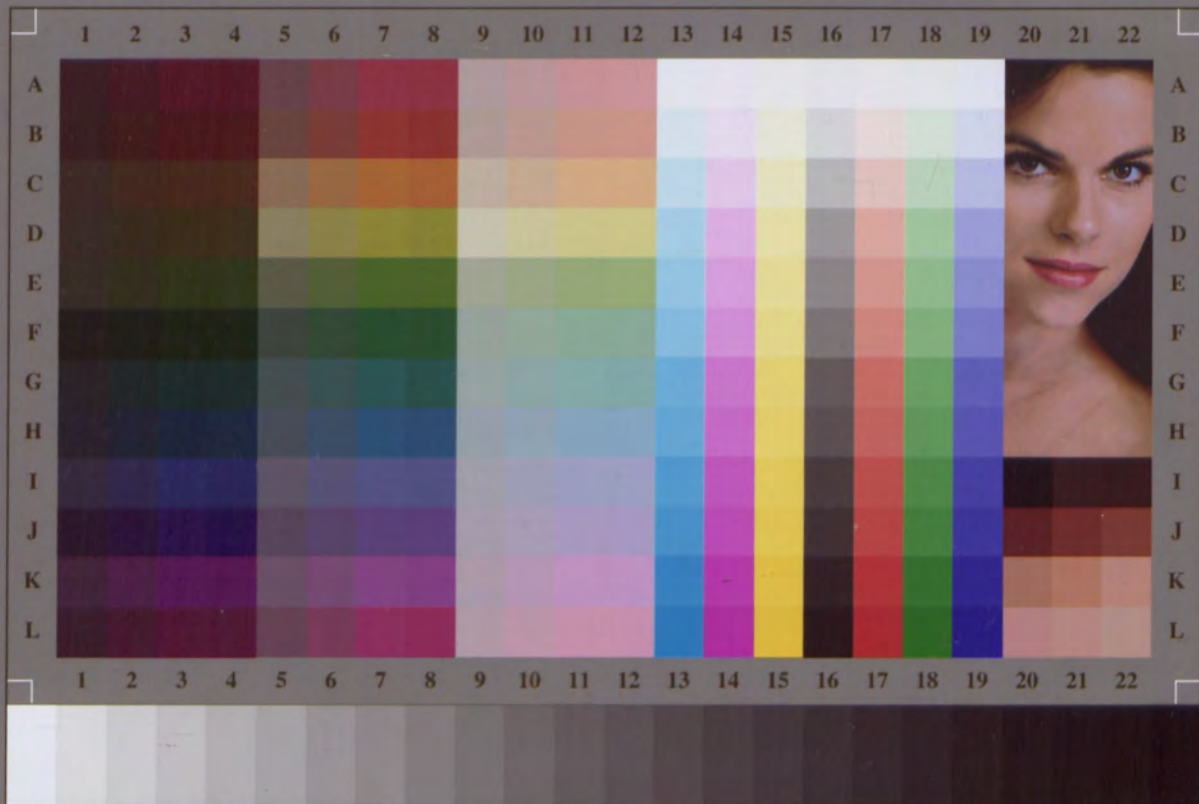
It would also be helpful if you would be prepared to see Steve Mearns MP and show steering for the factory at the same time.

Yours sincerely

Robert Kilroy-Silk

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