



FROM THE  
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FOR INDUSTRY AND  
INFORMATION TECHNOLOGY

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MA

15 February 1982

*Dear Caroline*

I enclose briefing for the Prime Minister's meeting with Mr Kilroy-Silk MP tomorrow at 4.45 pm which Mr Baker will attend. The briefing includes notes on the Ormskirk constituency, Hygena Ltd and Carrington Wyella including the Astland Mill.

You will no doubt remember that Mr Kilroy-Silk came to see the Prime Minister on 2 April last year to discuss the closure of Courtaulds' nylon plant at Aintree and afterwards gave a misleading interview to the press about the possibility of Government assistance.

You will also recall that the Prime Minister has recently received a letter from Mr G F Jones of the North Lancashire and Cumbria Textile Workers Association which raised the question of the closure of Astland Mill. I enclose copies of the relevant papers.

*Yours ever*  
*E A Riley*

MRS E A RILEY  
PRIVATE SECRETARY

M29/M29AAF



10 DOWNING STREET

PRIME MINISTER

Robert Kilroy-Silk has asked to see you about two closures. I attach notes on Hygena, Astland Mill, and the Ormskirk constituency as a whole. For background information, the folder also includes a map of the area and your recent exchange of correspondence about textiles in general and Astland Mill in particular with Mr. G.F. Jones of the North Lancashire and Cumbria Textile Workers Association.

MP.

15 February 1982



MEETING WITH MR KILROY-SILK MP: 16 FEBRUARY  
CLOSURE OF CARRINGTON VIYELLA'S ASTLAND MILL

Points to make

- 1 Regret Carrington Viyella's announcement of the closure of Astland Mill involving 208 jobs (and other redundancies and closures in the North West recently announced by Carrington Viyella, involving a further 900 jobs). Recognise the problems facing the textile industry and Merseyside.
- 2 The closure of Astland Mill is a matter for the commercial judgement of Carrington Viyella. The Government have no power to prevent the closure.
- 3 Understand the mill uses outdated equipment (shuttle looms) and cannot compete economically with more modern plants. Carrington Viyella's strategy, rightly, is to concentrate on more profitable, branded products.
- 4 Carrington Viyella have received Government assistance in the past, but it was not sought for Astland Mill (eg for modernisation). Textiles and clothing as a whole receive significant assistance: £88 million was offered or paid in 1980/81 and £41 million in 1981/1982 so far. Assistance towards new investment is available under Section 7 (until Ormskirk loses Assisted Area Status on 1 August 1982) and Section 8 of the Industry Act 1972.
- 5 Textiles is the most protected industrial sector. Under the Multi-Fibre Arrangement and other similar arrangements, 600 quotas are in force. In the current negotiations to renew the MFA the Government are wholeheartedly committed to obtaining a tougher and more effective regime than present arrangements.



MEETING WITH MR KILROY-SILK MP: 16 FEBRUARY  
CLOSURE OF CARRINGTON VIYELLA'S ASTLAND MILL

Background

Carrington Viyella (CV) is the fourth largest textile firm in the UK in terms of turnover (£300 million in 1980) and currently employs in total about 15,000 people (down from 24,000 at the start of 1980). The Group manufactures a wide range of textiles and clothing products, including well known brand names (Dorma, VanHeusen and Viyella).

In common with most firms in textiles and clothing the recession has badly affected CV. Sales were down 20% by volume in 1980 resulting in a loss of £31 million. Half year results in 1981 showed only a slight improvement. In the course of this contraction the group undertook a major reorganisation, cutting out the loss making parts of the business and concentrating on profitable branded products.

On 22 January CV announced 1100 redundancies to take place over the next six months in the North West, mostly in the woven fabric and garment divisions. The closure of Astland Mill at Tarleton, Ormskirk was included, involving 208 redundancies between April and July. In discussion with the Department of Industry's North West Regional Office, the Chairman of CV's woven fabrics division said that Astland mill was CV's last shuttle weaving plant, a process which is outdated and losing money for CV. The plant is unable to compete with others using the latest water-jet and air-jet looms.

PRIME MINISTERS MEETING WITH ROBERT KILROY SILK MP

PART II: HYGENA LTD, KIRKBY

1 Hygena Ltd is a subsidiary of Reading-based Norcros Ltd, a group with substantial interests in Construction, Consumer Products, Engineering, Print and Packaging. Group results half year to 30.9.81 - Turnover £162m, profit £11.28m.

2 Hygena has operated from Kirkby since 1949. It is probably Britain's best known kitchen furniture maker, which in 60s and 70s lead the market with its "White Space", "System 70" and self-assembly ranges. Turnover rose from £3m in 1965/6 to £24m in 1975/6.

3 However, by mid 1977 it was apparent that the company had severe financial problems (its Kirkby labour force had reduced from 1800 to around 1100 in 3 years). CONFIDENTIAL: DI investigation at that time concluded that the main cause was over-optimistic sales forecasting, which had resulted in expansion to substantial overcapacity (without selective assistance), and several major errors in product development and marketing policy. The company was losing £1m per month and running Kirkby at 1/3 capacity, having already closed a sister factory at Worcester opened only 3 years earlier. Norcros was providing financial support.

4 Temporary Employment Subsidy was made available on all 1100 jobs to avoid Norcros withdrawing its support. Hygena was subsequently able to reduce its operating losses by measures including shedding of 200 further jobs in 1978. However it was unable to reach break-even in a declining market and spreading world recession. In October 1979 it sought 300 more redundancies.

5 The company was in touch with DI throughout this period but did not come forward with any investment/rationalisation proposal which would have attracted Financial Assistance. In early 1980 it was clear that closure was a distinct possibility. Despite Norcros' efforts in restructuring - with a high degree of workforce co-operation - it was still losing money in 1981 at £1m pa and operating a 3-day week. Norcros took the view that further investment in Hygena to attempt to reverse its decline would not be commercially sensible in a depressed market. The only course was to cease trading.

6 The surprising point was perhaps speed of closure: the announcement was made on 27.1.82, the last working day for the factory that week, for immediate effect; it would not re-open the following monday. 640 redundancies were involved.

7 CONFIDENTIAL: The Managing Director of Hygena has approached DI with a management "buy out" proposition which could involve some 50 jobs. This is under consideration, but he is unlikely to acquire

the assets from Norcros as cheaply as he hopes and the approach should not be raised as Good News at present<sup>7</sup>.

8 LINE TO TAKE

The Prime Minister may wish to:-

- Refer to previous DEm support (TES) and discussions with DI, but say that Norcros' commercial judgment is that there is no future for the Kirkby operation and the Government will not intervene in that decision.
  - Point out that Kirkby is within the Merseyside SDA and that DI will consider requests for financial assistance from any purchaser of the business subject to its usual criteria on viability, employment and additionality.
- 

C C J Martin  
DI/NWRO  
11.2.82

PRIME MINISTER'S MEETING WITH ROBERT KILROY SILK MP

PART I : ORMSKIRK COUNTY CONSTITUENCY

1 The Constituency covers a largely agricultural area of West Lancashire, but on its southern border includes a substantial Local Authority overspill area of Merseyside.

2 It contains parts of 5 Travel to Work Areas (TTWAs):-

PRESTON (Transitional Intermediate Area)

- the non industrial villages of Hesketh and Beconsall;

ORMSKIRK (Transitional Intermediate Area)

- Skelmersdale New Town (Special Development Area);

SOUTHPORT (Permanent Intermediate Area)

- excluding the coastal conurbation of Southport and Formby;

ST HELENS (Development Area)

- the town and environs of Rainford only; and

LIVERPOOL (Special Development Area)

- the areas of Kirkby, Melling and Aintree, (Liverpool overspill).

A map is attached at Annex A.

3 Unemployment

TTWA	JANUARY 1982			MAY 1979	
	Number	Rate %	Notified Vacancies	Number	Rate %
Preston	18393	12.4	429	6799	4.7
Ormskirk (of which Skelmersdale)	6710 (4965)	21.8 -	94 (63)	3354 (2642)	10.8 -
Southport	5657	17.0	200	2475	7.5
St Helens	10971	16.7	238	5080	7.7
Liverpool	89222	18.7	1327	57060	11.8



## NOTES

(i) Approximating the Constituency to Ormskirk EOA and Kirkby EOA and rural communities of Preston, Southport and St Helens TTWA, it is estimated that the constituency has around 11,000 unemployed, of which 8,500 live in the Liverpool overspill area.

2 There is no industrial focus to the constituency. Its residents look to the large towns on its borders - Preston, Skelmersdale, Wigan, St Helens and of course Liverpool.

3 The situation on the overspill estates is notably serious. The local EIEC Kirkby Industrial Estate has experienced heavy job loss in recession (and before). In 1980 7 closures cost 1000 jobs (Massey Ferguson 545) and there were 1000 other redundancies. In 1981 a further 7 closures cost over 400 jobs and other redundancies exceeded 1100. A similar picture emerges on the Walton Vale industrial area nearby. Also, in 1980, Courtaulds closed its Aintree plant with 1500 redundancies.

4 The Astland Textile Mill closure (see part III) is at Tarleton in the agricultural north of the constituency and thus locally more important (although only 208 jobs are involved) because there has been and is little alternative industry.

### 5 LINE TO TAKE

- Acknowledge that the situation in Kirkby is worsening, but stress that it is assisted at the highest level of Regional aid (Special Development Area (SDA) status).
- Reaffirm the Government's commitment to a selective and concentrated regional policy which enhances relative status of Merseyside SDA.
- Refute the suggestion that Ormskirk TTWA as a whole should retain Assisted Area status.

{the main TTWA unemployment concentration is in fact in Skelmersdale New Town - outside Mr Kilroy Silk's constituency}





ORMSKIRK  
CONSTITUENCY

TTWA

LOCAL EMPT  
OFFICE

SOUTHPORT TTWA

ORMSKIRK TTWA

SKEME  
LOCAL  
OFFICE

LIVERPOOL TTWA

ST HELENS  
TTWA

KIRKBY  
L.D.



me

RM

cc: K. Baker, MP

10 DOWNING STREET

*From the Private Secretary*

9 February, 1982

I spoke to your Research Assistant today to confirm the meeting with the Prime Minister for next Tuesday, 16 February at 1645 hrs. I have arranged for Mr Baker to be present and the meeting will take place at No.10. I hope this will be convenient.

CAROLINE STEPHENS

R Kilroy-Silk, Esq, MP

VB

PRIME MINISTER

cc: Mr. Gow

Robert Kilroy-Silk, M.P., asks if he might come and see you again about two closures in his constituency, Hygena and Astland Mills.

Can I put him in after Questions one day asking Kenneth Baker to be present at the same time?

*ES.*

8 February 1982

*Yes not  
write Kenneth Baker office*