RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND A DELEGATION REPRESENTING THE LANCASHIRE TEXTILES INDUSTRY AT 1200 HOURS ON MONDAY, 9 JUNE 1980 AT 10 DOWNING STREET

cc. Master set.

Present:

The Prime Minister
Secretary of State for Industry
Secretary of State for Trade
Mr. David Wolfson
Mr. Clive Whitmore
Mr. Neville Gaffin
Mr. Tim Lankester

Mr. Bob Lloyd-Jones (British Textile Employers Association)
Mr. J. E. Longworth (B.T.E.A.)
Mr. Jack Brown (Amalgamated Union of Textile Workers)
Mr. Ian MacArthur (British Textile Confederation)
Mr. Derek Nightingale (Walsden Printing Co.)
Mr. Cyril Smith, M.P.
Mr. Jack Straw, M.P.
Mr. Nicholas Winterton, M.P.

Mr. Lloyd-Jones thanked the Prime Minister for agreeing to see the delegation, and also for the letter which she had written him on 3 June. In spite of the Government's apparent concern for the industry's problems, he and his colleagues felt that the Government's advisors still had not grasped their significance and urgency. The situation was now so bad that there was a real risk that the U.K. would follow the Swedish example: our textile industry would be lost and we would be faced with the job of recreating it all over again. In the cotton and allied sector, one mill was closing each week; he had knowledge of 40 further intended closures; over 11,000 employees were presently on short time working; there had been over 5,000 redundancies in 1979, another 3,900 between January and April 1980; and another 5,000 were immediately in prospect.

Mr. Nightingale said that the large-scale employers were approaching the present crisis in a way which was quite different from previous downturns. This was exemplified by the position of Courtaulds who had made clear that, if an operation was not viable, they would close it down. In the past, they would have kept their unprofitable plants going in anticipation of the upturn to come. In his own line of activity, namely finishing, there were 130 employers as of January 1980; 19 were now in the process of closing down. Three out of eight roller printing works were going out of business. This was an alarming rate of contraction.

Mr. MacArthur said that the British Textile Confederation endorsed the views which had been expressed on behalf of the cotton and allied sector. The Government should not lose sight of the large contribution which the textile industry made to G.D.P.. This was now being eroded. Once there were mill closures, it was unlikely that they would re-open.

Mr. Brown said that the textile industry liked to fight its own battles, and normally it would not come to Government for assistance. But in the present crisis, its own weapons were insufficient. The human consequences of the present closures were appalling; and the consequences for the country should not be underestimated. He understood that the industry could not be altogether shielded from the problems of the high exchange rate and the high level of M.L.R.. But he hoped that a programme could be worked out so that as much of the industry as possible could survive.

Mr. Longworth said that the present situation for the industry was worse than he had ever known it in many years of lobbying. He was currently spending a huge amount of time advising managers on such things as short-time working, redundancy payments, and whether the Government was likely to take action on the industry's behalf. Individual managers were in a highly emotional state, for even the most efficient firms were being forced to close, and this after they had spent large amounts of money on re-equipping. The industry could not do any more for itself: the Government had to help.

Mr. Straw said that the industry was special in two respects. First, its current difficulties had not been caused by its own inadequacies. On the contrary, productivity had risen, labour

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relations were good, and it had adapted readily to changing technology. Second, the industry was faced with a very high level of import competition. The industry had a technology which was in common use in many countries, and the present MultiFibre Arrangement, which unfortunately continued until the end of 1981, was inadequate. There must be a "recession clause" in the next MFA.

Mr. Straw then repeated most of the points in his letter of 5 June to the Prime Minister. First, controls recently imposed on man-made fibres from the USA were not adequate. The quotas had been set too high and the failure to impose any controls against finished tufted carpets meant that the position of this sector was now even worse than it had been before. Second, the "gentlemen's agreements" which purported to control imports from the Mediterranean countries were inadequate. They could too easily be evaded. Third, the Government could do more to support the industry by Buying British. Fourth, the retailers needed to be encouraged to buy more of their goods from British manufacturers. Marks and Spencer were currently running into difficulties because of the unpatriotic attitude of some of their competitors. Fifth, the industry needed some immediate cash assistance. He regretted that the Temporary Employment Subsidy had been discontinued. From the point of view of industry's cash flow, this was a far better scheme than the Temporary Short Time Working Scheme; and it also had had a beneficial effect on the balance of payments.

Mr. Longworth cited Turkish yarn as an example of a "gentleman's agreement" failing to work properly. In 1979, there had been a ceiling of 2,940 tons, but in fact they had exported over 5,000 tons to the UK. It was easy for the Mediterranean countries to get around their agreements by free circulation within the EEC.

Mr. MacArthur said that the bilateral agreements negotiated under the MFA in 1978 had been reasonable in the context of the trading conditions at that time. Unfortunately, the MFA had assumed that spending on textiles would continue to grow fairly rapidly - and this had not happened. In addition the "basket

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extractor" system had not worked as effectively as it should have done. Furthermore, on the question of man-made fibres, the Commission had let the UK down. In the last few days, for example, they had allowed 900 tons of nylon filament yarn to be imported to the UK via the free circulation route.

Mr. Winterton said that MPs in all three Parties were concerned about the plight of the industry, and they were not prepared to let it collapse. The Commission's handling of the quota arrangements had been highly unsatisfactory: he was especially critical of the length of time they took to act in particular cases. The large companies were now increasingly establishing their production units abroad: he wondered whether the Government really wanted the UK to be turned into a service economy. This was the worst crisis for the industry in 50 years. If nothing was done, there would be no industry left when the Government's economic policies began to work through.

Mr. Winterton then suggested the following paliatives. First, the Government should enable the energy industries to charge lower energy prices to the textile industry and thereby emulate the position in the USA. This would help offset the high level of MLR and of sterling. If this was not possible, PRT should be increased and the proceeds should be allocated to industry. Second, the Government ought to act more firmly against imports from COMECON countries. Some of the prices charged by these countries were quite absurdly low. Third, the Government should set a better example in its public purchasing policy: it was quite wrong that the police had recently purchased a large consignment of raincoats from West Germany./ Fourth, the Government had been very successful in securing its objectives on the EEC Budget; it should now get the EEC to change on the question of textile imports.

The Prime Minister said that the Government could not change the existing MFA, and it had to operate within the EEC rules and through the Commission. In considering the case for controls on imports, the Government had to take into account the fact that the UK was highly dependent upon exports and therefore subject to retaliation, and also that controls were not always popular - for example with consumer interests and with producers who needed to import materials.

However, the Government was determined to do all it could for the industry. It intended to negotiate a tough successor to the current MFA - taking into account experience with the latter. But it would be damaging to our negotiating position to say in public what were our negotiating aims at this stage. Second, the Government was going ahead with a requirement for origin marking. It was not possible to promote this as an aid to the industry because the Commission would object: the requirement would only be acceptable if it were described as a consumer aid and this was why the Minister of State for Consumer Affairs was dealing with it. She was now consulting with the Commission on the details, and draft Orders would be published shortly.

The Prime Minister said that she understood that the industry had three kinds of complaints about the import quotas: they took too long to be introduced; they were not set high enough; and they were not implemented properly. On each of these scores she had a good deal of sympathy with the industry; and the Government would do all it could to improve matters. Mr. Nott added that the arrangements for obtaining new quotas under the "basket extractor" did take too long, and officials would do all they could to speed things up. However, it had to be pointed out that the delays in introducing quotas on imports from Turkey had been due partly to the pressure from the Germans, who had not wanted restrictions on imports to undermine their aid programme to Turkey.

On the question of energy pricing, the Prime Minister said that under the rules of the EEC the price of North Sea oil in the UK market could not be lower than the price obtained from sales to our EEC partners. As for electricity and gas prices, industry was able to negotiate bulk tariff deals; any further assistance would have to be at the expense of/domestic consumers. The idea of increasing PRT and allocating the proceeds to industry was also unattractive - PRT was already high enough and was holding back exploration activity in the

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North Sea. Mr. Brown said that, in that case, the Government should finance assistance to the industry by borrowing more. The Prime Minister responded that the Government could not do that since it would simply mean higher interest rates.

Mr. MacArthur said that the industry accepted that the current MFA could not be renegotiated. But it did contain provisions for consultation after the first two years - the so-called "flexibility provisions" - if trading conditions had radically changed. The Prime Minister said that the Government would consider the possibility of invoking these provisions.

Mr. Winterton said that it was very disappointing that the Government had not managed to obtain a quota on tufted carpet imports from the USA. Mr. Nott said that, as soon as he had sufficient evidence, he intended to return to the Commission on this issue. He pointed out, however, that the USA had already put in substantial compensation claims, as they were entitled to, in respect of the two quotas already imposed; and these would probably have to be met by lowering the tariff level on EEC imports of USA textiles. He was also trying to fend off the threat of US retaliation on imports of wool textiles from the UK.

Sir Keith Joseph said that the Government would try to use public procurement more effectively to the advantage of the industry, and to avoid a repetition of the purchase of raincoats from West Germany by the police. Mr. Smith said that the industry could assist Government by monitoring the orders which were placed by the public sector. The Prime Minister said that she was sure the Department of Industry would welcome this. Mr. Winterton commented that the public sector in the UK advertised far more than its counterpart in other EEC countries: the Italians did not seem to advertise at all.

Mr. Straw repeated his suggestion in his letter that the Government should announce a Queen's Award for Retailers for purchasing from British manufacturers. He also argued that payments under the Temporary Short Time Working Scheme should be brought forward. The Prime Minister said that she did not think this would be a good idea. It would be misunderstood by housewives, who wanted to buy the best value for money. On the Short Time Working Scheme, Mr. Longworth commented that there was already provision for firms to obtain payments up to two weeks before short time working began. Mr. Nott said that the idea of bringing retailers and manufacturers together could best be pursued in NEDC and the relevant Sector Working Party.

The Prime Minister said that she often found that the designs of imported textiles were superior to UK manufacturers'. Much could be done by improving our own designs.

Finally, Mr. Lloyd-Jones said that he hoped that the Government would reconsider its position on his proposal for a working party to consider the problems of the industry. The Prime Minister said that she did not believe a working party would be of any advantage; but if he wished to pursue the matter, he should do so with the Secretary of State for Trade.

The meeting finished at 1310 hours.

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9 June 1980