



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY
KENNETH BAKER'S OFFICE

TELEPHONE DIRECT LINE 01-216401
SWITCHBOARD 01-212 7676

c/f eps?

Caroline Stephens
10 Downing Street
LONDON SW1

R/A May 1982

Dear Caroline

Thank you for your letter of 10 May about the Prime Minister's meeting with Albert Booth MP at 15.45 on Thursday 20 May.

As requested, I enclose a brief for the meeting which Mr Baker will attend.

Yours sincerely
N M McMillan

N M McMILLAN
PRIVATE SECRETARY

M42/M42AAO



10 DOWNING STREET

Prime Minister

The brief is long. The material from para. 13 onwards may be most useful.

Mr Lamont will attend.

MAD
27/1v.

FILE SW

AM

B/E

24 May, 1982

Albert Booth, M.P. is coming to see the Prime Minister at 1445 at Downing Street on Friday, 28 May and I gather from Kenneth Baker's office that Mr. Lamont is able to be present at this meeting. I assume that the relevant papers will have been passed to your office and we await the brief.

CAROLINE STEPHENS

P. E. Mason, Esq.,
Department of Industry

Prime Minister
HL

19 May 1982

I hoped to have the chance to talk to you on the telephone. I am afraid I am having to postpone your meeting tomorrow, Thursday, due to the debate on the Falklands.

I hope it will be convenient for you to see the Prime Minister at 1545 on Tuesday 25 May in her room at the House. Mr. Kenneth Baker will be present at the meeting.

CAROLINE STEPHENS

The Rt. Hon. Albert Booth, M.P.



CLOSURE OF DERWEST JENNINGS (CARRINGTON VIYELLA), BARROW-IN-FURNESS

BRIEF FOR PRIME MINISTER'S MEETING WITH MR ALBERT BOOTH MP : 20 MAY 1982

Carrington Viyella

Carrington Viyella are one of the leading textile companies in the UK, whose interests include garments, home furnishings, carpets and fabrics. The group suffered considerably from the effects of the recession in 1980 and as a result have undergone an extremely harsh restructuring programme, involving over 10,000 redundancies and the closure or reduction of 57 manufacturing sites during the last two years. By the final quarter of 1981 the company had almost broken even and for 1981 as a whole, pre tax losses had been virtually halved (from £8.3m to £4.4m). The company expect to be in the black this year.

Derwest Jennings

2 Derwest Jennings, which has been registered as a subsidiary of Carrington Viyella since 1969, was formed from the merger of two companies, H T Jennings and Co and Derry and West. Apart from the factory at Barrow, where jackets have been produced, there is a unit in Tadcaster, Yorks producing trousers, and a HQ and central warehousing site in Leeds. We understand that other factories have been closed as part of the rationalisation programme.

3 The output of the Barrow Factory was mostly sold to chain stores, such as British Home Stores, C & A and the House of Fraser.

4 The Barrow factory received two separate tranches of aid under the Clothing Industry Scheme. In 1977, grants totalling £59,208 were offered towards a £0.25m project to re-equip and rationalise production. Payments of £46,784 were made. In 1978 a grant of £11,293 was offered towards a £70,000 project to reorganise the factory layout and expand output. £6,385 has been paid. There are no outstanding claims with the Department under either of these grants.



5 The Barrow factory employed 145 people in 1976. Employment rose to 231 by 1980 although the entire workforce was on Temporary Short Time Working at that time. When the closure was announced the factory was employing 195.

6 We understand that the closure of the Barrow site is part of the overall rationalisation plans of the Carrington Viyella Group.

The UK Clothing Industry

7 The UK clothing industry is labour-intensive and highly fragmented with several thousand companies ranging in size from the very small to the subsidiaries of large multinationals. The textile and clothing industries are still major factors in the UK economy, although both sectors suffered a serious decline in 1980 and 1981. Employment in the clothing sector fell by 34,700 in 1980, with production 12% down. A further 15,300 jobs were lost in 1981. In common with other sectors the industry has attributed its difficulties to a number of factors, notably the recession, high interest and exchange rates, and rising energy and other "public sector" charges (eg rates). In addition, the industry has been hit by its traditional problem of imports, particularly from low-cost sources.

Firms in the industry feel that while conditions are still generally bad, the worst of the recession might be over. However, although some sectors of the industry are doing better than others, the industry as a whole is still in deep trouble. Profit margins are squeezed and there are no definite signs of a climb out of the recession.

The Multi Fibre Arrangement (MFA)

8 The Government helps the textile and clothing industry in various ways; indeed these sectors enjoy more protection from low cost imports than any other manufacturing industry in this country. The EC's agreements under the Multi-Fibre Arrangement (MFA) and associated measures provide the UK with some 600 quotas on imports of textiles and clothing from such sources. We do all we can to ensure that these are administered as effectively as possible and to introduce new quotas whenever there is justification and scope for doing so.



9 At the special EC Textile Council meeting on 25 February, Ministers approved the protocol of renewal of the MFA. This approval is subject to the conclusion of satisfactory bilateral agreements, failing which the Community will give notice of withdrawal from the MFA by 31 December. (The bilateral negotiations began in earnest in Brussels on 17 May and will continue for at least 10 weeks.

10 At this final stage, back in February, the UK's outstanding concerns were largely met. The main points agreed by the Council were that:

- a) outward processing trade would come within the global ceilings for the eight most sensitive textile and clothing products; and that the UK would take no outward processed goods beyond those necessary for compensation for cutbacks in the 1982 quotas of the dominant suppliers (South Korea, Hong Kong, Macao and Taiwan)
- b) growth rates for the most sensitive products would average 1% and growth rates for other products would in general be lower than those negotiated with supplying countries under MFA II;
- c) in the event of surges of imports in 1982 aimed at avoiding the operation of the proposed anti-surge mechanism in 1983 and beyond, the Community could take anti-dumping measures or action under the general review clauses in the existing bilateral agreements so as to reach a solution related to quantities.

11. The exporting countries are not happy with the protocol which - they consider - allows too much protectionism. But all sides have looked on the deal as the best possible in the circumstances. The MFA itself is solely a framework agreement, the details of which will have to be settled in the bilateral negotiations with each supplier country. In these discussions the UK will continue to seek a regime tougher and more effective than the present Arrangement as allowed for in the Commission's negotiating mandate.



12 The industry's main concern on the MFA Protocol has been that the base level for quotas in 1983 and thereafter should be actual imports in 1980 rather than the quota levels for 1982. They have repeatedly been advised that the former was not negotiable. The Government would continue to take a tough line in the negotiation of bilateral agreements in which it might sometimes be possible to use 1980 actuals as a reference point.

MFA : Line to take

13 The new MFA protocol is internationally regarded as "tough". It allows the Community to seek more restrictive bilateral agreements with supplier countries than ever before. Thus it makes provision for:-

- a) cut-back in quotas for the four dominant suppliers (Hong Kong, S. Korea, Macao and Taiwan);
- b) the prevention of rapid take-up of under utilised quotas - the surge mechanism;
- c) lower annual growth rates generally than in the present agreement;

14 If satisfactory bilateral agreements are not negotiated during the coming months the EC will notify its withdrawal from the MFA by the end of the year.

15 if raised The Government, like industry, would have preferred 1980 actual imports to be the basis for quotas under the new MFA. But this was not negotiable since there was no support for it from the Commission or other Member States. The surge mechanism provides a workable alternative for quotas that are seriously underutilised at present.

Aid Schemes in Other EC Member States

16 The clothing industry has become increasingly concerned about the proliferation of schemes of assistance for textiles and clothing in other Member States. In addition to France, Belgium and Holland have announced packages, and many allegations have been made about covert Italian subsidies to their



textile industry. Such schemes may distort competition and deny a free market within the Community.

Aid Schemes: Line to take

17 The UK has expressed its very strong concern to the Commission about the potential effects on intra-Community trade of large injections of aid in other Market States. Ultimately, however, it is for the Commission to decide whether or not the schemes are compatible with the Treaty rules.

Request for UK aid programme for the clothing section as such : Line to take

18 The Government does not feel that a sectoral programme for the textile and clothing sector is compatible with its overall economic policy. The aim is to create a healthy economic environment in which all industry, including the clothing sector, can prosper.

There are already available however, a number of general schemes of financial assistance to industry. These cover a wide area of technology related and similar activities, for which clothing firms can apply, provided that they fulfill the necessary conditions.

Assisted Area Status

19 Barrow benefited from Development Area status until 31.7.1980, when it was downgraded to Intermediate status until 31.7.82, after which it will no longer have Assisted Area status at all. The double downgrading was announced on 17 July 1979, with a commitment to a formal review before the loss of Assisted Area status. This review is currently in progress. Recent events in the area will be taken fully into account, but Government policy is to concentrate aid on the areas with the most persistent problems of unemployment and structural decline. There are many areas worse off than Barrow.

"Good News" in the area

20 Although there is little industrial good news in the Barrow area, some



significant new sources of employment for the immediate future were announced last year:-

- | | |
|-----------------------|--|
| British Gas | - locates <u>Morecombe Bay Gas Field Shore Terminal</u> in Barrow. About 80 jobs in long term plus several hundred on construction. (BGC yet to make decision on location of shore base for offshore supplies operation, but Barrow a possibility) |
| Vickers | - £10m contract as co-ordinator for weapons system for <u>Oberon</u> - class replacement conventional submarines. |
| Ulverston Sheet Metal | - expands in EIE Advance Factory providing 40-50 new jobs. |
| Brian Gardner | - occupies EIE Advance Factory creating 10 jobs on production of specialist motor bodies. |

21 A background note giving details of the Barrow travel - to - work area is annexed to this brief.

Chemicals and Textiles Division
Branch 2
Department of Industry
17 May 1982



BARROW TRAVEL TO WORK AREA : NOTE BY DEPT OF INDUSTRY

1 Coverage Local Employment Offices of Barrow, Dalton, Ulverston.

2 Employment Population (1977) 41,627

3 Unemployment

	<u>May 1979</u>	<u>April 1982</u>
	1,662	4,524
	5.0%	10.2%

4 Vacancies By approximate grossing up of notifications : 500 in April 1982

5 Redundancies

Confirmed notifications	1980	827
	1981	428
	1982 to date	450
	potential	71

Notable :	1981	Cumbria County Education Dept	189
		Vickers Shipbuilders	90
	1982	Vickers Shipbuilders	255
		Derwest Jennings closure	195

Majority of 1982 redundancies not yet reflected in unemployment rate. Worst assumption - all remain locally unemployed - would give a rate of 11.3%. (NW Region 15.3% : GB 12.4%)

6 Industrial Structure (1977)

Manufacturing 53.7% (of GB 32.3%) of which -

Shipbuilding	33.1%	-	13,790
Chemicals	6.8%	-	2,837
Clothing & Footwear	3.7%	-	1,540

Dominated by Vickers Shipyard (13,000 employees) - Defence oriented, thus subject to MOD financial constraints, but on current orders stable to 1990, although some labour shedding.

Glexo pharmaceutical chemicals also stable.

Clothing & Footwear sectors vulnerable - Derwest Jennings closure, major losses in 1980 at Lister Velvets, smaller loss predicted at K Shoes.

Other minor sectors well diversified but little new technology.

7 Infrastructure

Isolated community founded on shipyard amidst rural area. Victorian infrastructure and minor derelict land problem. Significant access problem from all locations despite continuing improvement of A595 connection to M6 (tortuous 30 miles). Little attraction for new sources of investment but EIE is developing estates using both DI and Institutional funds, providing some small firms activity. Overall there are 17 units totalling 8543m² now available for let, and some useful parcels of industrially zoned land.

ALBERT BOOTH MP
19/5

[Handwritten flourish]



10 DOWNING STREET

From the Private Secretary

10 May 1982

I attach a copy of a letter to the Prime Minister from Mr. Albert Booth, M.P., about the closure of Derwest Jennings in his constituency. I confirm that the Prime Minister will see Mr. Booth at 1545 on Thursday 20 May in her room at the House of Commons at which Mr. Kenneth Baker will also be present. Could your office please supply us with a brief to reach this office by close of play on Wednesday 19 May.

[Handwritten signature]

Neil McMillan Esq
Department of Industry.

[Handwritten flourish]

MFJ

10 May 1932

I am writing to confirm that the Prime Minister is looking forward to seeing you in her room at the House of Commons at 1545 on Thursday 20 May. Mr. Kenneth Baker, M.P., will also be present.

CS

The Right Honourable Albert Booth, M.P.



FILE

WS

10 DOWNING STREET

5 February, 1982

THE PRIME MINISTER

205
15-45
file

Dear Mr. Booth,

You wrote to me on 2 February, about the announcement of the closure of Derwest Jennings, Barrow in Furness.

There is no prospect of my visiting the factory at present, but, as in all cases of major closures, I would be ready to see you privately as the constituency Member. If you would like to have a meeting about this, perhaps your secretary could be in touch with my office.

Yours sincerely
Raymond Stobart

The Right Honourable Albert Booth MP

RM



HOUSE OF COMMONS
LONDON SW1A 0AA

ATB ✓

2nd February 1982

Dear Mrs Thatcher

An Area Officer of the National Union of Tailors and Garment Workers, having gone to the Carrington Vyella factory in Barrow in Furness known as Derwest Jennings under the impression that there was to be a discussion on the differential between the minimum rate and the yield level for piece workers, was shocked to be told by the Management that they would be closing the factory in May.

This particular factory is, I believe, one of the only two remaining jacket factories of Carrington Vyella - the other one being in Bally Walter in Northern Ireland. The Northern Ireland factory was, I am advised, assisted by the Government to obtain particular plant required to meet orders for Marks and Spencers. The Production Director informed the Union representatives that the closure of the Barrow factory in no way reflected adversely on the workers or their efforts. The factory is the most up-to-date and efficient factory in the whole of the Carrington Vyella Organisation.

At the time when your Government decided to withdraw Development Area Status from Barrow, I protested to the Secretary of State for Industry that the decision would inevitably adversely affect the prospects for sustaining the clothing and textile industry in the area. Without the benefits accruing to Development Area Status, it is feared that this factory, once closed, can never be re-opened. The Multi Fibre Arrangement reached by the Government now appears to be inadequate to enable even the most efficient sectors of the clothing and textile industry to survive the general effect of your monetarist policy.

You will, I trust, therefore understand that your contention, that by co-operating with Management and ensuring high productivity Unions can save jobs, is deeply resented by workers of this factory now facing unemployment

/as a

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

as a reward for their efforts. Will you, therefore, visit this factory to see the result of your Government's policies from the standpoint of those who, having co-operated, are having to suffer loss of jobs and living standards?

Yours sincerely,

Albert Booth