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Confidential Flip

PM's Meeting with David Watkins MP
to discuss Consett Steelworks and
other factories

PRIME
MINISTER

February 1981

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SUBJECT

FILE

Rb



cc: D.EMP

cc: Master

10 DOWNING STREET

From the Private Secretary

13 March, 1981

pm

Dear Tony

David Watkins, MP: Meeting with the Prime Minister

David Watkins met the Prime Minister at 10 Downing Street at 1945 hrs on 11 March. Your Minister and Ian Gow were also present.

Mr Watkins said that closures in his constituency included not only the steel works but also the RHP Bearings factory, and a large number of others which had not received national publicity. Examples included the Ever Ready factory, the Anthony Carrimore specialised vehicle factory, Cumberland Fibres factory and so on. The whole economy of the area was in a state of collapse. What was more, many of the factories which were now closing had been established with the help of large regional grants and had seemed to have real prospects of success when they had opened.

In discussion of the steel works, Mr Watkins said that there had always been an argument for modernising medium sized steel works rather than investing in huge new plants on the Japanese pattern. All governments had followed the latter path; what resulted was the closure of Consett. The Prime Minister said that she agreed with much of what Mr Watkins had said. Mr Watkins reported to the Prime Minister on his discussions with Mr Ian MacGregor about Redpath Dorman Long in Consett. He said that his delegation had accomplished all that they could have expected. It was, however, unfortunate in his view that the heavy rolling machinery from Consett had been transferred to Stockton on Tees, so that further similar machinery would now have to be moved from somewhere else into the Consett plant.

Mr Watkins said that the most important general point he wished to make was that he hoped that everything that could be done to speed up the process of handling applications to open new factories in Consett would be done. He said that your Minister had a real

/commitment

commitment to Consett and that everyone involved in the Department of Industry and in BSC Industry were doing their very best to help. He had recently been involved in discussions with a group of companies who wished to manufacture electrical switches, and who were negotiating to takeover an advance factory in Consett.

Your Minister said that he had been in correspondence with Mr Watkins about the particular case and he would continue to watch it closely. He said that it was inevitable that there would in general be some delay in dealing with applications for regional development grants, if only because of the very large number of applications which were being received. He said that he would very much like to reduce that delay and that everything was going ahead in Consett as quickly as it could. The real problem was attracting industrialists to go there rather than to, say, Corby. He undertook that any proposal which seemed to present the possibility of offering a real breakthrough would be processed as quickly as possible.

Your Minister said that he had been greatly impressed by the constructive attitude of everyone that he had met when he had visited Consett. There was some discussion of the possibility of Consett residents working in the Newcastle area or at Team Valley. Mr Watkins said that the difficulty facing them was that public transport was very poor. He said that it was not practical to think of Consett and Stanley being dormitory towns.

Closing the meeting, your Minister said that he was very conscious of the problems facing Consett, which had the highest unemployment in the country. The important thing was to attract companies to the area, especially a good one to act as a magnet to other firms, and he and your department were doing all they could. The Prime Minister said that she was anxious that nothing which could be done should be held up by administrative difficulties.

I think there is no need for further action on the Prime Minister's part; no doubt your Minister will continue to keep in close touch with Mr Watkins.

I am copying this letter for information to Richard Dykes, (Department of Employment).

Yours ever

Nick Sadler



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*From the
Parliamentary Under Secretary of State*

10 March 1981

Nick Sanders Esq
Private Secretary to the
Prime Minister
10 Downing Street

Dear Nick,

As requested, I attach a brief for the Prime Minister's meeting tomorrow with David Watkins MP. Mr MacGregor will be attending.

Yours

A C S Willis
Private Secretary



MEETING WITH DAVID WATKINS MP, 11 MARCH 1981

BRIEF FOR THE PRIME MINISTER

Mr Watkins wishes to discuss the effects on the Consett area of the closure of the steelworks (October 1980, 3,700 redundancies) and the Ransome Hoffman Pollard ball bearing factory at Annfield (now closing, 1,250 redundancies) and smaller contractions and closures taking place in the very depressed local economy.

BACKGROUND

2 The Consett Travel-To-Work-Area (which broadly equates with Derwentside District) now have the highest unemployment rate in GB - 23.8% in February 1981, in the main the result of the steel closure. The RHP closure and other contractions and closures likely could push the rate to around 30% by mid year. Details of the job losses and the unemployment position are at Annex A.

Major Closures

3 Although Derwentside has been a chronically depressed area for a number of years, the steel closure and the RHP closure are the two major elements of the present difficulties. The steelworks closure was of course a commercial decision for BSC. The Government made clear at the time that a private sector solution would be welcomed, but none was forthcoming. The closure is now very much seen by all concerned as water under the bridge. But the RHP closure has not yet taken place and is thus a live local issue. It is an example of a firm faced with intense competition and a declining market (automotive bearings) contracting by closing its outlying (and possibly less productive) plant. A note on the company's position is at Annex B.

Remedial Measures

4 In response to the original steelworks closure the Government implemented a programme of advance factory building, derelict land clearance grants, special manpower measures and (later) support for the loss of rate income, all designed to cushion the community from the drastic effects of the closure and to attract in the new industry needed to regenerate the industrial base. Consett was already a Special Development Area and the Department of Industry makes the fullest possible use of selective financial assistance to help firms setting up or expanding there. And as a steel-closure area Consett benefits from ECSC aid, especially low-cost foreign currency loans. Details are at Annex C.

Derwentside Industrial Strategy Committee

5 The readiness of Government to help with the problems of the area has been well matched by the determination of the community. Their efforts are brought together in the Strategy Committee, which formulates the necessary strategy and



guides and monitors its implementation. Chaired by the Chief Executive of BSC(I) Ltd, John Dunbar, it includes representatives of Derwentside DC, Durham CC, DoE, DoI and MSC.

Ministerial Meetings and Visits

6 When he was PUSS/Industry, Mr Mitchell visited Consett in September 1980 and effectively adopted the role of "progress chaser". Subsequently Sir Keith Joseph, Mr Mitchell and Lord Bellwin saw a deputation from Derwentside led by Mr Watkins in December 1980. On taking Mr Mitchell's post, Mr MacGregor visited Consett on 23 January - to attend the meeting of the Strategy Committee - as one of his first ministerial acts. Mr Watkins pressed him to agree to attend the Committee on a regular (6 monthly) basis but Mr MacGregor has avoided rigid commitment and undertaken to go again simply as ^{and} when appropriate. The Secretary of State for Industry will be visiting Consett on 13 March as part of a visit to the North East. The Minister of State for Local Government (Mr King) has recently declined an invitation from the Strategy Committee to attend a meeting; this has been received with some disappointment locally as no DoE Minister has yet visited the area.

Progress

7 At present the Strategy Committee is dealing with 85 active industrial enquiries with a total employment potential of about 3,000 new jobs. But this very encouraging level of interest has yet to be matched by firm projects and the annualised rate of job creation for 1981 is likely to be only 400-500 jobs, well below the current rate of job loss in the area. It is generally agreed that what is needed now is a good sized (ie potential for more than 100 jobs) project to boost morale and give momentum to the effort. One such project (commercially confidential) is in the running - an Airco graphite plant. DoI have had prepared for the company a consultant's report on the key issue of energy costs and possibilities and the company's response is now awaited.

8 Overall Consett's position can be summarised as doing very well in attracting investment at such a difficult time but not well enough yet to make a real impact on their employment problem.

LINE TO TAKE

9 On the steelworks and RHP closures.

- these were both matters for the commercial judgement of the management involved.

10 But there are a number of positive points to make.

- i the Government has always recognised Consett's special problems - that is why we acted so quickly to help after the steelworks closure;



- ii and we have reacted positively to other needs as they have become apparent eg in compensating the District Council for loss of rate income; in bringing forward advance factory construction to provide the size and type of unit required; and in supporting Durham CC's road building programmes in the area through the Transport Supplementary Grant;
- iii the Government will continue to watch the situation closely - Sir Keith Joseph will shortly be writing to Mr Watkins about a number of aspects which were set in review at their last meeting;
- iv the response of potential investors has been ~~very~~ encouraging ~~indeed~~ at a time of such deep recession - and a tribute to the work of all concerned;
- v the Government stands ready to help further wherever possible and will continue to receive with sympathy the views and requests of all concerned with the regeneration of Consett's economy.

GPC

E P CAMERON

DoI/RPDG

9 March 1981



ANNEX A

JOB LOSSES AND UNEMPLOYMENT IN CONSETT TTWA

Major Redundancies

| FIRM | LOCATION | NUMBER | DATE NOTIFIED |
|----------------------------|----------|------------|---|
| Autolifts Ltd | Stanley | 136 | January 1980 |
| (BSC | Consett | 3580 | June 1980 |
| (Redpath Engineering (BSC) | Consett | 134 | April 1980 |
| Ever Ready Co (GB) | Stanley | 134 283 | September 1980 (not yet formally notified) |
| Ransome, Hoffman & Pollard | Consett | 1250 | November 1980 |
| Cumberland Fibres | Stanley | 98 | February 1980 |

Employment Position

Consett Travel-To-Work Area (TTWA) (= Consett and Stanley EOAs)

| | September | October | November | December | January | February |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| Males employed | 3316 (16.3%) | 3735 (18.3%) | 4304 (12.1%) | 5559 (27.2%) | 5824 (28.5%) | 6005 (29.4) |
| Females employed | 1596 (14.1%) | 1527 (13.5%) | 1526 (13.5%) | 1537 (13.6%) | 1634 (14.5%) | 1538 (13.6) |
| Totals unemployed | 4912 (15.5%) | 5262 (16.6%) | 5830 (18.4%) | 7096 (22.4%) | 7458 (23.5%) | 7543 (23.8) |
| Turnover | 669 | 864 | 850 | 624 | | |
| Vacancies | 61 | 91 | 103 | 72 | 69 | |

Notes

- (1) Turnover = number leaving the register during the month.
- (2) Vacancies notified to the Employment Offices. The figures probably considerably understate the total number of jobs available in the locality. It has been estimated that the employment service covers about 50% of all vacancies in the Northern Region as a whole.

RANSOME HOFFMANN POLLARD LTD (RHP)

RHP manufactures ball and roller bearings, electrical components and industrial fasteners. RHP has 14 UK subsidiaries and 6 overseas. RHP is the largest UK bearings manufacturer (35% of UK production). Total group sales for 1980 were £120m, direct exports £31m. The total employed by the group was 10,099 at 3 October 1980, with 9,417 employed in the UK.

2. To assist the expansion of ball bearing production at Annfield Plain, RHP were granted a loan of £1.2m in 1977 under Section 7 of the Industry Act 1972. Before RHP could seek full payment of the loan, however, market prospects for Annfield Plain's output deteriorated sharply. The decline in the UK automotive industry has had a serious effect on demand for automotive bearings. The UK industry has also had to face dumping from Japan and Eastern Europe: although the EEC Commission has established that Japanese dumping of 30% was occurring in 1978-79, currency changes since then have eroded the dumping margin and no redress is possible.

3. Import penetration is likely to remain at around 55% and there is no reason to expect a long term improvement in the industry's prospects which could justify retaining surplus capacity. In November 1980 the closure of Annfield was announced work to be transferred to their other automotive bearing factories at Chelmsford, Newark and Ferrybridge. The closure will result in the loss of approximately 1,250 jobs.

4. The choice of Annfield Plain for closure seems to have been made in part because of lower productivity there. There is no indication that the Department was consulted beforehand. The Northern Regional Office has discussed the decision with the company to find out if there was any alternative to the closure of their Annfield plant and to explore whether there was any possibility of keeping it open with Government assistance. The company explained that they had undertaken a lengthy exercise to determine the most cost-effective way of rationalising their operations and they have subsequently confirmed that their arrangements have gone too far for a reversal of their decision.

Line to Take

The closure of the RHP plant at Annfield Plain is a matter for Ransome, Hoffman, Pollard. I understand that the company's decision was the result of a decline in the UK market and fierce overseas competition. The Government remains convinced that the only solution to cases such as RHP is to create a healthier and more efficient industrial and economic climate which it is actively pursuing by its present policies.



AID FOR CONSETT

1 TRADITIONAL REGIONAL AID

Consett has long been a Special Development Area; benefits include 22% RDG, selective financial assistance, 100% grants for derelict land clearance and advance factory building.

2 SPECIAL REMEDIAL MEASURES PACKAGE

On closure of the steelworks a special additional programme was implemented -

Factory Building - a programme of £12-13m of advance factories over the next 5 years.

Derelict Land Clearance - Derelict Land Clearance grants of up to £10m will be available to meet the net costs of reclamation of the steelworks and other sites by the local authorities. Their capital expenditure allocations will be adjusted to allow full use to be made of the available grant.

Manpower Development - a series of measures, including work reorientation courses, small business training, help for apprentices and the young unemployed and special mobility measures.

3 SUBSEQUENT MEASURES

Since the original package two additional measures have been announced -

Factory Building - EIEC has been able to bring forward work on a further 14 units (two of 25,000sq ft, the rest small) to balance stock with expected demand.

Rate Income Support - The Secretary of State for the Environment has announced a scheme to compensate local authorities for loss of rate income where over 5% of rateable value has been lost in the years 1980/81 and 1981/82. This should completely compensate Derwentside District Council for loss of rate income from the steelworks closure until the RSG is adjusted in 1982/83 to take this fully into account.

4 ECSC AID

As a steel closure area, investment projects in Consett can qualify for loans of up to 50% of fixed costs. Exchange risk cover is available under S7 for ECSC foreign currency loans - rates of 10%-11%. ECSC sterling loans are currently at 13%-14%.



Ex-BSC employees are also cushioned from the full impact of redundancy by the Iron and Steel Employees Readaptation Benefit Scheme (ISERBS) which inter alia supplements unemployment and social security benefits for a limited period.

file

BK.

Th. D. WATKINS

4 March 1981

I am writing to confirm that you will be seeing the Prime Minister at 1930 hours on Wednesday 11 March in her room at the House. John MacGregor will also be present.

C STEPHENS

David Watkins, Esq., M.P.

HS

FINE

cc: Mr. Gow

Ed

MR. SANDERS

Here is the up to date list of the Labour Members of Parliament coming to see the Prime Minister:-

Wednesday 11 March

1700 Mr. George Foulkes and Mr. Alex Fletcher
1930 Mr. David Watkins and Mr. Norman Tebbit
21000 Mr Jim Craigen and Mr Alex Fletcher

Thursday 12 March

1630 The Right Honourable Denzil Davies and
Mr. Norman Tebbit

Tuesday 17 March

1530 Dr. Gavin Strang and Mr. Alex Fletcher

All these meetings will take place in the House of Commons.

CAROLINE STEPHENS

4 March 1981



Mr. D. WATKINS

file VB

10 DOWNING STREET

From the Private Secretary

3 March 1981

I wrote to Ian Ellison on 16 February enclosing the attached letter from David Watkins, M.P., who wants to come and talk to the Prime Minister about the closure of the Consett steel works. As you will know, that meeting has been arranged for 1930 on Wednesday, 11 March; and your Minister has been invited to attend.

I should be grateful if you could arrange for a short brief for the Prime Minister to be prepared, and if it could reach us by close of play on Tuesday, 10 March.

N. J. SANDERS

P. E. Mason, Esq.,
Department of Industry.

pp p10



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PS/*Secretary of State for Industry*

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

23 February 1981

Dear Nik

Your letter of 16 February, telling me that the Prime Minister is to meet David Watkins MP to discuss Consett, suggested that Mr Tebbit should be present. Mr Tebbit has suggested that it would be more appropriate if Mr MacGregor, who has recently visited Consett and is well acquainted with its problems, was present instead. Perhaps you could let me know if the Prime Minister would be content with this arrangement.

2 We shall be providing briefing for the meeting in due course.

Yours ever
Richard

RICHARD RILEY
Private Secretary

JS

R. Sanders

Do you want to tell
Mr. Watkins the position?

P
17/2

16 February 1981

I attach a copy of some correspondence the Prime Minister has received from David Watkins, MP. The Prime Minister has seen Mr. Watkins' letter and has said she will meet him one evening at the House of Commons. She would like an Industry Minister (perhaps Mr. Tebbit?) to be present at the meeting. We will be in touch with you later about the timing, but I doubt whether it will be possible to fit a meeting in before the Prime Minister's visit to the United States next week. We shall need a short brief in due course, and it might perhaps be possible to start preparing that now.

NJS

Ian Ellison, Esq.,
Department of Industry.

JS

PRIME MINISTER

This letter from David Watkins is the first response to your offer yesterday to see Members about factory closures in their constituencies. He wants to talk about Consett and the RHP ball-bearing factory, among other things.

This is obviously a genuine request, to be taken seriously. It is also a useful beginning to what may prove a rather time-consuming process.

How do you feel inclined to play these meetings? Do you want to have an Industry Minister (such as Norman Tebbit) with you for at least the more important ones? Do you want to hold them at No.10 during the day, or to try and fit them in over at the House during the evening?

In this particular case, are you content for us to get in touch with Mr. Watkins and fix a meeting as soon as we can find a place in the diary, making it clear to him that we shall expect him to come on his own? ✓

Yes. ✓
Norman Tebbit:

MS

At the House -
about 20 minutes before
voting.
MS.

13 February 1981

13 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 12 February. I will place it before her at once and you will be sent a reply as soon as possible.

N J SANDERS

David Watkins, Esq., M.P.

From: David Watkins, M.P.

cc EG 2



HOUSE OF COMMONS
LONDON SW1A 0AA

12th February, 1981.

CB/2

Dear Prime Minister,

Further to your reply this afternoon at Question Time, to the effect that you would be prepared to meet Members whose constituencies are the location of major industrial closures, I would like to meet you as soon as possible.

As you are aware, the Consett Steel Works closure in my constituency last October brought 3,700 redundancies. The Ransome Hoffman Pollard ball-bearing factory is now in the process of closing, with 1,250 redundancies. Almost every other firm in my constituency is facing or has already experienced major contraction and redundancies.

Yours sincerely,
David Watkins.

Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
S.W.1.

Linwood car factory will cause to the economy of Scotland? Does she recall that when she was elected it was pointed out that her Government represented the South and the South only? Will she therefore look at what has happened in the car industry, which has been supported by the Government through British Leyland and allowed to continue at Coventry while the Scottish car industry has been smashed into the ground?

The Prime Minister: Scotland has a number of opportunities in connection with the oil industry which are not available elsewhere. Although I share the hon. Gentleman's concern about the closure at Linwood, I doubt very much whether the people there would begrudge their fellow car workers a reasonable future in the plant at Ryton.

Mr. Anthony Grant: Will my right hon. Friend find time today to consider relations between Britain and Canada? Is she aware that the Canadian Prime Minister is insisting publicly that she undertook to impose a three-line Whip to put through this House his proposals on patriation of the constitution? Will she confirm that that is not correct? Will she also confirm the view of the Select Committee on Foreign Affairs that the duty of this House is to consider the wishes of the Canadian people as a whole and not the diktat of Mr. Trudeau?

The Prime Minister: Three-line Whips or any other Whipping are not decided upon until some 10 days before the business of the House, when we know exactly what the position is and exactly what the request is that we may have to honour. I wholly confirm what I have said previously on this matter. We have not received any request from the Canadian Government. When we receive a request, I believe that it is our duty to deal with it as expeditiously as possible.

Mr. Parry: When the Prime Minister meets the Prime Minister of Mauritius later today, will she discuss with him the implications and the possible effect that the proposed closure of the Tate and Lyle factory will have upon ACP countries? Will she also reconsider her decision about meeting an all-party parliamentary delegation to discuss this matter, because we all believe that a Government initiative could save the refinery?

The Prime Minister: I fully expect that the Prime Minister of Mauritius will raise the question of sugar refining, although I understand that an undertaking has been given to refine most of the sugar under the ACP agreements. I believe that the hon. Gentleman represents the constituency in which the Tate and Lyle factory is found. My right hon. Friend the Minister of Agriculture, Fisheries and Food flew back from Brussels to receive a delegation. I do not think that I can duplicate his receiving that delegation. I will always see the hon. Member himself in whose constituency a factory closure is about to occur.

Mr. Speaker: Mr. Allan Stewart.

Mr. Foot *rose*—

Mr. Speaker: Order. I have already called the hon. Member for Renfrewshire, East (Mr. Stewart). I shall call the Leader of the Opposition afterwards.

Mr. Allan Stewart: With regard to Linwood, will my right hon. Friend confirm that the Secretary of State and Department of Industry will now do everything possible to put to Nissan-Datsun the fact that it could be in that company's best commercial interests to reconsider going to a green field site and to build on the site at Linwood, using the skilled work force there?

The Prime Minister: Linwood is, of course, located in my hon. Friend's constituency. I understand that Nissan is studying the feasibility of coming to a green field site in this country. I do not think that there is any possibility of dissuading it from that, because that is what it wants.

Mr. Foot: I thank the right hon. Lady for the generous reply which she made a few minutes ago. Will she be dealing with the correspondence herself, or will some Minister be put in charge of these requests? Will she undertake to publish each week in the *Official Report* the requests from all my hon. Friends to visit the factories that are due to close? May I straight away put in my request to her to come and look at the closures in my own constituency? Will she publish her diary in the next week?

The Prime Minister: As usual, the right hon. Gentleman has got it wrong. I said that I would see the Member of a constituency in which a main factory closure occurs. A large delegation must always go to the Minister concerned, just as the main delegation went to see my right hon. Friend the Minister of Agriculture, Fisheries and Food. I personally shall see the Member. I am sorry that the right hon. Gentleman greets such a courtesy in such a churlish manner.

Royal Family (Speech References)

Mr. David Lambie (Central Ayrshire): On a point of order, Mr. Speaker. I recall that some years ago, when I asked a question at Prime Minister's Question Time about a speech made by the Duke of Edinburgh, you quite correctly gave a ruling that such a question was not permitted if it was critical in any way. Does that ruling still stand? Today there was a question about a speech by the Duke of Edinburgh, which brought a response from the Prime Minister. Both the question and the reply were highly complimentary, because, as it happens, what the Duke of Edinburgh said seems to agree with Tory policy. Does not that place those of us who wish to put a contrary view about a speech by the Duke of Edinburgh—which by implication would be critical—at a disadvantage, under the rules of House? Should not that point be looked at?

Mr. Speaker: The whole House is aware that I am its servant. I do my best to ensure that the rules of the House are observed. One of our fundamental rules is that any reference to a member of the Royal Family must be couched in courteous terms.

Dr. M. S. Miller (East Kilbride): On a point of order, Mr. Speaker. Is it in order for me to suggest that I could apply my medical services to the Secretary of State for Scotland, who was not present today or yesterday to answer questions—

Mr. Speaker: Order. I do not want to enter into a discussion on private medicine today.