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10 DOWNING STREET

THE PRIME MINISTER

12 May 1983

Dear Mr. Kilkenney,

My Private Secretary wrote to you on 9 March to say that following your discussions with Alex Fletcher on your proposals for substantial new investment at your Irvine plant, I would be pleased to meet you on Tuesday 17 May. I was much looking forward to our meeting. But in view of the impending General Election I very much regret that this will not now be possible. I hope you will understand.

I would like to take this opportunity of congratulating your company on its major investment and training programme at Irvine. I understand it will make the factory one of the most efficient and cost-competitive manufacturers of fork-lift trucks in the world and holds out prospects of up to 1,000 new jobs in the Irvine area over the next few years. I am confident the investment will help your company to compete in what I know to be a fiercely competitive international market.

Yours sincerely

Margaret Thatcher

Mr. William H. Kilkenney.

da

Scottish Office

C/F PPS?



Prime Minister (4)

This is from Mr Kilkeny  
of Hyster whom you were

going to see.

Wilton Place Knightsbridge

London SW1X 7RL  
TELEPHONE 01-235 8000

Ms 19/5

19/5

Dear Mrs. Thatcher:

I deeply appreciate  
your letter of 12 May and  
understand fully the reasons  
we could not meet on 17 May.  
My hope and belief is that  
you will win as you fully  
deserve to do and that  
we will have the opportunity  
to meet during your next  
term of office. Our progress  
in converting (with your help)  
our Scotland operation into the



*The Berkeley*  
Wilton Place Knightsbridge  
London SW1X 7RL  
TELEPHONE 01-235 6000

world's most cost-effective  
lift-truck plant is  
progressing very well and  
I will welcome the opportunity  
of inviting you to see it  
upon its completion. In  
the meanwhile I wish you  
and yours all the very best

Sincerely,  
Bill Kilkenny

PM

FEB 83

Tuesday

Prime Minister



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Tim Flesher Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

11 May 1983

Dear Tim,

HYSTER LTD

When we spoke this morning about the cancellation of the Prime Minister's meeting next week with Mr Bill Kilkenny, chairman of Hyster Company, I put to you a suggestion that the Prime Minister might wish to consider writing personally to Mr Kilkenny. Whilst my Secretary of State and Mr Fletcher are reluctant to add to the Prime Minister's duties, particularly at this time, they are conscious of the importance of maintaining good relations with this company and feel that a personal reply from the Prime Minister would be appropriate. From their contacts with Mr Kilkenny they are certain such a gesture would be very much appreciated.

I attach a draft for the Prime Minister's consideration.

Yours sincerely

John Wilson

JOHN S WILSON  
Private Secretary

*Pl type for PM*

*Mrs H/K*

✓  
DRAFT LETTER FOR THE PRIME MINISTER TO MR KILKENNY

Mr William H Kilkenny  
Chairman  
Hyster Company  
Portland  
Oregon  
USA

*I was much looking forward  
to our meeting. But*

My Private Secretary wrote to you on 9 March to say that following your discussions with Alex Fletcher on your proposals for substantial new investment at your Irvine plant, I would be pleased to meet you on Tuesday 17 May. In view, however, of the impending General Election I very much regret that this will not now be possible. *I hope you will understand.*

~~While I appreciate that this will be a disappointment to you~~  
I would like to take this opportunity of congratulating your company on its major investment and training programme at Irvine. I understand it will make the factory one of the most efficient and cost-competitive manufacturers of fork-lift trucks in the world and holds out prospects of up to 1,000 new jobs in the Irvine area over the next few years. I am confident the investment will help your company to compete in what I know to be a fiercely competitive international market.

Premie Minutes

Feb 8

Mtg. with Gordon Wilson & Tom's

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1900

~~A.D.~~  
Do you have any papers for this meeting?  
AD 10/5

file BPP

10 May 1983

HYSTER LTD.

I am writing to cancel the meeting between the Prime Minister and Mr. Bill Kilkenny which had been arranged for Tuesday, 17 May at 1030 hours.

Could you kindly inform Mr. Alex Fletcher's office.

CAROLINE STEPHENS

A. Muir Russell, Esq.,  
Scottish Office

NCR



# HYSTER COMPANY

P. O. BOX 2902

PORTLAND, OREGON 97208

W. H. KILKENNY  
CHAIRMAN OF THE BOARD

March 21, 1983

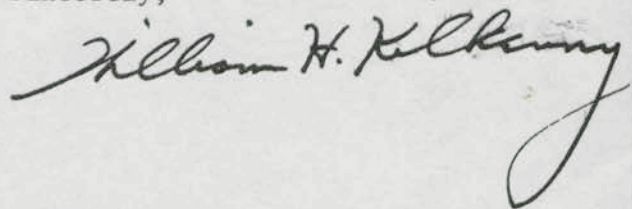
*C.S. 28/3*  
Dear Ms. Stephens:

Your letter of 9 March has just been received and I am delighted that the Prime Minister has agreed to see me.

I have talked with Mr. Fletcher and we will make arrangements to get together on the morning of 17 May, so that we will arrive at 10 Downing Street promptly at 10:30 a.m.

This appointment is certainly a high honor, because I am one of the Prime Minister's staunchest American supporters and admire her greatly.

Sincerely,



jb

Ms. Carolle Stephens  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London, England



CF

10 DOWNING STREET

From the Private Secretary

9 March 1983

When you last spoke to Mr. Alex Fletcher he promised that he would seek to arrange an appointment for you to see the Prime Minister. Mr. Fletcher has since taken the opportunity of bringing the Prime Minister up-to-date with the course of your discussions, which of course resulted in your proposals for substantial new investment at your Irvine plant.

BR

The Prime Minister has confirmed that she would be pleased to see you at 10.30 a.m. on 17 May at No.10. Mr. Fletcher will also be in attendance. I look forward to your confirmation that these arrangements are suitable.

CAROLINE STEPHENS

Mr. William H. Kilkeny

HU



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Michael Scholar Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

9/4 March 1983

Ken Mike

attached  
PPs

HYSTER LTD

I refer to my letter of 17 February. My Secretary of State and Mr Fletcher were very grateful for the Prime Minister's agreement to meet Mr Bill Kilkenny, the Chairman of Hyster, on 17 May. I enclose a draft letter for you to send to Mr Kilkenny confirming that meeting. Please advise me in due course of the time and place of the meeting: I should perhaps mention that Mr Fletcher intends to arrange for Mr Kilkenny to be in the House that day for Prime Minister's Questions.

The Prime Minister may also wish to know that following her personal written intervention, Mr Olsen, Chairman of Timex, has spoken to Mr Fletcher. He has confirmed his readiness to consider not just new products for the Dundee factory but also the possibility of locating some research and development work which might form the foundation of future expansion plans in the area. In the meantime, we are considering urgently a proposal to improve the efficiency of current operations at Dundee through a programme of investment and retaining. On the basis of this project we hope to secure for the future new products both competitive in terms of price and quality from the Sinclair range and from in-house designs. Our conversations with Sinclair lead us to believe that this is a rich source to be tapped.

The Prime Minister's intervention has been clearly seen by Mr Olsen as a demonstration of Government's commitment to supporting the new products vital to the Company's competitive future.

*A. Muir Russell*

A MUIR RUSSELL  
Private Secretary

DRAFT FOR THE PRIME MINISTER'S PRIVATE SECRETARY

William H Kilkenny Esq  
Chairman  
Hyster Company  
Portland  
Oregon  
USA

GR  
Please type  
Carline

Pl will you fix a mtg  
with Mr Kilkenny? And write?  
- I believe 17 May will be  
convenient to him &  
possible for the PM.  
MUS 8/3

When you last spoke to Mr Alex Fletcher he promised that he would seek to arrange an appointment for you to see the Prime Minister. Mr Fletcher has since taken the opportunity of bringing the Prime Minister up-to-date with the course of your discussions, which of course resulted in your proposals for substantial new investment at your Irvine plant.

The Prime Minister has confirmed that she would be pleased to see you at <sup>an</sup> 10.30~~am~~<sup>pm</sup> on 17 May at ~~10.30~~. Mr Fletcher will also be in attendance. I look forward to your confirmation that these arrangements are suitable.

PM: Feb 83. Meetings about  
Tux.

MAR 1983

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SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Michael Scholar Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

17 February 1983

*Dear Mike*

HYSTER LTD

I attach Line to Take and Background Notes for the Prime Minister's use today reflecting the acceptance by the workforce at Irvine of the company's terms for its expansion there.

Mr Alex Fletcher played an important personal part in the negotiations with the company and during these the Chairman, Mr William Kilkeny, expressed a strong desire to meet the Prime Minister to discuss international trade and in particular what he regards as unfair competition from Japan. I enclose a newspaper advertisement on this subject which Mr Kilkeny suggested should be brought to the attention of the Prime Minister.

Mr Fletcher of course gave no assurances that a meeting could be arranged, but he did promise to approach the Prime Minister; and to judge by remarks he made on a BBC television interview earlier this week Mr Kilkeny has taken it that he will be meeting the Prime Minister. I am sorry to have to put the request to you in these terms, but maintenance of good relations with this company is clearly important at this time and my Secretary of State and Mr Fletcher very much hope that it will be possible for the Prime Minister to agree to have a brief meeting with Mr Kilkeny at some convenient time. I understand he will be next due in London on 17 May. Can you please let me know if a meeting will be possible so that we may inform Mr Kilkeny one way or the other.

*A Muir Russell*

A MUIR RUSSELL  
Private Secretary

BACKGROUND NOTE FOR THE PRIME MINISTER

HYSTER LIMITED

The Hyster Company yesterday announced that it would commit an investment of over £40 million to continue and expand its operations at Irvine. This followed the unanimous acceptance by its 500 employees of a revised wage and conditions package which cut basic wages by 9.8% while stripping out a further 5% on fringe benefits. In a personal telephone call to Mr Fletcher yesterday Mr Kilkenny, Chairman of the Hyster Company, told of the wholehearted support received from the workforce and expressed his pleasure that the Hyster Company would now be able to sanction the investment required.

The Company is proving a major investment programme in the very latest plant and processes coupled with a complete retraining programme in the most modern and flexible production techniques. The objective is to secure a plant capable of meeting the challenge from the Japanese fork-lift truck industry through the production of high quality products competitively priced. The whole fork-lift truck industry has been going through a severe recession. Japanese manufacturers have gone from almost no market share in 1968 to over 55% in 1982. Mr Kilkenny has gone publicly on record, stating that this has been achieved through unfair trading practices including protection of the home, high margin market place, Government subsidisation and the selling in foreign markets of surplus capacity products at 'dumped' prices. Within the United States, Hyster has launched a campaign to obtain Government support against such practices which Hyster believes have also affected the automotive, steel and electrical appliance industries.

In addition to this political campaign, Hyster also considers that it has to meet the business challenge head on if it is to survive. Almost alone among its competitors in the Western world, the Company remained profitable in 1982. It has now embarked on a series of rationalisation measures to remain its market position. It has shut factories in Portland, where it started operations in 1929, California and has ceased manufacture in Sydney, Australia. It announced yesterday the sale of its Belgian factory to its employees and a substantial run-down with the loss of around 250 jobs at its Nijmegen factory, Holland.

The Government has promised substantial financial support to safeguard the jobs of the present 500 employees and to secure up to an additional 1,000 jobs over the next 5 years. /CONFIDENTIAL: The Company also considered both Northern Ireland and Eire as potential locations for this investment and has told us that it received a substantial offer of support were it to choose a greenfield location in the latter. The Company has twice in the past chosen such a greenfield location for projects with considerable success. Northern Ireland was a possible location for the present project, although there were serious doubts about the future of the Irvine operation should such a decision be taken. In the event, the Company took a commercial judgement to locate in Irvine. Government assistance comprising Regional Development Grants of £3.5 million and selective assistance of £3.5 million has been offered against capital investment of over £16 million. In addition, training grants of £9 million (of which half will be paid by the European Social Fund) have been offered against training costs estimated by the Company at in excess of £25 million but realistically nearer £11 million. Additional working capital of over £18 million will also be required. Two small further projects may follow if the present project turns out successfully.]

The Prime Minister may be pressed on whether Government support was conditional on the employees taking a wage cut. This was not in fact the case although it was a condition of the offer of grant that the Company was able to achieve the flexible working practices required to ensure total flexibility in the factory and avoid any demarcation disputes. The Company itself clearly stated that if the Irvine factory was to be competitive these wage cuts were in fact necessary. It was unwilling to sanction the investment programme and thereafter take up the offer of Government support in respect of that programme unless it was satisfied of the wholehearted co-operation of its workforce. This was over-whelmingly achieved.

Scottish Office  
17 February 1983





Prime Minister

We want get to  
this at Questions.

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Michael Scholar Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

Mr Kilkenney (potentially  
1,000 jobs, allegedly)

17 February 1983

Or would you prefer  
to write to him?

To do with office  
Will see him  
mt.

Dear Mike

MCS 18/2

HYSTER LTD

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Scottish Office  
17 February 1983

The Sunday Oregonian . 6/2/83

## The High Cost of 'Free' Trade

A statement from Hyster Co.

America's basic industries and the people they employ are falling victim to an invidious economic condition. That condition is *not* a worldwide recession. It is, simply stated, the myth of "free" world trade.

While most Americans proudly assert allegiance to traditional notions of private enterprise fairly competing in a free and open international marketplace, American business is painfully learning that certain international markets are not operating on that basis. More importantly, American companies are competing both at home and abroad with the world's most powerful "private" enterprise . . . the nation of Japan.

As an international leader in lift truck and heavy equipment manufacturing, Hyster Company is but one example of American business fighting to survive. With manufacturing operations in five states and nine nations, we are well aware of the cost of doing business on an international scale. More and more, that cost is being paid with the jobs and economic future of the American people.

In our changing world economy, American firms that are content to operate with a "business as usual" philosophy might as well not be competing at all. Hyster Company is not content with that philosophy. We've purchased this space to explain why.

## Japan, Incorporated: Our Foremost Competitor

Most Americans have become adjusted to the Japanese economic incursion into this country in terms of their purchase of television sets, stereo equipment, cameras, video tape recorders, motorcycles and automobiles. What is not so visible is what the Japanese are doing to the industrial backbone of America. They are taking over the steel industry, machine tools and rubber industry. They are expanding their role in the U.S. in robotics, computers and office copying equipment. The latest U.S. industry to be impacted by the Japanese is in the field of nuclear power systems, with direct Japanese governmental support playing an important role in the Japanese success in the United States. Newspaper headlines continually talk about plant closures and the layoffs of hundreds of thousands of people in the basic industries of this country. Many Americans ignore this problem or defend the Japanese in the name of "free trade." It is not free trade! Houdaille Industries (a large machine tool company headquartered in Florida) made an extensive study of the Japanese machine tool industry. **Their report found a Japanese cartel arrangement working with the Japanese government, governmental approval of price fixing for export products and the flow of \$1.5 billion from wagering on bicycle races as direct subsidies to the Japanese machine tool industry to support prices on export products.** Houdaille is now petitioning the U.S. Government to disqualify the U.S. investment tax credit on imported Japanese machine tools.

Mr. Philip O'Reilly, Chief Executive Officer of Houdaille, says of those Japanese "experts" who attribute Japanese success to quality, improved technology, dedication to achievement by Japanese employees, lifetime employment, etc.—"phooey." We agree. We have disassembled Japanese lift trucks and conducted performance evaluations on all of our key Japanese competition. In some markets around the world, the Japanese sell at prices that we believe are under their unsubsidized costs.

# Right Cost

## A Statement From

Mr. Lee A. Iacocca, Chairman of the Board of Chrysler Corporation, presented some of his views on Japanese competition in a speech to the Commercial Club of Boston. Among other things, Mr. Iacocca said the following:

*"Non-tariff and hidden barriers in Japan run the gamut from quotas on the importation of agricultural items to administrative procedures which restrict the sale of non-Japanese products. . . . They say they must do this to protect their farmers as a matter of national policy. Fine. If they can protect their agricultural base as a matter of national policy, why can't we protect our industrial base as a matter of national policy? . . . They have created a web of 489 government-protected cartels that practice two-tiered pricing and closed bidding on contracts. . . ."*

*"The Japanese target markets one by one, and undercut their competition with whatever it takes! When robber barons did that sort of thing at the turn of the century, everybody cried "foul." And we broke them up. Now Japan is doing the same thing, and nobody says a word. Worst of all, the Japanese government controls the yen to give its companies an export advantage. Everybody told me the value of the yen would rise when our interest rates came down. Well, they dropped five points in six weeks and the yen got weaker. It fell from 220 to 270! No wonder the Japanese are selling steel on the world market for 20 percent less than we do. No wonder they took 30 percent of our car market this summer. . . . The Japanese are not practicing free trade and they are not practicing fair trade. They are forcing America to fight with both hands tied behind its back. . . . On average, every time someone buys a Japanese car in this country, we lose \$1750 in tax revenue at the local, state and federal level."*

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*"What are we going to do when we need a steel industry, but don't have one? What are we going to do when we need an aircraft industry, but don't have one? When is this government going to wake up? Some of these buy American programs aren't a matter of self-interest, they're matters of national defense and economic survival. Let's tell Japan to knock off the unfair practices or we'll be forced to retaliate—retaliate not only to stop their currency and trade manipulations, but to protect our industrial base, and the American way of doing business."*

Mr. Iacocca could have been talking about the lift truck industry as well as the automobile and the other industries he mentioned. When is the United States going to get its act together? While we watch the industrial backbone of this country go down the drain—while the U.S. taxpayer subsidizes the Japanese defense effort—while we watch the Japanese succeed because of the coalition between their government, business and labor—and while we maintain the traditional adversary role between these same parties, many Americans are content to go along with "business as usual." They defend this in the name of the free enterprise system or in the name of free trade. The world is changing, and **this country had better get with it or it will become impotent as an economic and industrial power.** We don't think America can survive as strictly a service economy selling hamburgers to each other.

### **The U.S. Lift Truck Industry: Marginal Profits for Hyster; Major Losses for Others**

The lift truck industry also has been severely impacted by the economic recession and by severe price competition from Japanese lift truck manufacturers. This is what is happening to our primary U.S. competitors:

**Clark Equipment**—*Wall Street Journal*, October 28, 1982, reported a nine-month loss of \$163.8 million. Earlier, on October 6, 1982, Clark announced the closing of all four of its manufacturing plants in the state of Michigan, including its largest lift truck plant in Battle Creek.

# of "Free"

## Hyster Company

**Caterpillar**—*Wall Street Journal*, January 19, 1983, reported a fourth quarter loss of \$204 million. For the year, Caterpillar reported a loss of \$180 million, its first loss since 1932. On December 8, 1982, Caterpillar announced that lift truck production at its primary lift truck manufacturing plant at Mentor, Ohio, was being phased out. Mr. Lee L. Morgan, Chairman of Caterpillar, recently headed a business delegation to inform President Reagan of the adverse impact of Japanese competition on U.S. industry (*Wall Street Journal*, January 26, 1983).

**Eaton (Yale)**—*Wall Street Journal*, January 27, 1983, reported a fourth quarter after-tax charge of \$205 million and forecast a large full-year loss for 1982. Eaton announced a spinoff of its Yale industrial lift truck operations with Eaton retaining 19% of the ownership of the new lift truck company. Eaton also indicated that it is closing truck axle plants in Cleveland and Louisville, a truck transmission plant in Kalamazoo, Michigan, an engineered-fastener plant in Cleveland and an engine-valve plant in Battle Creek, Michigan.

**Allis-Chalmers**—*Wall Street Journal*, January 27, 1983, reported a fourth period loss of \$130.3 million, and a loss of \$207 million for the year. *Business Week*, January 31, 1983, estimated that the company lost \$85 million, pre-tax, on \$190 million in sales of materials handling equipment.



tha  
Hyster Company is still profitable, although marginally. This, of course, is better performance than reflected by the heavy losses incurred by our U.S. competition during 1982. This relatively superior performance is due to aggressive efforts in the areas of cost control and improved productivity. Early in 1982, the Company embarked on a severe cost reduction effort involving executive salary reductions, a freeze on the wages of all salaried employees around the world, an aggressive program with all of our suppliers on price containment, and the reduction of many staff and overhead functions. **Because of these and other actions, most security analysts in the financial community rate Hyster as the most efficient lift truck manufacturer in the United States and Europe. We intend to stay that way.**

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### Pursuing Grants and Subsidies: The Economic Facts of Life

For many years the governments of many states and foreign countries have had a variety of grant programs, tax abatement programs, etc., for luring potential employers to their state or country. When Hyster decided to locate in Holland in 1952, in Scotland in 1956 and in Belgium in 1967, financial assistance programs played a role in the determination to construct plants in those locations. In 1970, Hyster constructed a new plant in Sulligent, Alabama, and in 1974 purchased an existing plant facility in Berea, Kentucky. Again, aggressive governmental recruiting and assistance were factors in locating in those states.

In recent years, as worldwide unemployment has increased, more and more governmental jurisdictions have increased their financial assistance programs and increased the number and caliber of their staff in their economic development departments. Many foreign countries maintain offices throughout the United States with the sole objective of soliciting U.S. firms (through financial grant and other programs) to establish an operational base in their country. Similarly, many states now have very aggressive financial programs, and they advertise and recruit on a nationwide basis in order to attract employment to their state. (The national advertising campaign of Kentucky, featuring Governor John Brown, is an example.)

In 1977, Hyster was actively recruited by Northern Ireland to locate in that country and manufacture Hyster's H40XL lift truck, the first lift truck designed by a U.S. manufacturer to compete head-to-head with Japanese competition. That contact by the government of Northern Ireland resulted in a \$60 million program and the construction of the most modern and sophisticated lift truck manufacturing plant in the world. The bulk of the cost of the entire program was paid for by grants from Northern Ireland. This program has been profitable since inception.

In May, 1982, Hyster announced that it was embarking on a \$100 million program to enter the automated material handling market. The great majority of the cost of this program will be borne by the government of the Republic of Ireland. Without this financial assistance, Hyster would not have been able to embark on this very important project in the highest growth segment of the materials handling industry.

During the current review of our plant manufacturing capacity, top governmental officials from Belgium, Holland, Scotland, Northern Ireland, Ireland, Kentucky, Alabama, Illinois and Oregon have all visited Portland to outline their financial assistance programs. In turn, Hyster executives have traveled to all of those countries and states for final discussions. As a result of this effort, **Hyster has received commitments for direct grants and subsidies amounting to \$72.5 million. These commitments are all made under legislatively approved programs in the various governmental areas.**

**Hyster believes it has a fiduciary responsibility to its shareholders to pursue the financial assistance programs that various governments offer. Hyster believes it would have been derelict in terms of its responsibilities to its shareholders, employees, dealers and customers if it had ignored all overtures to participate in these legally approved programs.**

### **The Challenge Now: Restoring American Leadership**

The challenge presented to American industry by unfree and unfair Japanese trade practices is fast becoming a matter of national defense and economic survival. To compete on a world scale we must act aggressively with every means at our disposal.

Hyster Company is doing exactly that. We are restructuring our national and international operations to build long-term strength and economic stability. We are seeking to link government, business and labor together to combat the assault from Japan, Incorporated . . . and we are building state-of-the-art plants and designing products to meet the needs of our customers worldwide

all made under  
governmental areas.

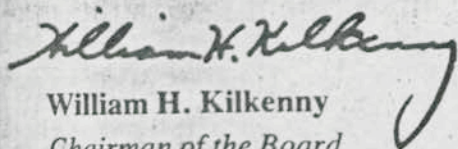
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## The Challenge Now: Restoring American Leadership

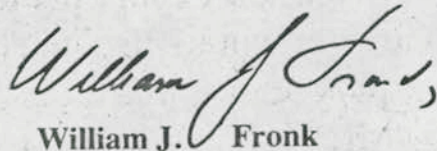
The challenge presented to American industry by unfree and unfair Japanese trade practices is fast becoming a matter of national defense and economic survival. To compete on a world scale we must act aggressively with every means at our disposal.

Hyster Company is doing exactly that. We are restructuring our national and international operations to build long-term strength and economic stability. We are seeking to link government, business and labor together to combat the assault from Japan, Incorporated . . . and we are building state-of-the-art plants and designing products to meet the needs of our customers worldwide at prices they can afford.

If business, labor and government alike would firmly resolve to restore and maintain our nation's industrial leadership role, the American people would not have to pay—with their jobs and their futures—the high cost of "free" world trade.



William H. Kilkenny  
Chairman of the Board,  
Chief Executive Officer



William J. Fronk  
President,  
Chief Operating Officer



### **HYSTER COMPANY**

We invite your comments about this message, as well as requests for reprints. Write: Office of the Chairman, Hyster Company, P.O. Box 2902, Portland, Oregon 97208.