



CDTI
MA.

10 DOWNING STREET

THE PRIME MINISTER

22 June 1984

Dear Mr. Clark,

Thank you for your letter of 6 June on Plessey's announcement last week of its intentions to invest £50 millions in an integrated circuit factory at Plymouth.

I understand that use of the South Shields factory was considered by the company's consulting engineers, who found it unsuitable for integrated circuit manufacture. Modification of the building at considerable expense, would have been necessary to provide clean room facilities and associated services like water treatment, special gas supplies and air filtration. The main obstacle, however, is in the mechanical stability needed to manufacture advanced integrated circuits with features defined to less than a micron; this would have necessitated a complete reconstruction.

Further, Plessey already has plants at Swindon and Plympton and concluded that its new plant needed to be adjacent to one of these. The company claims that otherwise it would need to recruit extra process support and product engineering staff so that the third site would be largely self-sufficient and that, with their product mix, this would have significantly reduced the competitiveness of their products.

I can appreciate that Plessey's announcement is disappointing for South Shields and for the North East. There are hopes of an alternative use for the South Shields site, as I mentioned in my letter of 4 May. This is still

/ being considered

being considered, but is a long way yet from being a certainty.

Plessey has applied to the Department of Trade and Industry for grants for the Plymouth project, with provisional costings. The Department is now considering whether this application meets the usual criteria.

Insofar as the project is eligible for Regional Development Grant, RDG is paid automatically so long as the expenditure is eligible for grant according to the normal criteria.

You asked if I will be prepared to meet Don Dixon and yourself again to discuss the present situation. I should, of course, be more than willing to do so and perhaps you would contact my office to arrange a time.

Yours sincerely

Margaret Thatcher

Dr David Clark, M.P.

PRIME MINISTER

As you know, Dr. David Clark MP wrote you a further letter about the closure of the Plessey factory in South Shields asking to meet you again to discuss the announcement by Plessey of a new factory at Plymouth. The attached draft reply from DTI explains the reasons why Plessey did not consider that the South Shields site was suitable. DTI advise that you should meet Dr. Clark and Mr. Don Dixon if you wish. I note, however, that he has also asked to meet Kenneth Baker, and a further meeting with you, particularly during such a busy month, to discuss a point which is not essentially about a closure, might be overdoing it a bit. Nevertheless, I know that you are sympathetic to Dr. Clark's problems in South Shields and have drafted the letter on the assumption that you wish to accede to his request for a meeting.

If you wish to meet Dr. Clark but would prefer to keep your powder dry, we can contact him by telephone rather than by letter. Do you wish

- a) to agree to the meeting and if so
- b) to write as attached or
- c) to leave this material for the meeting itself?

21 June 1984

Jeve

PRIME MINISTER

Joy passed the attached correspondence to me following David Clark's mention of a meeting. In fact his letter of 6 June, which is attached, is entirely separate from the earlier correspondence about a constituent of yours. The company which Dr. Clark mentions, Newman's Limited of South Shields, is as he says in the hands of the Receiver who is in touch with DTI about the possibility of help. Since Dr. Clark does not positively request a meeting but merely says he might be seeking one if the factory finally closes, perhaps you might like to reply along the attached lines.

20 June 1984



DEPARTMENT OF TRADE AND INDUSTRY
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LONDON SW1H 0ET

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PS/ Secretary of State
for Trade and Industry

19 June 1984

Timothy Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

*Papers marked to Tim
12/16*

Dear Tim,

Thank you for your letter of 7 June enclosing the correspondence to the Prime Minister from Dr David Clark MP on the recent Plessey announcement. A suggested reply and background note are attached.

2 Subsequently Dr Clark has sought a meeting with the Prime Minister and with Mr Baker. The Department will provide a brief for these meetings.

*Your ever,
Andrew Lansley*

ANDREW D LANSLEY
Private Secretary

JH2APW

SLHAAI

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

Dr David Clark MP
House of Commons
LONDON
SW1A 0AA

Thank you for your letter of 6 June on Plessey's announcement last week of its intentions to invest £50 millions in an integrated circuit factory at Plymouth.

I understand that use of the South Shields factory was considered by the company's consulting engineers, who found it unsuitable for integrated circuit manufacture. Modification of the building at considerable expense, would have been necessary to provide clean room facilities and associated services like water treatment, special gas supplies and air filtration. The main obstacle, however, is in the mechanical stability needed to manufacture advanced integrated circuits with features defined to less than a micron; this would have necessitated a complete reconstruction.

Further, Plessey already has plants at Swindon and Plympton and concluded that its new plant needed to be adjacent to one

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of these. The company claims that otherwise it would need to recruit extra process support and product engineering staff so that the third site would be largely self-sufficient and that, with their product mix, this would have significantly reduced the competitiveness of their products.

I can appreciate that Plessey's announcement is disappointing for South Shields and for the North East. There are hopes of an alternative use for the South Shields site, as I mentioned in my letter of 4 May. This is still being considered, but is a long way yet from being a certainty.

Plessey has applied to the Department of Trade and Industry for grants for the Plymouth project, with provisional costings. The Department is now considering whether this application meets the usual criteria. ~~If it does then there can be no question of withholding or halting the grant, as you suggest.~~

Indeed, ^{if} insofar as the project is eligible for Regional Development Grant, RDG is paid automatically so long as the expenditure is eligible for grant according to the normal criteria.



BACKGROUND NOTE ON THE PROPOSED PLESSEY FACTORY IN PLYMOUTH

Plessey Semiconductors is rapidly expanding at 30% yearly and now needs capacity for integrated circuit manufacture additional to its plants at Swindon, which incorporates the company's design centre, and Plympton.

The company has explored carefully alternative options for acquiring this additional capacity. Its present plants are incapable of sufficient expansion, and the purchase of existing plants from other companies in the UK and US has proved unattractive. Plessey also considered the possibility of modifying the South Shields factory, the closure of which was discussed with the Prime Minister by Dr David Clark MP and Mr Don Dixon MP on 12 April.

Unfortunately there are two major drawbacks in using the South Shields building. Firstly the manufacture of advanced integrated circuits calls for extremely demanding environmental services, in terms of air cleanliness, temperature and humidity control and freedom from vibration. Plessey was advised by its consultants that the present building cannot meet, even with some modification, the latter condition, since mechanical isolation of the floors from walls and roof would be necessary, as well as major piling to support the floors.

The second drawback is in servicing a third site from Swindon both in terms of cost and taking up the time of its skilled staff, who are in short supply. Plessey estimates that the additional manpower for a third site would be 75 staff in process support and product engineering over expansion in Plymouth and this would seriously affect the competitiveness of its products.

... Plessey announced on 6 June its intention to build a new plant in Plymouth at a cost of £50 millions (press announcement is attached) and that it is seeking government support. We have received an application, with provisional costings, which is now being assessed.

... A suggested reply is attached.

Department of Trade and Industry
LA Division

13 June 1984

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20 JUN 1994



HOUSE OF COMMONS
LONDON SW1A 0AA

11 June 1984

EC

Rt Hon Margaret Thatcher MP
10 Downing Street
London W1

Prime Minister:

*Do you wish
to meet Dr Clark and
Mr Dixon again?*

Dear Prime Minister

Since I last wrote to you about Plessey's I have met the
workforce and have obtained further information about
the latest moves in this case.

12/6

I wonder whether you would be prepared to meet Don Dixon
and myself again to discuss the new developments, which
in essence mean a transference of 600 jobs from South
Shields to Plymouth at the cost of £16 million to you and
I as taxpayers.

I look forward to your reply.

Yours sincerely

David Clark

Dr David Clark MP

Advice for -

DTT

mt



HOUSE OF COMMONS
LONDON SW1A 0AA

cc: Mr. Alison

Ack'd on 7/6

Prime Minister:

6 June 1984

Rt Hon Mrs M Thatcher MP
10 Downing St.
SW1.

I am attaching
a draft reply.
Dr Clark's wrath
seems understandable

MT
8/6.

Dear Prime Minister,
re: Plesseys, South Shields.

You will recollect that some little time ago you kindly met Don Dixon and myself to discuss the closure of the above factory. Following the meeting you sent me a helpful letter offering some hope in the form of a possible new company taking part of the factory.

I now write to draw to your attention the announcement of Plessey today to invest £50m in a new factory in Plymouth creating 600 new jobs, precisely the number being lost in South Shields. You can imagine the feeling in my Constituency.

I implore you to instigate a full investigation into Plesseys proposals which I believe can in no way be justified except as simple regional bias against a region that has served Plesseys and this country well. Time is running out for the North-East and before long violence will become the order of the day for plainly it is the only language that is understood. Meanwhile I presume all development grants to Plesseys in respect of this proposal should be halted.

Yours sincerely,

Dr David Clark MP

Am: Pessey Course
March 84



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