

P.M.

PRIME MINISTER

You are seeing Edmund Marshall on Monday evening about the Thorneelectric motor factory closure in Goole. The Department of Industry assume that his main purpose will be to press for development area status. The case seems thin.

Two interesting points from the briefing: first, there have been no takers at Thorne for the GEC offer of jobs at the Newcastle plant (paragraph 4); secondly, Dr. Marshall held a meeting at the Thorne site which was not well attended (paragraph 5).



29 May 1981



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FROM THE
MINISTER OF STATE
FOR INDUSTRY AND
INFORMATION TECHNOLOGY
Kenneth Baker MP

Caroline Stephens
Private Secretary to
the Prime Minister
10 Downing Street
London
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29 May 1981

Dear Caroline

As requested in your letter of 14 May, I enclose a brief for the Prime Minister for her meeting with Dr Edmund Marshall to discuss the proposed closure of GEC Small Machines Ltd in his constituency. Mr Baker will attend the meeting.


*Your sincerely
Liz Riley*

LIZ RILEY
Private Secretary

RAT/RATAAU



29 MAY 1981



THE PRIME MINISTER'S MEETING WITH DR EDMUND MARSHALL MP ON 1 JUNE: PROPOSED
CLOSURE OF GEC SMALL MACHINES LTD FACTORY AT THORNE, NR DONCASTER, SOUTH YORKSHIRE.

The Company

1 GEC Small Machines Ltd, Blackheath, Birmingham are a subsidiary of the GEC Group. They make electric motors ranging from fractional horsepower (F.H.P) to small industrial in factories at Witton (Birmingham), Farsley (West Yorks), Newcastle-under-Lyme (Staffs) and Thorne (South Yorks). The Thorne and Newcastle factories concentrate on the F.H.P. motors used in office machines, and air movement equipment (eg ventilating fans). About 90% of the output goes to customers outside the GEC Group.

The Thorne Closure

2 There is over-capacity in small electric motors within the EEC and also stiff competition from imports from the United States. Both the Thorne and Newcastle factories have excess capacity and sales and profits have declined. GEC are not prepared to continue running both. Thorne, being the smaller factory, is the one to go. According to the company the future of the Newcastle factory should be secured by the concentration of activity there.

3 The unions have signed a closure agreement and production at Thorne will cease on 29 May 1981. The work force of 424 (75% women) will be laid off in the ensuing weeks. MSC say there is very little prospect that many of the redundant workers will find new jobs locally.

4 650 are employed at the Newcastle plant. The most modern of the Thorne machinery will be transferred there and GEC hope that this will provide an extra 120 jobs in the next year. Workers at Thorne have been offered the opportunity to move to Newcastle but there have been no takers so far and this is unlikely to change.

5 Mr A Wilkinson, general manager F.H.P. Division, GEC Small Machines Ltd, met Dr Marshall and Mr J Golding MP early this year to warn them of the position at Thorne and its likely closure. Dr Marshall was also told about the closure decision when it was announced. [We understand from GEC that Dr Marshall later held a meeting at the Thorne site which was poorly attended by the workforce].

Impact on the area

6 Thorne is in the Doncaster Travel to Work Area (TTWA) where the ^{May} ~~April~~ unemployment rate is 13.6% (15,277 persons). Unemployment in the Thorne Employment Office Area (EoA) is some 2331 persons. GEC are the second largest employer in the EoA, after the NCB, and the loss of 424 jobs will hit hard. Most of the employees live in Thorne although a few commute from Doncaster (9 miles) and Goole (8 miles). Thorne is a close knit community whose residents have a built-in unwillingness to travel in search of work.

7 Both Doncaster and Goole TTWA will retain Intermediate Area (IA) status after 1 August 1982. Doncaster relies heavily on coal mining but also has a diverse manufacturing sector including vehicles (mainly tractors) engineering, metal goods, textiles and glass. Many of the major firms in these industries have experienced recent redundancies and short term prospects are not good. On the positive side English Industrial Estates have undertaken 14,700 M² of factory building with Government funds in the TTWA since 1970. They have also attracted private sector investment for other advance factory units in the area.

8 Industry in Goole is mainly connected with the inland port and agriculture. Other activities include pre-cast concrete products, clothing and aircraft components. Job opportunities have declined in recent years and in ^{May} ~~April~~ 1981 there were 1833 persons unemployed (14.2%). Goole could benefit from the development of the Drax Power Station (10 miles) which is expected to provide about 600 extra jobs on completion in 1986.


Dr Marshall's representations

9 Dr Marshall may be expected to urge the Prime Minister to consider the following:

Government pressure on GEC to reverse their decision

10 GEC's decision has been taken against a background of reduced demand and fierce international competition which has resulted in the Newcastle and Thorne factories returning a loss for the year ended 31 March 1981.

11 Line to Take The decision to close the Thorne factory and concentrate activity at Newcastle-under-Lyme must be one for GEC to make based on their own commercial judgement.



Upgrading of Doncaster and Goole TTWAs to Development Area (DA)

12 Assuming that 70% of the GEC redundant workforce were to register as unemployed in the Doncaster TTWA, the unemployment rate would still be below the average rate for all DAs. Unless there is further deterioration in Doncaster, this is likely to remain the position since the rate for all DAs will probably continue to rise. There is no justification on employment grounds for upgrading Doncaster. Evidence of employment levels persistently above the DA average would be needed before a review of an IA's status could be considered. The Prime Minister should also be aware that on 20 May the Secretary of State for Industry replied to the Rt Hon Harold Walker MP and Mr Michael Welsh MP rejecting their representations against a background of rising local unemployment that Doncaster should be given DA status.

13 Line to take The Prime Minister may wish to acknowledge that regrettably the employment position in the TTWA as a whole has deteriorated in common with the rest of the country due to the present recession. Unemployment is but one (important) factor which has to be taken into account in designating assisted areas, and the Secretary of State for Industry has only recently considered the area's status and felt unable to justify a change. The Prime Minister may also wish to point out that Doncaster is retaining its Intermediate Area status when assisted area coverage is being reduced and its relative advantage will be enhanced.

14 Goole (Dr Marshall's constituency) is unlikely to be affected in any major way by the GEC closure. Dr Marshall will probably base any case for upgrading to DA on the rate of increase in unemployment, the current high rate of unemployment and the area's relative disadvantage as an IA, alongside neighbours which enjoy DA status (Scunthorpe and Hull). Although there has been a relatively steep increase in the unemployment rate from 7.0% in 1979 to 14.2% in ^{MAY} ~~April~~ 1981 (GB 5.6% to 10.4%), on the evidence available there is no justification for DA status. Compared with the areas of greatest need, relatively few people (1851) are without jobs in the Goole TTWA.

15 Line to take The Prime Minister may wish to express the view that Goole's case does not warrant a change. However the Secretary of State for Industry is always ready to consider evidence of significant long term deterioration ^{in unemployment} relative to the rest of the country.

Dept of Industry
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UNEMPLOYMENT AT THORNE

Submission to the Prime Minister by Dr. Edmund Marshall, MP for the Goole constituency, on June 1, 1981.

1. The proposed closure by GEC Small Machines Limited of their factory at Thorne in my constituency, which is likely to take place later this month, will reduce the number of jobs in the area by 424, of which 82 are for men and 342 for women.
2. On May 14, 1981 the number of unemployed persons registered in the Thorne employment office area was 2,331, made up of 1,628 men and 703 women. These are the standard figures of unemployed persons published monthly by the Department of Employment, and do not include adult students or temporarily unemployed persons, but I am not sure whether they include unemployed school-leavers who are under the supervision of the Careers Office of Doncaster Local Education Authority, which covers Thorne.
3. The Thorne employment office area covers the five parishes of Thorne, Hatfield, Stainforth, Fishlake and Sykehouse, and is part of the Doncaster travel-to-work area. The total number of working people living in the Thorne area is therefore not available from the Department of Employment, and this means that the Department does not publish figures for percentage unemployment rates at Thorne, but only for the whole Doncaster TTWA.
4. Consequently it is not easy to gauge the severity of the unemployment problem at Thorne. The number of registered unemployed persons there has grown since the suspension of coal production at Thorne Colliery in 1956. There have been at least four major factory closures at Thorne during recent years, involving Faire Brothers (narrow fabrics); British Mohair Spinners; Humberside Frozen Foods and Chilprufe, all of them with sites in the town of Thorne itself. In addition, redundancies by British Steel at nearby Scunthorpe have increased unemployment at Thorne. While the unemployment problem is likely to be concentrated on Thorne town, the rest of these notes refers to the whole Thorne employment office area.
5. To measure the unemployment problem at Thorne, one needs to know the total number of working persons resident in the area. While these figures are not available through the Department of Employment, they can be extracted from the decennial census returns. The latest available census returns are of course for April, 1971, when there were 12,360 men and 5,690 women resident in the Thorne area who were working or unemployed.

If these figures are taken for May, 1981, without alteration, the unemployment rates for Thorne are 13.2 per cent for men, 12.4 per cent for women and 12.9 per cent altogether (based on the figures stated above in paragraph 2). If one then adds the redundancies threatened by GEC closure, the percentage rates of unemployment rise to 13.5 for men, 18.4 for women and 15.3 altogether. Many unemployed women, however, do not register as unemployed with the Department of Employment.

6. The 1971 census figures, however, are very out-of-date. I have asked the Registrar-General to supply me with the corresponding information extracted from the recent 1981 census, but it will be March, 1982, at the earliest, before he can do this. Until then, one can only guess at the change in the total working population at Thorne since April, 1971. While the raising of the school leaving age may have reduced the total working population, this may have been offset by growth of population in the area.
7. In the event of there being no way of averting the GEC closure, may I ask that HMG undertakes a special study of the unemployment problem at Thorne, first and foremost to measure more precisely how serious that problem is, for adults and school-leavers together. When the severity of the problem is known, it may indicate that the Thorne area should be designated as a development area rather than the intermediate area which it is now. Under the arrangements made by the present Government, there are significant differences between the methods of Government and European assistance for industry in development areas compared with intermediate areas. The Scunthorpe area, adjacent to Thorne, has recently become a development area. If investigation of the unemployment problem at Thorne reveals an unemployment rate there, after the proposed GEC closure, of over 15 per cent, surely Thorne also should be designated a development area.