



cc: WO
Press

10 DOWNING STREET

THE PRIME MINISTER

15 May 1985

Dear Sir Christopher,

Many thanks for your letter of 9 May. I am glad that we both see the situation in the same way, and that you are vigorously pursuing your discussions with the local authorities, the Greenfield and Wrexham workforces, and the MPs, to see what can be done to help.

You may like to know I discussed the position at Wrexham with Dr. John Marek last Thursday, and I know he has also had a useful meeting with you recently.

I do hope there will be a positive outcome to these discussions, and I look forward to taking stock of where matters stand in a few weeks time, as you suggest.

Yours sincerely
Margaret Thatcher

Sir Christopher Hogg

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Prime Minister.

Draft holding reply for
your signature attached.

MEA 14/5

PRIME MINISTER

A reply from Sir Christopher Hogg arrived today.

It is I think a good letter which strikes the right tone and explains what he is trying to do to help. Needless to say, there is not much of substance in it at this stage, and we shall have to wait and see what emerges from the discussions he is having with the unions and the local authorities.

Meanwhile, you may like to send a holding reply, and I attach a draft for your signature.

MEA

10 May, 1985.

COURTAULDS PLC

CC MSA

cc WO
Press

18 Hanover Square
London W1A 2BB
Telephone 01-629 9080
Telex 28788

The Rt. Hon. Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

9th May 1985.

Dear Prime Minister,

↓ attached

Thank you for your letter of 1st May. I appreciate very much your interest and I'm only sorry that this particular issue, in which you have perforce become involved, is such a sad and difficult one.

I will take up your offer to come and talk to you in person, but I think that is best done in a few weeks' time when discussions with all parties have progressed further. Meanwhile I have told all those with whom we have talked - shop stewards, union representatives, local authorities, and the two MPs - that you have written to me expressing concern on the same major points as they have raised and asking to be kept informed about Courtaulds' response. The rest of this letter summarises the situation as we see it at present.

Our first priority must be to establish that the closure proposals are soundly based. To this end, discussions have been held both locally and here in London, and these are still continuing. It is our policy to take such discussions very seriously and to be as open as possible about the reasons which lead us to propose closures. In the particular case of the Wrexham and Greenfield factories, we have been to quite unusual lengths to try and ensure that the decisions made are properly based. As I said to the local authorities this morning, we have had McKinsey studying both the viscose and the acetate businesses for a long period; and in 1982 we took the exceptional step of writing a confidential paper about our viscose staple business in the UK to the Department of Industry (seen also at the time by the Welsh Office) to warn them of the gravity of the situation and to try and satisfy ourselves that we had taken into account all likely government assistance. Since then we have lost a great deal more money in the UK viscose business and have gone into heavy losses in acetate yarns. Frankly I think it is now very unlikely that any new facts will emerge which would cause us to reverse either closure proposal.

If the proposals stand, then the next priority is to negotiate severance terms and plan an orderly rundown to the final cessation of production. I would like to say that we could match the severance terms offered by nationalised industries but we simply cannot approach them; had we tried to do so we would have broken the company long ago given the number of jobs lost (approximately 50,000) from Courtaulds in the UK in the last five years. However, the circumstances surrounding these particular closures are such that we shall give particular consideration to the severance terms, although I fear we shall not be able to depart substantially from the pattern of past practice.

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contd....

Once the closure decisions are final, we can start to consider how to tackle the sites. I have repeatedly reassured the local authorities that this will be done in consultation with them and with the objective of trying to restore to the community some at least of the employment which will be lost by reason of the closures. There must clearly be a limit both to the funds and to the management resources we can commit, but you may be assured that I fully share your concern that we should be seen to be acting constructively.

As I said to you when we last met, we have had some success on other sites in making it possible for small businesses to make use of buildings and services available. On the Wrexham factory site there are already more than 40 businesses, employing over 200 people in total, which have been attracted there over the last four years. This may or may not be a pattern which we and the local authorities think it appropriate to pursue on the further space at Wrexham and the space at Greenfield which these closures would leave vacant. But I think it shows a little more awareness on Courtaulds part of its corporate responsibilities than the local authorities in their understandable frustration and disappointment have apparently felt able to acknowledge.

I very much note, in fact, your concern at the lack of regard for Courtaulds which the local authority representatives showed in their representations to you. The account of our behaviour in the area in previous closures, if it is similar to the one given to us by the Delyn people, is not one which we wholly recognise; but we are having it looked into in detail to see both what lessons we should learn and how we can constructively respond to the criticisms.

The point about a work-place or workforce not being dependent on a single product is certainly taken. In heavy capital intensive industry, such as steel, coal or commodity chemical products, the nature of the business itself makes it particularly difficult to switch a workforce smoothly over time into an entirely different and more viable activity in an adjacent location. Greater security for the workforce can be achieved in a more modest but nevertheless significant way (as we have tried to do at Greenfield) by varying the existing products and markets, and of course by being truly competitive internationally. The waste and distress involved in all closures exert great pressures on companies - and countries - to do everything possible to avoid shutting capacity, as we know to our cost in the many industries in which we are engaged where supply exceeds demand and where there is intense international competition.

Having said that - which is an observation and not an excuse - I must add that the workforce at Wrexham in particular have had cause to feel more exposed than most as a result of the narrow activity base of the factory, and I can quite understand the three shop stewards from there making the point to you. I spoke to them last Friday, by the way, and they were deeply appreciative that you found time to see them at short notice and in a very busy schedule.

None of this is very satisfactory to either of us, but then there are not many easy answers in internationally-competing manufacturing industry these days. You have made it very clear that you understand that, and I know I do not need to belabour the point.

Yours sincerely,

Chris Hogg

Sir Christopher Hogg.

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Prime Minister

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For information, at this stage.

MB 14/5



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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

Very much help.
mb

14 May 1985

Dear Mark,

COURTAULDS

A week or so before the announcement of the proposed closures of the two Courtaulds plants in North Wales we heard that BP Oil are to close down a major part of their refinery at Llandarcy in South Wales with the loss of about 750 out of 1,100 existing jobs there. Needless to say, this is a very major blow in West Glamorgan even though it has not grabbed the headlines in quite the same way as the Courtaulds' closure in North Wales.

Over the last few weeks the BP management have been considering what they should do to help in some way with the regeneration of the local economy. The company has for some years made a contribution to the Local (Neath) Enterprise Trust. We have now heard from BP that they propose to take the following measures. In the short term they are prepared to second some six to twelve people to provide technical and commercial support for local community initiatives; to release some of the remaining buildings for commercial development such as small workshop units and to make available parcels of land which could be converted into small industrial estates and business parks thereby making available good sites with a ready made infrastructure; to set up a capital venture fund (which on a private basis we believe could be of the order of £1/4-1/2 million); and to make available surplus plant, machinery and equipment which could be of benefit to the enterprise agency and local youth training. BP are also considering some longer term ideas which would involve developing the Neath canal for amenity and possible tourist purposes and they are exploring ways in which they might help the development of local high technology (which they are discussing with University College, Swansea) and improving links between local industry and schools.

/The reason that ...

Mark Addison Esq
Private Secretary to
the Prime Minister
10 Downing Street
London
SW1



The reason that I am writing to inform you about this is that it has occurred to us that it might be a useful piece of background information for the Prime Minister to be aware of should Sir Christopher Hogg, the Chairman of Courtaulds, take up the Prime Minister's offer of a meeting as indicated in the manuscript postscript to her letter of 1 May. The Prime Minister would not necessarily wish to go into the above detail with Sir Christopher but would certainly be able, if she wished, to point to the marked contrast in approach between the two companies. It goes without saying that BP's proposals have been warmly welcomed by West Glamorgan County Council and the local districts directly involved.

Yours sincerely

Colin

R C WILLIAMS



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MAY 1985