



FROM THE
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Miss Caroline Stephens
10 Downing Street
London SW1

20 November 1981

Dear Caroline,

ICL ARDWICK: MEETING WITH GERALD KAUFMAN MP, 23 NOVEMBER

I enclose a brief for this meeting. I am sorry that part is rather difficult to read - 'Fax' machines are not the most advanced area of information technology. I will send you the top copy of that part of the brief when we receive it from Manchester on Monday.

Yours sincerely,

Jonathan Hudson

J C HUDSON
PRIVATE SECRETARY

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BRIEF FOR MR BAKER'S MEETING ON MONDAY 23 NOVEMBER WITH THE PRIME MINISTER
AND THE RT HON GERALD KAUFMAN MP

ICL' REDUNDANCY PROPOSALS

The company announced by means of a press notice on 19 November - a copy is at Annex A - that as part of a continuing drive to reduce costs it had identified a number of additional measures which needed to be addressed urgently. These included the shedding of surplus manpower in UK and overseas, and the better use of factory and other facilities (space rationalisation). The surplus labour in UK amounts to 1500 people, made up as follows :

Manufacturing and Supply	750
Marketing operations	430
Development Divisions	200
Applications Systems and Services	70
Corporate Divisions	50

2 The company's announcement is not unexpected. ICL's Managing Director, Mr Wilmot, warned officials early in September, and Ministers in the presentation he gave on 10 November, that although the previous round of redundancies declared in May was going smoothly, a more detailed review of prospects and resources made it clear that a further 2500 people world-wide were surplus to requirements. The present announcement, covering UK employees only, makes this warning a hard reality.

3 A major part of the manpower reduction in Manufacturing and Supply division derives from the proposal to close production of printed circuit boards (PCB's) at the Plymouth Grove, Manchester, factory which is in Mr Kaufman's constituency. This is an almost new factory, opened only in September 1979 to provide ICL with a world-class source of multi-layer PCB's. It is probably the most advanced plant of its type in Europe but ICL has never been able to use its full capacity and it has recently been only one-third utilised, with a run-down complement of 300 working a three-day week. All the forecasts of PCB demand for future ICL products suggest a further significant reduction in the number of boards per machine, so that there is no prospect of a heavier load for Plymouth Grove. ICL therefore propose to re-locate all PCB production at the similar but older facility at their Kidsgrove factory near Stoke-on-Trent, which will have the capacity for external PCB sales under the ICL trade name 'Logiclayer'.

4 Plymouth Grove was built 1978/79 with HMG's assistance under Section 7 of the Industry Act. The locality then qualified for assistance as an Intermediate Assisted Area, and ICL were offered investment relief grants of £584,000 on total project costs of £5.5 million. This amount was paid to ICL in three tranches over a two-year period, the final payment being made in May 1981.

5 No other factory closure is foreseen by ICL's present announcement, despite Mr Wilmot's comment in September that, if suitable buyers could be found, other plants would be available for disposal. Both ICL and the Department



have been actively looking for both UK and overseas companies with plans for expansion which might wish to take over either the Plymouth Grove plant or ICL's large systems assembly factory at Ashton-under-Lyne. Various companies have been identified but none of those so far approached has plans which co-incide with the short time-scales to which ICL are working. It is possible that, because sales of the 2966 computer which is made at Ashton are going so well at present, Mr Wilmot has decided to defer a final decision. We do know that following a recent trip to USA, Mr Wilmot has decided ICL should retain the Utica, New Jersey, factory in the light of potentially large sales to both the State Authorities and to the giant Sears-Roebuck retail sales organisation.

MR KAUFMAN'S CONSTITUENCY INTEREST

6 Mr Kaufman has always taken a close interest in ICL's affairs because numbers of their employees both live and work in his constituency, either at Plymouth Grove or at the nearby West Gorton site - now solely an R & D centre but until two years ago a manufacturing unit. (West Gorton is actually just outside Mr Kaufman's constituency). Mr Kaufman helped ICL in its local representations when the company embarked on the Plymouth Grove project, and he has pursued actively the company's cause when both Manchester City and County Councils decided to buy non-ICL computers. He can be expected to protest the closure of Plymouth Grove by ICL, and the more general reduction in the workforce, on the grounds that :-

- a) it represents a bitter blow to both present and future employment prospects in the area if ICL withdraw;
- b) it brings to nothing the Regional assistance which ICL received for the Plymouth Grove project;
- c) it follows closely on the earlier redundancies effected by the company, and constitutes an unacceptable reduction in the scale of ICL's manufacturing activity;
- d) it lends credence to the views expressed by trades unions and others that the support given to ICL by the Government was inadequate and of the wrong type;
- e) it is an indication of what might follow from close involvement and collaboration with overseas, and in particular, Japanese interests.

LINE TO TAKE

7 The response to Mr Kaufman's points might be :-

- a) that ICL has already received substantial Government help in the form of the loan guarantee; that there can be no commitment to further assistance - indeed ICL's new management has been told that it must work within the ceiling of the guarantee;



- b) that we recognise the hardship which the closure of this ICL plant will cause. Clearly such events are to be regretted and this is particularly the case in a high-technology industry which is vital to UK's future. ICL themselves will clearly be reluctant to abandon a very modern show-place plant offering excellent working conditions, but neither the company nor the Department have been able to identify another manufacturer ready to take over the factory and its workforce within the time-scale required ;
- c) Mr Kaufman will recognise that to safeguard the jobs of ~~the~~ rest of its employees it is important that ICL should be competitive in a fiercely competitive industry where many other companies, including even IBM, have been reporting poor results in recent months ;
- d) that in the Department's view the prompt measures of rationalisation and reorganisation which ICL's management has taken in the few months they have been in office augur well for the future. It is for the management to decide what additional steps are necessary to return the company to profitability, and afterwards to growth. They have already announced new products which are designed to be competitive across the board, and have negotiated collaboration agreements which will give them access to highly advanced technology. Such collaboration has not resulted in the present situation. There has not been time for them to take effect. They should help ICL to become stronger, and its products more cost effective ;
- e) that we shall be watching the company's progress closely in the coming months.

IT3
20 November 1981



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PRESS RELEASE

19th November 1981

ICL MANPOWER 1981/82

Commenting on ICL's latest manpower proposal, as attached, ICL's Chairman, Mr. Christophor Laidlaw, said:-

"We deeply regret the need for this further manpower reduction programme. We hope that part of it can be achieved voluntarily and that it will be the last major reduction on a Company-wide basis. Our overriding concern must be that ICL returns to a necessary level of profitability as soon as possible. When the programme is completed, the reduction in operating costs which it will bring will result in a significant improvement in ICL's profitability. We anticipate that the costs arising from this and other related actions will require a further extraordinary provision of the order of £20 million in our Annual Accounts for the year ended 30th September 1981."

Further enquiries to:

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PRESS RELEASE

19th November 1981

ICL MANPOWER 1981/82

ICL has today released internally the following Company Announcement signed by the Group Managing Director, Mr R.W. Wilmot:-

"The Chairman and I, with other members of Senior Management, have been reviewing the activities of our Company during the past six months.

A number of actions have already been taken to help ensure that ICL is on the road to recovery.

Measures already taken to reduce costs, including the Manpower Reduction Programme implemented as a result of the Announcement last June were vital if there was to be any reasonable prospect of recovery. The changes to Company organisation already announced are part of the on-going process that will ensure that our structure matches the needs of our dynamic business. The developments in product and marketing strategies, including the collaborative ventures with the Three Rivers Corporation, the Fujitsu Corporation and the MITEL Corporation, highlight the market opportunities available to us in the years ahead.

However, in order to capitalise fully on the benefits flowing from the actions already taken, the Company needs to return to profit in the short term. We have identified several key issues which must be addressed urgently:

- * overhead costs are still too high;
- * the mix of skills in the Company is not in balance with our needs;
- * the need to re-allocate technological resources to those areas of systems design in which ICL excels;
- * excess of capacity for the manufacture of printed circuit boards.

In addition, the impact of technology continues to affect the work content of our products and services.

A number of actions are already in hand to help deal with these issues:

- * redeployment and retraining of staff from support activities to sales and design;
- * space rationalisation referred to in earlier Company Announcements;
- * the application of more of our development skills to the growth market in distributed systems;
- * on-going review of all work in overhead areas to identify non-essential and unnecessary activities;
- * the creation of new support units for 380 mainframes, PABX telephone exchanges and a PERQ production unit.

But these actions are not enough to deal adequately with all the issues outlined. We still have a surplus of manpower. Our estimate of this surplus in the UK is a maximum of 1500 employees. Overseas, we anticipate making appropriate reductions in Marketing Operations to reflect the level of business in the countries concerned. The position will be discussed with the employees in each country.

The surplus of 1500 in the UK includes a proposal to close down manufacturing at Plymouth Grove, Manchester, and locate all PCB production at Kidsgrove. Logiclayer will continue to sell PCB's to the external market. The UK surplus is made up approximately as follows:-

Manufacturing and Supply	750
Marketing Operations	430
Development Divisions	200
Applications Systems & Services	70
Corporate Divisions	50

Employees are being briefed by Managers on the details of the proposals contained in this Announcement. The immediate consultations now proposed will take place with employees and the recognised Trade Unions. Local consultation will open immediately in order to clarify, amongst other things, the numbers and categories of employees affected.

Some of the proposed manpower reductions may be achieved by natural wastage. The Company believes, however, that redundancies will be unavoidable. Assistance will be provided through Job Guidance Centres to help identify any redeployment opportunities within ICL and other job opportunities outside ICL.

In the current economic climate, expressions of regret over redundancy proposals are commonplace. This does not diminish, however, the very deep regret my colleagues and I feel regarding the need for these proposals.

I sincerely believe that this should be the last major manpower reduction on a Company-wide basis. There will of course be a continuing need for changes in our skills mix as we adapt to new technology, and no general guarantee of job security can be given. We will be placing special emphasis on retraining programmes in the future so that we can better cope with the continually changing demands and the flexibility that the computer market requires of us. I ask for the support and co-operation of all staff in this last main phase of adapting our organisation and costs to the commercial realities of ICL's position and size."

Further enquiries to:

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ICL REDUNDANCIES - NW REGION

Presence in Region

1 ICL has four main operational sites in the Manchester area:-

Manchester TTWA

- Arndale Centre, Sales & Service Office, employment circa 200.
- Plymouth Grove, printed circuit board/ logic layer manufacture, employment circa 300.
- West Gorton, computer manufacture, employment circa 1200.

Ashton-under-Lyne TTWA - Audenshaw, computer assembly, employment circa 800.

Employment approximated because sites in process of labour shedding - see para 4.

2 Plymouth Grove is in Mr Kaufman's constituency.

Past ICL Closures in NW Region

3 A computer assembly plant at Dukinfield (Ashton TTWA) ceased manufacture in 1979 with a loss of 865 jobs.

A computer equipment manufacture plant at Winsford (Northwich TTWA) closed in 1980 with loss of 1581 jobs.

4 All Manchester sites were affected by the redundancy programme announced by ICL on 5.6.81, as follows:-

Plymouth Grove - 128 jobs to be shed (September 1981) from a base of 371.

West Gorton - 174 jobs to be shed (September 1981) from a base of 1221.

Audenshaw - 396 jobs to be shed (September 1981 - March (1982) from a base of 814.

Latest Announcement

5 ICL's announcement on 19.11.81 calling for 1500 redundancies in UK, specifies closure of Plymouth Grove. All pcb manufacture will be handled from Kids Grove, Staffs.

6 Other losses have not been identified, but NW sites are likely to be affected:-

Arndale Centre - within 430 redundancies for the national marketing operation.

- West Gorton - by the 750 redundancies in manufacture and supply (which includes Plymouth Grove closure) and by the 200 called for in development activities.
- Audenshaw - by the manufacture and supply redundancy.

Plymouth Grove

7 The factory was established some 3 years ago as a result of a concerted approach by:-

- | | | |
|---------------------------|---|--|
| Manchester City Council | - | site provision |
| Greater Manchester County | } | - services and a road closure |
| Dept of Transport | | |
| Dept of Industry | - | selective assistance to ICL and RDG to the lessor of the factory building. |

The establishment of this operation to produce the newly introduced "Logic Layer" was hailed as a major local success story. Mr Kaufman was, of course, the responsible Industry Minister at that time, making closure doubly poignant to him. The package operation was regarded at the time as a notable regional achievement.

Implications of Closure

8 Plymouth Grove (also West Gorton and Arndale Centre) is within the Manchester Inner City Partnership area. It can be argued that it has provided at least some jobs for inner city residents although, given the nature of the work, it draws on a wide catchment area. Unemployment rates are not available on a sub TTWA basis - this would be unrealistic in terms of overall travel-to-work patterns - but it is acknowledged that there are pockets within the inner area around Plymouth Grove showing high residential concentrations of unemployment.

9 It is not possible in isolation to assess the effects of the Plymouth Grove closure. All ICL's sites are within a small geographical area and three of them within the very large Manchester TTWA (transitional Intermediate Area):-

Insured Population	715,000
Unemployed (October)	92,200 (12.9%)

For comparison, NW Region rate 14.9%, GB rate 12.2%.

Electrical Engineering as a whole accounts for 4.5% of employment in the TTWA - around 30,000 people.

10 In TTWA terms the closure is not a significant event. However, as the third major ICL closure in the region in 3 years, it is a particularly unwelcome reduction in the high technology base to which the region looks for its future prosperity and will increase local uncertainty as to the future of ICL in the Region.

- 11 Annex A - Recent Good News in the immediate area.
Annex B - Recent major redundancy in the immediate area.

Line to take (Regional Implications Only)

12 The Minister may wish to

- Regret the closure, but its impact in lost jobs is spread over a larger area than the constituency. Refer to the prospect of new electronics jobs at Ferranti GTE in Moston, 4 miles away (Annex A).
- State that its impact on the Manchester TTWA will overall be small, that there is no intention to reverse the decision to downgrade the TTWA, but that the Department will keep a watch on the situation.

If pressed:-

- Stress that it is not possible to look at Assisted Area status on a sub-TTWA basis, but that DI supports the Partnership approach under the Inner Urban Areas Act.

C C J Martin
NWRO/Briefing
20 November 1981

GOOD NEWS IN OR LOCAL TO MANCHESTER-ARDWICK CONSTITUENCY

- a) Ferranti announced 18.11.81 a joint venture with General Telephone & Electronics Corpn (USA) in the field of private automatic branch telephone exchanges. The new company Ferranti GTE Ltd expects to create around 300 jobs at Moston, Manchester, for electronics assembly workers, R & D staff and general factory services, primarily by local recruitment, as part of the £8M development.

Moston is the Instruments Div HQ and recommissioned factory space has been made ready.

- b) Hawkesbury Investments, backed by Manchester City Council will establish a Furniture Manufacturing Co-operative in Moss Side District Centre, expected to employ about 40 people.

GENERAL

Although there is little immediately local good news, Ardwick is well placed for travel throughout the Manchester TTWA and surrounding TTWAs and residents could benefit from developments over a wide geographical area, including the Salford/Trafford Enterprise Zone.

MAJOR REDUNDANCY IN OR LOCAL TO MANCHESTER - ARDWICK CONSTITUENCY

<u>Company</u>	<u>Location</u>	<u>No Redundant</u>	
<u>1980</u>			
Tootal Ltd	Levenshulme	250	Closure (Textile)
Ape Crossley	Openshaw	112	(Engineering)
Francis Shaw	Beswick	218	(Engineering)
Fairey Engineering	Levenshulme	223	(Engineering)
Bowater Containers	Longsight	134	(Packaging)
C Nicholls	Openshaw	245	Closure (Printing)
Security Rockbits	Openshaw	142	Closure (Mining)
<u>1981</u>			
Lawrence Scott & Electromotors	Openshaw	654	Closure (Electrical)
B S Massey	Beswick	154	Closure
Easicut Tools	Beswick	252	Closure (Tools)
Clayton Aniline	Beswick	210	(Chemicals)
James Robertson & Son	Beswick	99	(Food)

Employment Protection Act notification has been issued for:-

Snugcoat	Ancoats	162
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NOTES:

- 1) In virtually all cases the reason given for redundancy was loss of demand.
- 2) Typically the area houses smaller companies and there have been numerous minor redundancies.
- 3) It is not possible in the time available to identify locations to the constituency.