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The Prime Minister  
Rt Hon Margaret Thatcher MP

Weds  
4/6/80

Dear Margaret

MS

B/F to MS

with textile  
briefing when it comes  
on Friday

I thought your advisers may like to  
see the enclosed press pages before our  
Textile Meeting.

I am most grateful to you for  
agreeing to see us.

Anthony Hunt  
MP

# BUSINESS AT WORK

# AN AILING INDUSTRY

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TEXTILE unions and employers are poised to take "drastic and unprecedented steps" in a bid to avoid the industry's total collapse.

Rochdale is one of the worst-hit areas with more than 1,500 jobs lost, or redundancies announced, since January.

By **MARTYN GREEN**

To explore the gravity of the situation, I have spoken to some of the industry's top people — employers and trade union leaders — to obtain an overall picture of the crisis.

Some say they will use the survey to "hammer home" the facts at local, Government and Common Market (EEC) level.

Employers and trade unions agree on several points — not least that thousands of jobs will be lost between now and the end of the year if urgent action is not taken.

## 'WORST I HAVE KNOWN'



**JOHN LONGWORTH**

Mr John Longworth, secretary and director of Rochdale and Yorkshire Textile Employers' Association, said the situation was the worst he had known.

He warned: "If present trends continue I predict half of the Lancashire textile labour force will be out of work within 12 months. This would be a loss of about 35,000 jobs. This is how bad things are."

"The whole of my days are spent advising firms how to deal with short-time working, redundancies and closures and how to use existing agreements to reduce labour costs and increase productivity."

The tragedy, Mr Longworth said, was that in Rochdale, employers had spent something like £20M on new machinery over the past two-and-a-half years. Nationally, the industry had invested about £1,100M in five years.

He said: "In Rochdale, employers are filled with gloom and despondency. In just over two years about 3,000 textile jobs have been lost. Despite modernising and increasing efficiency, mills are closing because employers cannot survive."

Why are they closing?

Mr Longworth: "Firstly there is the problem of cheap imports. If we paid our workers nothing we still could not compete on price with some imports."

"Some countries are deliberately dumping cheap textiles on Britain and this must be stopped."

"Modernising a spinning mill costs about £1M, and repayments, with interest charges, would be about £10,000 a week. Interest rates have risen from 12 to about 20 per cent, and coupled with this, we have had a 25 per cent rise in the cost of raw materials. Employers had not taken this into account."

"I would support a two-tier interest scheme such as Germany's, where industry receives preferential rates, currently between four and six per cent."

"Then we have imported goods bearing false country of origin labels."

"Import levels come under the EEC, but when it has imposed anti-dumping duties to

protect sections of our industry they have been abused."

"Garments can be made in one country, which has to pay anti-dumping duties, shipped to another country where the buttons are sewn on, and then exported to Britain by that country."

"We must persuade major stores to buy British. The consumer buys what is on the shelves. He does not check to see if the goods were made in Britain."

"The rot started some years ago when stores started buying foreign. This knocked many British producers out of business."

"But now, if all stores bought British, we could not meet demand. Mothercare and Marks and Spencer buy mainly British and are successful. Some others buy without regard to the effect it will have on the British economy."

"Now is the time for a little patriotism, but stores will have to make the change gradually to enable manufacturers to build up stocks."

"I know of some British exports that have been held up by customs officials within the EEC for five weeks. They asked for country of origin certificates, which are not needed within the EEC."

"We must now ignore the EEC rules and restrict some textile imports for at least six months until our industry stabilises. We have exhausted all possible avenues of negotiation."

"I think all employers would support an international day of action by textile workers. It would hurt us because of lost production, but any action, within reason, aimed at highlighting the crisis would get our backing."

"I would like to see the Prime Minister come North to show she is really interested in our plight."

"President Carter came out with a firm statement about help for the American textile industry and kept his word. This is what we need from our Prime Minister."

## 'LAST RESORT' STAGE



**BOB LLOYD-JONES**

Mr Bob Lloyd-Jones, Director-General of the British Textile Employers' Association, fears that 170,000 of the 700,000 textile workers could lose their jobs by the end of the year — because of high interest rates, the rising £ and cheap imports.

He said: "At the start of the Multi-Fibre Agreement (MFA) we were forced to invest heavily in new technology and modernising plants. Firms who did this have now been caught out, mainly due to high interest rates."

"The rising value of the pound is also making exporting more difficult."

"We are renegotiating the MFA but my main fear is that, at the end of the day, it will remain basically the same. The MFA takes account of a six per cent growth in demand."

"In Britain, demand has not reached this level and the current philosophy is one of stagnation rather than growth, coupled with a national recession."

"Then we have to consider Greece, which is to become a full member of the EEC. Up to now the Greeks have adhered to export quotas. But will they continue this attitude once they are members?"

In 1985 China will be producing 5½M tonnes of textiles — 1M tonnes more than the EEC produces. This demonstrates why we are so worried about the implication of massive Chinese exports."

"Our industry is fast reaching the "last resort" stage. In general, I am opposed to any kind of 'day of action' by workers. This would only add to the problem by hitting production."

"But if it became clear that this is the only way — the last resort in focussing attention on the plight of the industry — then I would support a mass day of action."

"But all is not doom and despondency. Some companies are operating profitably and investing heavily in their future."

"The difference between Germany and ourselves comes down to three factors. In Germany, the trade union situation is easier, the Government backs industry in many ways and banks are pumping funds into the industry."

"On the question of imports, we are not up to some of the dirty tricks played by the French and Italians."

"We have played everything according to the rules. Now we must stop playing cricket. If survival means resorting to some of these deplorable tactics, we must consider doing so."

"The new MFA must close import loopholes. It has been proved that voluntary agreements have proved useless — Turkey being a prime example."

"There should be no voluntary agreements. There should be legislation, and when the law is broken the EEC must act immediately and not take months, by which time the damage is already done."

The BTEA hopes to meet the Prime Minister to discuss the crisis. If this appeal fails, the Association has a few more tricks up its sleeve.

Mr Lloyd-Jones would not reveal "his hand," but his ultimate action could well be a ban on handling any imported goods directly responsible for the decline of some sections of the industry.

He agreed that joining the Common Market had been a "massive disaster" for the industry.

Had all member states played the game, our textile industry would not be facing the present crisis, although it would still have problems due to high interest rates and the value of the pound."

Sir Arthur Knight, chairman of Courtaulds, said he would have welcomed the opportunity to comment, but could say

nothing in advance of the Group's annual report, due to be published soon.

A senior executive at Courtaulds said: "We appreciate the textile industry is facing severe problems, but we do not consider ourselves to be a declining industry."

"As far as we are concerned all is not doom, gloom and despondency. We are determined to keep textiles a viable industry."

"To do this inevitably means contraction — closing some unprofitable mills. It is sickening when, after years of loyal service and co-operation from our workers, we have to close a mill down."

"In all cases, we have kept unprofitable mills going as long as possible. But inevitably we have to call a halt to safeguard other operations and the group as a whole."

"Recent mill closures represent only a small percentage of our overall operations. We still have more than 300 plants employing about 100,000 people."

"We have to accept that developing countries have textile industries and it would be wrong to ban all imports from these countries."

"But certainly action should be taken in cases of unfair competition."

"Cheap imports, high interest rates and the rising value of the pound are hitting the industry hard. But they are also hitting other industries just as hard."

"In Rochdale we are investing heavily in new plant at the Arrow Mill. This is a positive step which we are confident will prove successful."

"Opposite the Arrow, we have our Northern Textile Development Unit — a vitally important part of our operations."

"So as far as we are concerned it is not all doom and gloom, although I appreciate this is little comfort to those workers who are being made redundant."

"If there was any way we could have prevented these redundancies we would have done so."

"As far as we are concerned, the textile industry will not die as some pundits are forecasting."

Continued on next page

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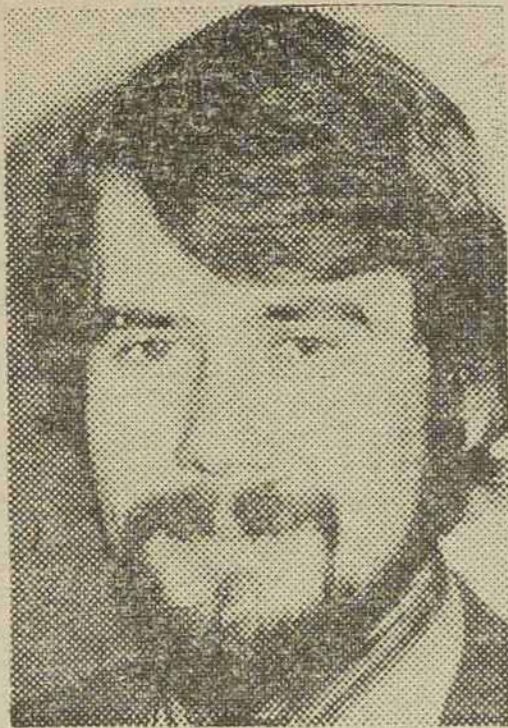
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**'LITTLE JOB COMFORT — BUT TEXTILES WILL NOT DIE'**

**From previous page**  
**'ON WAY TO RUIN'**

Mr David Cunliffe, chairman of Carrington Viyella's Apparel Division, warns that if inflation continues to rise, interest rates remain high and the value of the pound continues to rise, the textile industry — and industry in general — will be "on the way to ruin."

He wants Britain to take a tough line to curb unfair textile imports.

"We should go it alone and take unilateral action. We have been too soft and must now take a tough stand," he said.

Carrington Viyella would have to take a careful look at its operations if the economic situation did not improve.

Ellenroad Mill Ltd employs 275 people at Newhey. Mr J D P Tanner, deputy chairman, said the health of the company depended on the health of its weaver customers.

They were not big exporters of yarn and had a fairly healthy order book, although selling prices had been cut to the bone.

The company was faced with a recent 14 per cent pay award to textile workers.

"They fully deserve this, but we are going to find it difficult to offset this by way of price increases," he said.

Mr Tanner said weavers were under intense pressure and had to look for alternative sources of supply.

He said: "Our main concern is the depressed state of the weaving industry and how long their suppliers can continue before they are in the same predicament."

"There is no doubt the short-term future of both is extremely dangerous. All we can do is to cut costs to ensure we are as competitive as possible."

"The crunch will come when it comes to investing in new technology. Cutting profit margins now reduces reserves available for new machinery and buildings."

"What makes me nervous is the possibility of reprisal action if we restrict imports."

He felt high interest rates would not solve the country's economic problems.

"So many loan demands to the banks are not for new productive enterprises, but for distress borrowing to keep a company going."

"It will be a tough fight for everyone in the next 12 months. The Government must decide now if it wants to retain a healthy textile industry."

Mr Geoff Heywood, chairman of S A Heywood and Sons, which employs 45 people at its Passmonds Mill, said: "Part of our success, compared with larger firms, is that administrative costs are kept to a minimum and account for less than one per cent of turnover."

"Our business is run by two directors and a secretary — on a turnover of about £500,000."

"We have been able to keep price rises to a minimum and so remain competitive, thanks mainly to a 25 per cent increase in productivity."

"There is no doubt the cloth market is under intense pressure. Even in the yarn market the situation is getting worse. In the past month we have found trading conditions more difficult."

"But whereas major firms have spent millions on re-equipping and modernisation, we have not. It takes many years to recoup the cost of modernising, particularly if cash has to be borrowed at high interest rates."

"Also, the directors have taken very little out of Heywood's. The money has been ploughed back in."

"This is now paying dividends, considering the present cost of borrowing."

"We have been helped tremendously by the Small Firms Advisory Unit of the Cotton and Allied Textile Industry Training Board."

"We are going through the worst and longest recession in my 30 years' experience. But we have to have a grain of optimism."

**'NOT ONLY IMPORTS TO BLAME'**

Mr William Fielding, senior executive of Besco Baron, which employs more than 300 people at Summer Street, feels cheap imports are not solely responsible for the declining textile industry.

He said: "Retailers and wholesalers are cutting back on stocks as the public are simply not buying. This is no doubt due to the overall economic depression."

"For the first time in our 30-year history we are cutting back on our workforce, not by redundancies, but by natural wastage."

**TEXTILE DAY OF ACTION**



**EDMUND GARTSIDE**

Mr Edmund Gartside, chairman and managing director of Shiloh Spinners, has for many years led a campaign to protect the industry.

He has led a number of national and international organisations connected with the textile industry and is currently vice-chairman of the International Textile Manufacturers' Federation.

He foresees more firms going out of business, but feels the industry will reach a stable level. When it does, those firms still left should reap the benefits.

For this to happen, the Government should act now on a number of issues.

"From a strategic point of view, we have reached the stage where British manufacturers could not even supply our armed forces in the event of an emergency."

"I would welcome and support a half-day or full-day of action by textile workers to highlight the plight of the industry."

The Prime Minister, he said, should adopt a tough line on cheap imports and insist on stronger anti-dumping measures.

"The EEC should be able to act quickly in cases of dumping and unfair competition. It does not. It drags its feet and waits months, by which time the damage is done," he said.

"I do not know of any zoning system operated by the EEC but I have certainly heard about a black list in operation, where the goods of certain member countries are being blacked."

"I do not think the pound should be devalued, even though it is partly based on our oil assets. OK, when its value rises our exports are dearer, but by the same token our cotton imports are cheaper and on the whole I think these two balance out."

"I think Mrs Thatcher should have introduced a wages policy rather than drastically increased interest rates."

He said reducing interest rates should be the Government's priority. The rate, I believe, should be in the region of 12 per cent, with lower rates for industry if possible.

"But I have to be optimistic. We have gone through rough

patches before and something has usually turned up. Last time it was the Government Temporary Employment Subsidy which saved us.

"As a major industry, a great deal of our future will depend on the terms renegotiated under the MFA."

"The new MFA must include a recession so that quotas can vary according to home demand. At present, the MFA is based on a growth factor of six per cent when, in fact, the UK growth demand is nowhere near that figure."

"Total imports of yarn cloth are between 15 and 20 per cent but last year America reduced its textile imports by about 15 per cent to protect its industry."

"I also feel import quotas should be reviewed quarterly or half-yearly, not annually as at present."

"To remain viable, textile firms must diversify. If they do not, given the present economic situation, they will die."

Continued on next page

## BUSINESS AT WORK — 3

From previous page

Mr Fred Dunkerley, chairman of Standard Mill (Rochdale) Ltd, is possibly the most experienced textile employer in the town, having served on many local, national and international textile organisations.

He said: "The position in the spinning and weaving section of the industry is catastrophic. I cannot see many mills surviving.

"I have been involved in this industry for 50 years and this is the worst recession I have seen, a recession which, in my opinion, could have been avoided.

"Each successive Government claims it has given protection to the industry through the Multi-Fibre and Bilateral Agreements. These agreements are being exploited.

"In addition, the market is being flooded by imports from new sources.

"The Government could stop the decline almost overnight, if it had the will to do so, simply by stopping imports for three months and then reducing all quotas by 10/15 per cent and inserting a recession clause in all agreements.

"This would harm no one, but it would save thousands of jobs in Lancashire. The argument here is that it would cause retaliation, but I for one do not believe that it would.

"In any case, one has to decide whether we have unemployment on a huge scale just to please importers, or whether

we take a slight risk of retaliation.

"We have heard the argument that if importers were controlled the public would suffer. This is not so as the cheap prices are not passed on to the public.

"When one considers that mark-ups of 100 to 150 per cent are added to the imported, made-up fabrics, it brings them almost to the same price as home-produced goods.

"In the case of 'dumping' of yarns and fabrics the Government says, 'prove it,' whereas our competitors abroad demand that we prove we are not 'dumping.'

"The upshot of this is that it takes a year to prove a dumping case in this country, while in some countries to which we export, such as America and Canada, it takes only a few days for them to stop our imports.

"Every attempt to gain access to foreign markets where tariffs are high breaks down. The result is that we are faced with high tariffs and our competitors have almost free entry of goods into the UK.

"Why are those that are left on short-time? To stop a mill of average size could cost up to £10,000 per week. Is it any wonder mills go out of business when faced with massive losses while the Government stands idly by and does nothing.

"The question is, can our Government do anything? Or are we so emmeshed in the Common Market that we can no longer decide what happens to our unemployed.

"If we have to reply on the European Commission, God help us, because it took them a year to decide to take minimal action on the question of imported polyester yarns.

"As chairman of a company which has provided 300-400 jobs in this town for nearly 50 years and which has a reputation for installing the latest equipment, it grieves me greatly to have to talk in this way, but the facts are there for everyone to see."

### Warnings in deaf ears



ARNOLD BELFIELD

Mr Arnold Belfield, Rochdale secretary of the National Union of Textile and Allied Workers, warns that the day of reckoning has now arrived.

He said: "Mill after mill is closing and the Government had ample time to take firm measures to prevent the thousands of redundancies over the past 12 months. We warned time and again what would happen but our warnings fell on deaf ears.

"It would appear the Government is prepared to sit back and watch the industry die.

"If it is not, why has it not acted before now? Delegation after delegation has met top civil servants and ministers appealing for action to stop the flood of cheap imports.

"The time has now come when the workers themselves are determined to take steps which will make the Government sit up and take notice.

"The time for words is over. Strong action is now needed as all possible avenues of negotiation and discussion have been exhausted.

"I have absolutely no doubt that my members would fully support a massive one-day campaign to protect their jobs. We are traditionally a moderate union but tempers are reaching boiling point. We will no longer sit back and watch thousands of our members thrown out of work.

"If the EEC will not take action to curb unfair imports, and our Government continues

# Recession that could have been avoided

taking a soft line, the textile industry in Rochdale will virtually disappear within two years.

"Has our Government gone soft? Other EEC countries have taken unilateral action when one of their industries is threatened by imports and have adopted the attitude 'to hell with the EEC, we are protecting the jobs of our workers.' This is what Britain must do.

"Our Government appears to have lost the power to govern. This power has been handed to the EEC. In the old days we would have taken immediate action and imposed heavy import duties to protect our industry.

"Make no mistake, we will soon reach the stage where our workers will react with action — and strong action.

"As more and more become unemployed and job prospects worsen, the situation will explode. We have already seen Rochdale textile workers in angry mood when they were laid off because drivers refused to handle cotton held up at the docks.

"Now their jobs are permanently threatened and anger is slowly turning to fury. The warning signs are there and the Government must heed them.

### Persuasion, and if that fails . . .

Mr Jack Brown, Rochdale based general secretary of the Amalgamated Textile Workers Union, the UK's biggest textile union, said future action by more than 500,000 textile workers cannot be ruled out.

He said: "It is understandable that our members — not knowing from one day to the next how long their mill will remain in business — are calling for more to be done.

"Whatever we can do will be done because when persuasion fails protest must take over. But this protest can no more highlight the crisis in the industry than the representations made so far.

"A mass protest has to be made but it has to be of such a significant nature that it is newsworthy and has necessary impact.

"My central executive council at a special meeting called to consider the plight of our members, decided not to call our members for a day of protest — at least not yet.

"There was a belief that to take such action would at least make the Government stop and contemplate the destruction of the textile industry. It would also, I hope, make consumers re-examine their buying habits and persuade them to buy British textiles.

"However, for the time be-

ing, a day of action is ruled out.

The executive council will invite senior management representatives within the Lancashire section of the industry to meet them "as union officials" as a forerunner to a joint representation to the Government.

Mr Brown said: "This is something that has not been done before except through official organisations. We believe if we can enrol the support of senior management in their roles as individuals we may, even at this late stage, secure positive action.

"I have used the word 'crisis.' The present state of the industry is so serious that it calls for an agenda for survival to be accepted by the Government and the EEC.

Mills are closing at the rate of more than one a week — and this has been going on for several months. Unless the Government reverses its economic policies many more jobs will be lost.

"There must be an immediate reduction in imports even though this would mean reneging on our international commitments, for example the MFA which in practice has been shown to have been too generous. It provides for an annual six per cent increase in imports yet domestic consumption has been going up by only two per cent. This means importers have a guaranteed market, a guarantee our own producers do not have.

"There would be nothing dishonest in taking this action after all political parties and Governments change policies as circumstances change. Unless measures of the kind I have referred to are taken urgently, then within 12 months much of what is left of the Lancashire spinning and weaving industry will disappear. In this sector alone 300,000 jobs have been lost over the past 30 years."

Mr Brown also makes an alarming prediction which, if proved correct, means hundreds of Rochdale textile workers are to lose their jobs.

He said: "At present 22,000 are employed in weaving and 17,000 in spinning in the Lancashire area. Unless action is taken by this time next year the weaving industry will employ about 15,000 and the spinning sector 10,000 — in other words a further 14,000 North West textile jobs will disappear."

Mr Brown added: "The sum total of all our activities in terms of benefits has been virtually nil. I doubt very much if they have prevented a single mill from closing."

Mr Brown supports a two-tier interest rate system. He would like the big banks to give industry loans at about six per cent interest with the Government paying the banks the difference between the six per cent and the current Minimum Lending Rate.