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SUBJECT
OF MASTER



10 DOWNING STREET

From the Private Secretary

23 November 1981

Dear Jonathan

ICL, Plymouth Grove

The Prime Minister was grateful for the briefing provided for her meeting with Mr. Gerald Kaufman, which took place this evening. As you know, Mr. Baker was present.

Mr. Kaufman spoke first about the current position of ICL as a whole. He feared that there was no clear sense of direction about the company's present activities. ICL appear to be rushing headlong into international agreements, with no forethought about the consequences. He recognised the role of co-operative agreements but he was most concerned that ICL might soon become nothing more than a shell for factoring foreign technologies. This would negate the purpose for which successive governments had supported the company, and its attraction for what was left of the mainframe market would go. The Government still had a major role in relation to the company, in terms of both outstanding borrowing and the guarantee, and he hoped that the Government would make use of this. He also hoped the Government would take a more positive attitude on public procurement.

Mr. Kaufman then turned to ICL's role in Manchester. The company had a long history as an important employer in the city. When Mr. Kaufman was in government, the decision to build a new factory at Plymouth Grove had been important for the area. The site had previously been derelict, and the population of the area were generally on low incomes with very limited job prospects. The ICL project had therefore been a boost to the whole area. He feared that it could revert to a derelict site if ICL withdrew. Before ICL announced its redundancy package last June, the three Manchester factories had employed 2,600 people. 700 jobs had gone in June. The latest measures involved the closure of Plymouth Grove, and the 120 further redundancies in the other factories. He had since been told in confidence by a senior source in the company that the Ashton-under-Lyne factory would be closed in the next three years. That would bring the total ICL force in Manchester down to 1,000.

Mr. Kaufman then offered a proposal for the future. When Plymouth Grove had gone on to a three-day week in June, the company had said it intended to look for outside contract work which might enable it to return to a five-day week. In fact, little appeared to have been done. The small amount of work found in this way had been directed to the Kidsgrove factory. Both the workers' representatives and the management at Plymouth Grove appeared to think that there were possibilities for further contract work. The present Government

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had retained the NEB, with two primary functions; one of these was regional - so an inner city area in the North/West with high unemployment seemed appropriate; the second was high technology, which made the Plymouth Grove factory relevant once again. Mr. Kaufman therefore asked that the Government should consider inviting the NEB to take over Plymouth Grove as a separate concern, doing contract work on printed circuit boards. In this way, a facility obtained at great public expense, and equipped to high modern standards, would not be closed, thus ensuring employment in a difficult area. He did not seek an immediate reaction but asked the Prime Minister to give the proposal serious consideration.

Replying to Mr. Kaufman, the Prime Minister undertook to have his suggestion examined carefully. She nevertheless stressed that the major problem seemed to be over-capacity on printed circuit boards. She then discussed the efforts the Government had made in the recent past in the public procurement field and ensured Mr. Kaufman that Ministers would continue to do what they could. She invited Mr. Baker to take up the points raised by Mr. Kaufman, but she endorsed Mr. Baker's proviso that the ideas suggested by Mr. Kaufman were only relevant if such arrangements could be based on real product viability.

I should be grateful if you could keep us in touch with any developments. It may be appropriate for the Prime Minister to write briefly to Mr. Kaufman after Mr. Baker has completed the enquiries he undertook to make.

I am sending a copy of this letter to Ian Ellison in your Secretary of State's office.

M. A. PATTISON

J.C. Hudson, Esq.,
Department of Industry.