

JACK STRAW, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

5 June 1980

The Rt. Hon. Margaret Thatcher, M.P.  
Prime Minister  
10 Downing Street  
London SW1.

*Dear Prime Minister,*

I am most grateful to you for agreeing to meet Cyril Smith, Nicholas Winterton and myself, and for arranging the meeting to be held promptly on Monday next, 9th June.

I thought that you might find it helpful to receive, in advance, a note of some of the specific points which I would wish to raise with you at the meeting.

1. Imports of man-made fibre products from the U.S.A.

John Nott himself acknowledged that the controls established against certain U.S. fibres are not adequate, when he said in the House (18 Feb. 1980): "I am not wholly satisfied with the Commission's response to our application..." (col. 31). The problem is, first, that the quotas achieved on polyester filament yarn and nylon carpet yarn are far too high, and have been set at a level which will ensure that disruption of the U.K. market will continue. The quota on nylon carpet yarn, for example, will mean that imports for 1980 will actually be 30% higher than in 1979.

Second, the failure to back the controls against fibres by similar controls against finished products has in some respects made the situation worse than it was before 18th February. This applies particularly in the tufted carpet sector. The U.K. Government was unable to obtain any quotas against finished tufted carpets, which has meant that the carpet manufacturers have been caught both ways. They cannot compete adequately in the finished product market - nor can they now reduce their costs by purchasing cheaper, imported fibres.

This result is well illustrated by the present plight of Messrs. Mossbridge Yarns, Blackburn (a subsidiary of the William Baird Group). They spin yarns for the tufted carpet industry: but U.S.

importers are still able to undercut them by 50p per kilo (there are no quotas at all on spun yarn): at the same time, two of their major carpet-manufacturing customers are being put out of business by intense U.S. competition in the finished carpet market. The mill is now losing £20,000 a month.

In mid-May, Bairds told the trade unions concerned, in confidence, that they were going forthwith to issue redundancy notices to all 300 employees at the works. At the union's request, Charles Fletcher-Cooke (in whose constituency the mill lies) and I saw the Chairman of Bairds on 21 May, and managed to persuade him to hold off the issue of the redundancy notices for six weeks, in the hope that meanwhile the Government would announce stronger and more effective controls against U.S. fibres, yarns and finished products. But a failure to implement such controls will mean the closure of the mill. I shall therefore be asking you for a specific commitment to more effective controls on these U.S. imports.

2. Imports from Mediterranean Associate countries of the EEC

These have been highly disruptive. The continued high level of import of cotton yarns from Turkey, for example, has directly contributed to the closure of Courtauld's Imperial Mill, Blackburn, with the loss of 300 jobs. Unfortunately, unlike the controls on traditional low cost countries like the U.S.A., those against the EEC's Mediterranean Associates are "gentlemen's agreements" and appear to be easily evaded.

Is the Government willing to press for more effective controls in this area ?

3. Public purchasing

When Barbara Castle was Secretary of State for Social Services, she reviewed the DHSS's textile purchasing policy, and following this review new instructions were issued in June 1975 to all health authorities to ensure that "British alternatives to foreign goods" were more "fairly and fully considered". While I believe that this instruction still stands, it is apparent that it is not working effectively. For example, information given me by the Lancashire Area Health Authority (their letter of 9th May 1980, attached) indicates that, at one very large mental hospital, 40% of shirts and pyjamas were purchased from foreign suppliers - Hong Kong, Portugal, Poland and the USSR.

While I understand the financial pressures on individual Health Authorities to buy the cheapest, whatever the country of origin, this is surely a false economy for the Government as a whole, since any marginal savings which may be made in the

N.H.S. budget are likely to be more than offset by the Exchequer costs, in terms of unemployment benefit, and tax foregone, of those put out of work by such purchases. While I am aware of certain intra EEC obligations in respect of public purchasing, it is my very firm belief that by a variety of informal and formal means other governments, in the EEC and beyond, do ensure that home manufacturers are more favoured in their public purchasing arrangements than is the case in the U.K. (I am fortified in this belief by a reference in the Financial Times a few months ago to the fact that your Industry Secretary, Sir Keith Joseph, was considering a more effective public purchasing policy.)

I shall therefore be asking you whether the Government is willing to take more action to support the industry through public purchasing.

#### 4. British Retailers' Purchasing Policy

The great overall increase in import penetration in the textile and clothing sectors has obviously been matched by substantial increases in these goods which individual retailing groups are buying from abroad. Some of the groups whom I have contacted recently do say that they favour British manufacturers wherever possible, but some others clearly do not, and excuse their high level of imports by complaining that British manufacturers are not as responsive to market changes and needs as some foreign ones. (This was part of the case made yesterday by the Retail Consortium.) But the shining example of Marks and Spencer surely shows what can be done when a successful retailer is willing to devote management time and effort (and some of its profits) to nurturing home manufacturers. But there are limits to what any one manufacturer can do, and you will know that Marks' are themselves finding it difficult to meet the competition of firms like Littlewood and British Home Stores, whose purchasing policies seem to ignore the national interest. But is there not a good deal that could be done by your Government to cajole, bully, encourage - and maybe shame - some of the leading retailing groups into following Marks and Spencer's excellent example? While the Retail Consortium may be correct in claiming that some U.K. manufacturers could improve their marketing, it is surely quite unfair to expect the manufacturers - many of whom are frankly demoralised - to take the initiative without some active encouragement from the retailers? Are you willing to offer tangible marketing help in this area? Would you, as a back-up to such a policy, be willing to consider the establishment of a Queen's Award for Retailers who make an outstanding contribution to British manufacturing?

(continued)

5. Aid to Industry

Your own continued operation of the Temporary Short-Time Compensation Scheme indicates to me that you have no objection in principle to such aids where you consider them justified. The problem with this scheme, however, is that it provides compensation for firms for not working; while the Temporary Employment Subsidy (TES) helped firms to remain in work. Figures produced by the Department of Employment under the last Government indicated, as I recall, that T.E.S. has a nil Exchequer cost (through savings in unemployment benefit and tax foregone) - and so added nothing to the PSBR, and was positively beneficial to the balance of payments.

There is no doubt that textile firms would greatly be helped by the early introduction of a scheme similar to T.E.S. When I have raised this in the House, however, I have understandably been met with the response by your Employment Ministers that T.E.S. had to be abandoned by the Labour Government because it fell foul of the EEC's free competition rules, and could not for that reason alone be reintroduced.

I have looked closely at these EEC rules. Article 92 (3)(b) does in fact allow aid "... to remedy a serious disturbance in the economy of a member state", and the EEC Commission when T.E.S. was originally introduced raised no objection to it (Fifth Report on Competition Policy 1976), accepting that it came within Article 92 (3) (b). It was only later, as the situation eased temporarily for the industry and as other member-states raised objections, that the Commission imposed conditions, with the result that the Scheme ended in April 1979. But the key point is that, given conditions in the industry, T.E.S. was accepted as within the EEC's rules when it began.

The situation within the textile industry is now worse than that which obtained when T.E.S. was first established. In the light of this the U.K. Government would surely have a very strong case for the introduction of a similar scheme. This I would urge you to do. There cannot surely be any doubt that the industry is causing "a serious disturbance" in the U.K. economy, nor that a scheme of temporary employment support would help remedy this.

6. The community consequences of the industry's collapse

Many of the Asians in my constituency first came to the U.K. in the 50's in response to advertisements in newspapers in India and Pakistan from U.K. textile manufacturers who were seeking to overcome what was then a labour shortage. In the North West there is now a heavier concentration of Asians working in the textile industry than in any other industry, so redundancies fall disproportionately hard on this community: they may also find it more difficult to obtain alternative employment. Unemployment is a personal

catastrophe for all - whatever their race or colour - who encounter it. But I hope that I do not need to spell out to you the serious community consequences that could arise if large sections of one ethnic group remain unemployed for long periods.

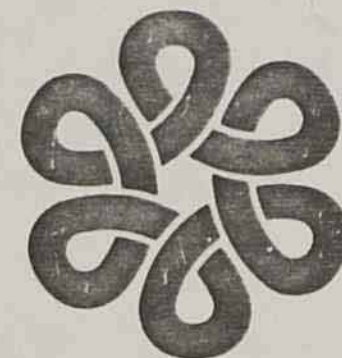
I shall look forward to meeting you on Monday.

Yours sincerely,

Jack Shaw

# Lancashire Area Health Authority

Area Administrator: J.W. Roe, A.H.A., A.M.B.I.M., M.R.S.H



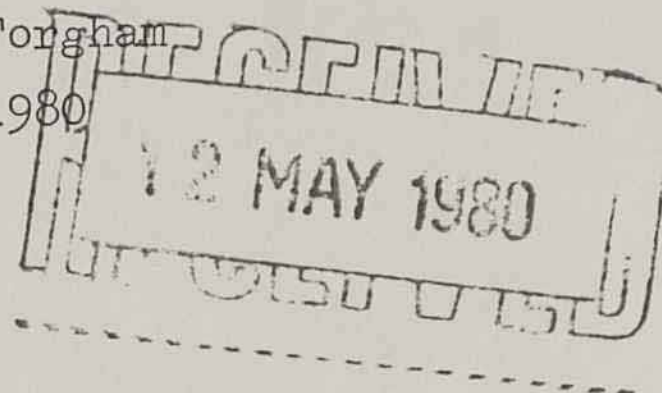
EAST CLIFF OFFICES, PRESTON PR1 3JN. Tel. Preston (STD 0772) 59344. Ext. 293

Your ref.

Our ref. WEF/AS

Please ask for Mr. W.E. Forgham

Date 9th May, 1980



Dear Mr. Straw,

My apologies for the delay in replying to your letter dated the 1st April, 1980 regarding the issue of shirts and pyjamas which are manufactured in Hong Kong to patients in Brockhall Hospital, and I regret I have only just received the information that enables me to reply.

Decisions on which items to purchase depend on the availability of goods on the market, price, quantity and quality. These decisions, aimed at obtaining the best value for money for the health service, are made after careful consideration, which includes the Government preference for British goods to be purchased wherever possible.

Factors which have been against purchasing British goods, have mainly been price, but also the existing contract for pyjamas is 100% polyester, whereas from the patients and laundering point of view there was a strong preference for polyester/cotton mixture. There was a substantial price advantage by purchasing the pyjamas made in Hong Kong. The nightshirts which are ordered from contract are British made.

Different types of shirts are purchased for the patients at Brockhall Hospital in order to provide some degree of variety for the patients. Of the 3-button casual shirt type 95% were purchased either on or off contract from British manufacturers, as against 5% purchased over the last twelve months of foreign manufacture, namely Russia, Portugal and Poland. Of the ordinary polyester/cotton men's shirts 37% purchased over the last twelve months were of British manufacture. The purchase of British manufactured polyester/cotton shirts has proved to be too expensive for the limited budget and the purchase of the British shirts was made chiefly to provide the patients with some variety.

Taking the above purchases as a whole over the past twelve months, 60%, in terms of the number of items bought were British and 40% of foreign manufacture.

If there is any further information you require would you please write to me again.

Yours sincerely,

Area Administrator

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