

SUBJECT

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FILE

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PM

10 DOWNING STREET

From the Private Secretary

4 June, 1981

BF

As you know, the Prime Minister had a meeting today with Mr William McKelvey, MP, about the proposed closure of Armitage Shanks' Kilmarnock factory. Mr Fletcher was also present.

Mr McKelvey said that the employment situation in Kilmarnock had deteriorated further since he requested the meeting. The Glacier Metal Company had asked for 500 volunteers for redundancy, out of which they would select 400 candidates. A further 300 jobs were likely to go at Johnny Walker's. The jobs now disappearing were mainly male, and were likely to push the male unemployment rate in the area to nearly 30%.

Turning to Armitage Shanks, Mr McKelvey said that a loyal workforce had been badly let down by the company. The original takeover by Blue Circle had been referred to the Monopolies and Mergers Commission, and the company had a moral obligation to try to keep going in view of what they had said in support of their takeover application. Yet the notice of closure had come out of the blue with no warning. It seemed clear that this was a management decision handed down to local staff. The decision had been announced just two weeks after orders had been placed to refurbish the Kilmarnock kiln. He recognised that there were productivity problems for this old confined plant. Nevertheless, Blue Circle was a very profitable group - he drew attention to expensive advertising in the national press. The Kilmarnock plant was the last pottery work available in the area: many of the workers who stood to lose their jobs were aged 45 or 50, and they would never work again in that industry. He was therefore pleading for time. The shop stewards had certain ideas to improve productivity, or possibly to produce alternative products. There was also the possibility of sale as a going concern. Everything had happened so fast that there was no real opportunity to investigate alternatives. Once the kiln was closed down, it would never re-open, in view of the maintenance requirement. To rub salt into the wound, the company were only proposing to offer the basic rates of redundancy pay. At one stage, the company had said that they might have been able to continue operations if they could get a gas supply, but had been told that this would not be available for two years.

/The Prime Minister

The Prime Minister emphasised that the Kilmarnock area already had SDA status. This particular closure was being announced without a short-time working phase. Therefore the company had not taken full advantage of the schemes available to soften the impact of the recession. This threatened closure was taking place against a background of continuing retail demand. The basic issue was to persuade the British people to buy British products. She could understand the company's decision to rationalise its production and concentrate at Barrhead in Glasgow. She could also understand Mr McKelvey's concern at the way in which the company had handled the closure and redundancy issues. She asked Mr Fletcher to contact the chairman of the company, to see what could be done to extend the timing of the closure, so that alternative possibilities could be pursued, and to see whether there would be any possibility of more generous redundancy terms. Mr Fletcher agreed to do so, and said that he would also take up the gas supply issue. There had been cases where, as a result of Scottish Officer intervention, it had been possible to secure earlier availability of commercial gas supplies where jobs were threatened.

I should be grateful if you could pursue these points, letting us have copies of any further correspondence between Mr Fletcher and Mr McKelvey on the subject.

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