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10 DOWNING STREET

THE PRIME MINISTER

16 July, 1985.

Dear Sir Christopher,

When we exchanged correspondence about your plants in North Wales (at Greenfield and Wrexham), we agreed we should take stock in due course of your discussions with the local authorities and others.

I think the time is now right for us to have a word. I know from the Secretary of State for Wales that your company's intention to close the plants is firm; and I am also aware of your continuing discussions with the local authorities. For our part, we as Government have announced some measures of financial assistance through Welsh Office and Welsh Development Agency programmes, and the Hearing of the Select Committee on Welsh Affairs will soon be followed by the publication of the evidence taken, possibly accompanied by some comment from the Committee. It would be helpful to hear what your company now intend before final decisions are taken.

If this is agreeable to you, my office will be in touch with yours to arrange a time.

Yours sincerely

Roger Dainton

Sir Christopher Hogg

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PRIME MINISTER

COURTAULDS

You will remember that, following your meetings in North Wales with the local authorities and representatives of the Courtaulds workforce to discuss the closures, you wrote to Sir Christopher Hogg, the Courtaulds Chairman. You indicated, and he agreed, that you should take stock of where matters stand when all the discussions between the Welsh Office, the local authorities, Courtaulds management and their workforce had made some progress.

You will see from the attached letter from the Welsh Office that their Secretary of State believes that the time is now right for you to have a meeting with Sir Christopher. The Welsh Office have announced their package of proposals, but remain unhappy about the assistance Sir Christopher is willing to give, and fear that his position may soon firm up beyond the point of no return.

If you agree that we should now arrange for you to see Sir Christopher, a draft is attached for your signature.

Mark Addison

MARK ADDISON

15 July 1985



10 DOWNING STREET

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By no

Pl return to me for
action after despatch. ✓

MEFA 16/7

~~Castle.~~

Can we split pl?

MEFA 17/7

Fixed for
1600 - 16.30
on TUE 6 Aug
+ 81 Wales.

CCP.U



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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

Our Ref: CT/7587/85

15th July 1985

Dear Mark,

COURTAULDS

I am writing to bring up to date our reporting on developments following the decision by Courtaulds to close their plants at Flint and Wrexham.

I think the Prime Minister will wish to see the attached brief note of the Courtaulds Hearing held by the Welsh Affairs Select Committee in North Wales on 1 July. The most interesting and potentially important aspect was the evidence given by the Courtaulds representatives - and in particular their chairman, Sir Christopher Hogg. Two things seem clear: first, that the Company intend to spend the minimum possible amount of money over and above redundancy and severance payments to their workforce; second, that without the pressure they have been put under by my Secretary of State, but more importantly the Prime Minister, they might well have done even less.

Under repeated questioning, Sir Christopher maintained that the Company's principal obligations were to its workforce and its shareholders. So far as the community was concerned, the Company's obligations were expressed through its workers. The Company had accepted public funds on conditions which, where they had been met, gave rise to no continuing obligation and where they had not, would be the subject of agreed penalties.

The Company's attitude was not well received by the Select Committee (nor by the public attending the Hearing). A number of references were made at the Committee to the Prime Minister's own involvement (to her meeting with the local authorities and subsequent correspondence with the Company). The Welsh Affairs Committee does not propose to issue a report as a result of its Hearing but will be publishing the evidence received and may possibly take action in the form of an open letter to the Government or to the Company.

/...In her earlier

Mark Addison Esq
10 Downing Street
LONDON SW1



In her earlier correspondence with Sir Christopher Hogg, the Prime Minister made it clear that she expects the Company to recognise its broader social obligations to the community affected by the closure; and that this must mean some significant contribution to the efforts to alleviate the problems which the closures at Flint and Wrexham will cause.

It is our assessment that the Company's response is unlikely to add up to a significant contribution of the kind envisaged in the Prime Minister's letter. We think that once he has announced his intentions, Sir Christopher Hogg will not readily shift from them.

The question is whether further pressure should be placed on the Company prior to their reaching decisions about what they will offer. My Secretary of State thinks that it should. Courtaulds' decisions are not likely to emerge immediately, since they have indicated that they intend to continue negotiating with the local authorities concerned and are giving priority to reaching agreement on redundancy pay.

Meanwhile, the Government has announced its package of measures; and we envisage that the local authorities will agree within the next few days on the detailed use of the resources which my Secretary of State has made available. The Welsh Development Agency and the Manpower Services Commission have also made their response. Everyone is now waiting for the Company.

Now that it is clear that the closure decisions will not be rescinded, and the Government's offer is on the table, the purpose of intervention would be to bring the Company nearer to assisting the local authorities, specifically by giving clear undertakings that:

- a. deal with all hazardous materials on the sites;
- b. carry out the necessary demolition and clearance of unusable buildings;
- c. hand over the sites, together with equipment and serviceable buildings suitable for general use to the local authorities at nil or minimal cost;
- d. provide staff and funding for local enterprise agencies;
- e. offer venture capital to assist local investment to provide new jobs;
- f. contribute towards specific community schemes aimed at improving the local environment;
- g. provide small factory units within the Greenfield site.

We are bound to advise that on previous form Courtaulds are unlikely to move swiftly, if at all. Nevertheless, we consider that a further approach from the Prime Minister might be influential, and would at least consolidate the local

/...recognition that



recognition that Ministers are doing what they can to secure Courtaulds' co-operation. We accordingly propose a short letter to Sir Christopher Hogg which would take up the way that the Prime Minister's letter of 15 May left it with Sir Christopher by suggesting that there is a meeting to take stock of where matters now stand. A draft letter is attached.

Yours sincerely

Colin Williams



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DRAFT LETTER FROM THE PRIMEMINISTER TO SIR CHRISTOPHER HOGG, CHAIRMAN, COURTAULDS plc

When we exchanged correspondence about your plants in North Wales (at Greenfield and Wrexham), we agreed we should take stock in the light of your discussions with the local authorities and others. I recall, ~~I~~ in your letter of 9 May, you suggested a talk in person when discussions with all parties had progressed further.

I ~~judge~~ ^{think} that the time is now right for us to ~~do so~~ ^{have a word}. I know from the Secretary of State for Wales that your company's intention to close the plants is firm; and I am also aware of your continuing discussions with the local authorities. For our part, we as Government have announced some measures of financial assistance through Welsh Office and Welsh Development Agency programmes, and the Hearing of the Select Committee on Welsh Affairs will soon be followed by the publication of the evidence taken, possibly accompanied by some comment from the Committee. It would be helpful to hear what your company now intend before final decisions are taken.

If this is agreeable to you, my office will be in touch with yours to arrange a time.

Sir Christopher Hogg
Chairman
Courtaulds plc

COURTAULDS CLOSURES

WELSH AFFAIRS SELECT COMMITTEE 1 JULY 1985

1. The Select Committee hearing lasted for 7 $\frac{3}{4}$ hours of which 2 $\frac{1}{2}$ hours was spent by Mr Raffan and Mr Keith Best closely examining Sir Christopher Hogg and other senior representatives of Courtaulds. The main points pursued and the MP's pressing them are described below.

CONTRIBUTION BY COURTAULDS (Mr Raffan and Mr Best)

2. The decision to close the plants was confirmed and Sir Christopher Hogg said that no realistic alternative had emerged in the last few weeks. After being pressed hard Sir Christopher agreed that he would see the extent of the company's contribution as being:

a. Redundancy and severance payments up to about £6 million which he considered as generously exceeding the minimum statutory requirements.

b. Retraining and advice in assisting employees to find new jobs. The cost of this would be unlikely to exceed £100,000. There might be some job opportunities in other parts of the group but the numbers involved would be minimal.

c. Confirmation of the secondment of a senior executive and other staff from Courtaulds Engineering IPC for up to 3 years to provide expertise to Delyn BC in creating alternative employment opportunities.

d. Rehabilitation of sites (but without defining what the term meant) and clearance of the toxic materials in the storage tanks at Greenfield. Agreement to the transfer of the water pumping plant at Greenfield to the local authority but subject to the conditions of existing contracts. On site handover and demolition Sir Christopher would not be specific, stating that the final decisions would need to wait the outcome of the site survey, but that he would not want to stand in the way of the local authorities if they wished to put the sites to constructive use.

3. Sir Christopher would not agree to Courtaulds providing funding for venture capital or for an enterprise agency stating that his board had resolved not to approve expenditure which did not provide a financial return to the company.

IMPACT OF SECRETARY OF STATE'S PACKAGE (Dr Roger Thomas and Mr Wigley)

4. Predictably the local authorities stated that the Secretary of State's announced package was not adequate to meet the needs of the area and could only be regarded as a start. Both Wrexham Maelor and Delyn BC argued that the problems were local; central government in responding should direct most if not all of the urban programme resources to the districts and not the county. The disagreement between the authorities was highlighted in the discussion over the future of the strategic roads programme; Clwyd CC making a strong case for a north route Flint by-pass linked to a Dee crossing; Delyn BC considered such a route irrelevant to their needs and wanted a good link between Flint and the A55.

5. The Committee managed to establish that the package was being financed from within overall Welsh Office resources and from a higher than anticipated level of Welsh Development Agency (WDA) capital receipts. MPs from other areas (notably Mr Best and Mr Wigley) were critical of the loss to other parts of Wales and about the impact on other WDA programmes if the receipts did not materialise.

6. In answer to these points the Department's representatives reiterated that the eventual package had to depend on the contribution of the company and the final details coming from the local authorities. The Department's aim was a complementary 2-tier approach at both county and district level and the package was an immediate response by the Secretary of State in meeting the needs of the situation and had to be seen in the context of the existing resources and planned programmes. There was no foreseen danger of the WDA being unable to realise the forecast receipts.

EFFECT OF LOCAL AUTHORITY EXPENDITURE CONTROLS (Sir Anthony Meyer)

7. The local authority representatives readily agreed with Sir Anthony, who kept returning to the point and pressing it most strongly, that the reduction in the percentage of prescribed capital receipts would have a serious impact on the authorities' ability to provide infrastructure and develop sites. Sir Anthony left before the Welsh Office appearance and so the point was not raised as part of the Department's evidence.

WELSH OFFICE CO-ORDINATOR (Dr R Thomas)

8. The committee followed up Delyn BC's request that a Welsh Office co-ordinator should be appointed to the area to accelerate grant claims and provide on-the-spot expertise. The point was refuted by the Welsh Office representatives who maintained that the best form of help was regular contact by the Divisions concerned with specific issues. European matters were already co-ordinated by the Department and both the WDA and Industry Division had a permanent presence in the area. There would be a danger that a co-ordinator might become a brake rather than an accelerator.

REGIONAL POLICY (Mr Wardell and Mr Best)

9. The Department was questioned on how the instruments of regional policy encouraged indigenous industrial development and Mr Best asked if there was anything in Clwyd CC argument that our levels of support were unfavourable compared with other countries. It was accepted that indigenous development was difficult in an area like north east Clwyd which had a tradition of dependence on large scale enterprises rather than small entrepreneurs. However the evidence from VAT records and small business enquiries clearly demonstrated indigenous businesses were developing despite the problem. Clwyd's charge about unfavourable international comparisons was not accepted.

SALE OF VISCOSE CAPITAL EQUIPMENT TO INDIA (Mr Best and Mr Wigley)

10. The argument developed by the Unions was that Courtaulds had taken taxpayers' money through regional assistance in order to obtain a subsidy for the purchase of capital plant. Now that the minimum 4 year condition period was over the company had manipulated a book loss at Greenfield in order to provide an excuse to transfer the Viscose plant to India. The establishment of a Third World plant would enable Courtaulds to continue to supply traditional European markets but with higher profits resulting from lower wages and safety standards.

11. Sir Christopher refuted all of these allegations. He referred to the massive reduction in the world market for viscose and the £10 million in losses at Greenfield in recent years. Courtaulds was but one company in competition for the Indian contract and in his view it would amount to vandalism if serviceable plant was not put to good use. Courtaulds would not be investing in any Indian equity and it would not make economic sense to close the Greenfield plant if there were still profitable European markets.

REPAYMENT OF REGIONAL ASSISTANCE

12. Throughout the day there were calls for Courtaulds to accept a moral obligation to repay the £3.7 million regional development and regional selective assistance grants received since 1977 or to reinvest them in the local community.

13. Sir Christopher did not accept the argument. He said that the grant had been openly applied for and given. Conditions had been imposed which the company had accepted and it would meet the consequences of those which it had contravened, including repayment of about £300,000. He said that it had to be recognised that the company had lost a lot in unprofitable operations in recent years and that the actual closure of the plant would cost an additional estimated £20 million which was not recoverable.

VENTURE FUNDS (Mr K Best)

14. During the course of the hearing Mr Best showed an enthusiasm for small firm venture funds. He pressed the WDA representatives about their investment policy and wanted to know why the Agency was not prepared to invest in the same type of ventures as Clwyd CC. As he put it, the Agency was leaving the risk to the ratepayers. On the same point, Sir Christopher made it quite clear that he was not prepared to recommend using Courtaulds' finance in establishing a venture fund on which there would be no return for the company.

15. In addition to the above points there were some other general themes maintained throughout the day. The 2 most significant being whether the plants were really as unprofitable as Courtaulds suggested and the company's obligation to the community.

16. Sir Christopher remained resolute that Courtaulds had examined all the realistic alternatives to closure and that as the company organised their textile operation as a group he had no alternative but to completely restructure even though the Wrexham plant might not have been operating at a loss. He said that while recognising the difficulties of the local area and the shock to the workforce he also had an equal moral responsibility to his remaining workforce which could be met only through a profitable company.

9 July 1985

ERPLA
Welsh Office

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NB PM
Mr. Fletcher will brief
WELSH OFFICE for questions

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

June 1985

Dear Robin,

COURTAULDS

The Prime Minister will wish to know that Mr Edwards is to announce at noon on 27 June a range of measures to assist the areas affected by the Courtaulds closures. They include an additional £1 million for the urban programme in the current year, an acceleration of roads schemes, £2.4 million for the provision of additional factories by the Welsh Development Agency and the expansion of MSC community programmes in the area. A copy of the press statement about the announcement is enclosed.

The Secretary of State is continuing to stress that the final shape of any package must depend on the contribution of the company. On this, discussions about the future development of the site are still taking place between Courtaulds' management and the local authorities. Courtaulds have also described briefly the action they propose to take in their written evidence to the Select Committee on Welsh Affairs. At this stage the company are still limiting their offer to secondment of staff, joint site surveys with the local authorities and counselling services to the workers who face redundancy. However, it is possible that Courtaulds' management might be holding back on further offers of action until the hearing of the Select Committee which is to take place on Monday, 1 July. Their memorandum implies the possibility, at least, of further help.

After the hearing I shall report further and give advice on when might be the appropriate time for further contact between the Prime Minister and Sir Christopher Hogg, as envisaged in earlier correspondence.

Yours sincerely
Colin Williams

R C WILLIAMS

Robin Butler Esq
PS/Prime Minister
10 Downing Street
London
SW1

June 27, 1985

SECRETARY OF STATE ANNOUNCES COURTAULDS CLOSURE PACKAGE

The Secretary of State for Wales, the Rt Hon Nicholas Edwards MP, today announced a range of measures to assist the areas affected by the proposed closures of Courtaulds plants at Greenfield and Wrexham. The measures cover both social and economic development.

Under the Urban Programme flm will be available for new schemes over and above those which have already been announced. The choice of schemes will be discussed urgently with the local authorities in the area.

The Welsh Development Agency intends to build additional advance factories at Deeside Industrial Park, Wrexham Technology Park and Delyn Enterprise Zone at a total estimated cost of £2.4m. The agency will also be making available its full business advisory service for small businesses wanting to start up in the area and will make additional efforts to promote the area for industrial development.

To facilitate industrial development in the area the Welsh Office has agreed to the construction of a new road bridge over the Wrexham/Bidston Railway Line costing at least £5m, and which will be eligible for Transport Supplementary Grant. In addition, the Department has also undertaken to consider local authority proposals for improving road access into the Wrexham Industrial Estate. These will be considered for authorisation under the same grant arrangements.

**ADRAN HYSBYSRWYDD INFORMATION DIVISION
CROWN BUILDING, CATHAYS PARK, CARDIFF CF13NQ**

Tel: 82564 3/4/5/6/7

In addition to its normal services in the area, the Manpower Services Commission will make available a significant number of extra special programme places, particularly on the community programme, and is in discussion about the details with the local authorities.

In making the announcement the Secretary of State said: "These measures are a prompt and effective contribution by my Department to the overall response now being developed to the closures. They represent a significant addition to the already substantial programmes of assistance in the area and, of course, the final shape of the package must depend in part on the outcome of the discussions which are continuing between local authorities and the company. The steps I have announced today provide a positive and substantial contribution and will enable local authorities, with the Welsh Office, the Welsh Development Agency and the Manpower Services Commission to put these measures into best effect."