

SUBJECT



Prime Minister
file 186

10 DOWNING STREET

From the Private Secretary

2 April 1981

Dear Jonathan

ROBERT KILROY-SILK MP:
MEETING WITH THE PRIME MINISTER

The Prime Minister met Mr. Kilroy-Silk, at his request, at 1530 on 2 April. Your Minister and Ian Gow were also present.

Mr. Kilroy-Silk said that since he had asked for the meeting to discuss the proposed closure of the Courtaulds' plant at Aintree, the workforce had met and accepted the inevitability of the factory's closure. They had reluctantly decided to negotiate the best redundancy terms they could.

Mr. Kilroy-Silk wanted to put to the Prime Minister the points which had been made to him by the management of Courtaulds. They had said that the main reasons for their decision were high energy prices in this country - as much as 10-12 per cent higher than in Europe; an exchange rate which had risen by 27 per cent against the DM and the French franc in three months; and high UK interest rates.

Mr. Kilroy-Silk said Merseyside had suffered a number of blows recently. Tate and Lyle and Bowater had announced closures, and there were threats over Ford and Vauxhall. Twenty thousand redundancies had been declared in Merseyside since the last election, and there were now 109,000 unemployed chasing 2,000 vacancies.

The Prime Minister said that the employment position was not static. Two hundred and eighty thousand people came off the register each month, the overwhelming majority going into jobs. She said that Courtaulds had been closing their factories even before the last election.

On energy prices, the Prime Minister said that British coal was more expensive than imported coal and that we were suffering as far as electricity was concerned because we had not gone nuclear quickly enough. All of that was true regardless of exchange rates. She said that the taxpayer was providing £309 million to the electricity industry this year. She intended to bring about greater benefit to the largest users of electricity. At present, there was a smaller differential in this country between the prices paid by small users and large users than was the case in Europe, where large users had much greater advantage. The Government would do what it could for industry, and would also take up vigorously subsidies given by other countries - for example, the Dutch gas subsidies.

/Your Minister

Your Minister said that Courtaulds had reached a strategic decision to come out of nylon and to concentrate on acrylic and polyester fibres. That was the real explanation for the Aintree closure.

The Prime Minister asked Mr. Kilroy-Silk for his views on what the Government could do to help Merseyside more generally. Mr. Kilroy-Silk said that attitudes in the area were different from those elsewhere in Britain. Some of the explanation lay in the tradition of casual labour, arising from the customs in the docks. There was no long history of manufacturing industry, much of which had been brought to the area by Mr. Macmillan and Sir Harold Wilson. There was at present a tremendous air of depression and gloom, and he feared for the prospects for the young people now leaving school. He suggested that there might be established a Merseyside Development Agency. The Prime Minister said that the Government had already taken several different initiatives to help Merseyside, and that she had been chasing progress on them herself. She said that the proposal for the Urban Development Corporation had been put through the House of Commons. More land was needed for it, over and above the 400 acres which had been acquired from the Mersey Docks and Harbour Company. The local authority had been slow in delineating the Enterprise Zone at Speke, and she had put pressure on them. Altogether, something like £185 million was going into Merseyside via industrial help, the partnership arrangement, its Special Development Area status and so on. Her fear was that it would be impossible to persuade manufacturing industry to site large new factories there.

Mr. Kilroy-Silk said that he had to admit that labour productivity in Merseyside had not been as good as it might have been. Liverpool had a reputation for an embittered workforce. He suggested that it might be possible to site further public service headquarters staffs in Merseyside. He put forward Community Industry as one possibility. The Prime Minister said that there had been great resistance to proposals for dispersal to Bootle, and your Minister pointed out that there was already the Giro Headquarters in the area.

The Prime Minister said that she shared Mr. Kilroy-Silk's concern about Merseyside. It did seem to her to present problems of a different nature from those facing, say, Glasgow, or Shotton. The Government had done everything it could in organisational terms. It was also possible to contemplate investment in schemes such as the Liverpool Inner Ring Road, but projects such as that would give only temporary benefit. It seemed to her that the best hope for the future lay in the service sector or small businesses. She said that she had fought to save Bowaters and failed. She mentioned the proposed job creation scheme based on the Tate and Lyle closure, but said that the total of all these initiatives was small compared with what was wanted.

Mr. Kilroy-Silk said that he had been struck by the Prime Minister's positive attitude towards the problems of Merseyside, which he had not been expecting. He asked whether he could say to his constituents that she understood their problems, was concerned about them and would be prepared to help. He hoped that she would allow him to say that if possible schemes were put to the Government, she would back them. The Prime Minister said that she could not undertake to put in more money, but drew Mr. Kilroy-Silk's attention to the funds already available through Section 7 and Section 8 Assistance. Your

/Minister reminded

Minister reminded Mr. Kilroy-Silk that offers of regional aid and Section 8 Assistance had been made to Courtaulds, who had said that they did not want to put money into nylon.

Finally, the Prime Minister invited Mr. Kilroy-Silk to put forward his own concrete suggestions for helping the area. He said that one thing which would help would be to renovate the council housing in Kirkby, which was the area of his constituency which caused him most concern and where male unemployment was running at 40 per cent. He said that he would be very glad to respond to the Prime Minister's question after giving it more thought; she invited him to put his proposals direct to your Minister.

I am copying this letter for information to Richard Dykes (Department of Employment), Richard Tolkien (H.M. Treasury) and David Edmonds (Department of the Environment).

You ever

Nick Sarden

J. C. Hudson, Esq.,
Department of Industry.

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