cc MPS

COURTAULDS PLC

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

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

25th July 1985.

Dear Prime Minister.

Following your letter to me of 16th July, I look forward to seeing you at 4.0 pm on 6th August, as our offices have agreed.

I attach a copy of our submission to the House of Commons Committee on Welsh Affairs. Since it was written and since the Hearings on 1st July, we have progressed further with our discussions with the local authorities with regard to the two sites. However, production has still not ceased at either site and there is still some way to go before we can reach a final view, taking into account our discussions with the local authorities, on how the sites can most constructively be dealt with.

I shall be able to outline our up-to-date thinking when I see you.

Yours sincerely.

Chris Hogg

CF
Pl check WO have this report already. They are drawing up briefing. MEA 29/7

Sir Christopher Hogg.

Registered in London No 128124
Registered Office
18 Hanover Square London W1A 2BB

Fr: Mtg with
Marek MP
4/85

SUBMISSION TO THE HOUSE OF COMMONS COMMITTEE ON WELSH AFFAIRS

BY COURTAULDS PLC

THE PROPOSED CLOSURES OF GREENFIELD AND WREXHAM FACTORIES

19 JUNE 1985

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CHAPTER 1

THE COURTAULDS CONTEXT

This introductory section puts the proposed closures of the Greenfield and Wrexham cellulosic fibre and yarn factories into their overall Courtaulds context; and outlines some of the main forces and constraints operating on the Group as a whole.

The Courtaulds Group, with total sales of £2,152 million, has some 250 separately defined businesses, large and small, and employs 70,000 people. Just under 50,000 of these are in the UK where there are around 200 manufacturing units. A further 20,000 people are employed in some 25 countries overseas. Courtaulds is among the top 15 UK exporters. The Report and Accounts for the financial year to 31 March 1985 is being posted to shareholders on 24 June and will be sent simultaneously to members of the Committee. It contains much general and up-to-date information about Courtaulds to supplement that given in this section of the submission.

The business was founded in 1816. Its primary activity in the last century was silk weaving. In the early years of this century, Courtaulds became the first company in the world to produce a commercially successful man-made fibre (based on cellulose derived from wood and not, as the overwhelming bulk of man-made fibres today, on oil). Diversification into other products began through the formation in 1935 of British Cellophane to manufacture packaging films. There was further diversification into woodpulp in the 1950s; and into paints, packaging and plastic mouldings in the 1960s. The Group's interests in all these business areas have continued to be actively developed.

The 1960s also saw major expansion into the downstream textiles and clothing industries in support of Courtaulds fibre sales. The Group was much enlarged by the acquisition of many companies operating at all levels of the textile chain. In addition, many hundreds of millions of pounds were spent, over a decade starting in the mid-1960s, on re-equipment and expansion of plant and machinery. Much of this investment was made in development areas; and Courtaulds drive to rationalise and modernise in the UK textile industry was generally welcomed and supported by the governments of the time.

The expansion of Courtaulds interests in fibres, textiles and clothing came to an end in the mid-1970s in the face of slower general economic growth, a huge imbalance between supply and demand in the West European man-made fibre industry, and the rising pressure of competition from less developed countries - which, despite the strengthening of import restraints through the Multi-Fibre Arrangement, grew more rapidly and aggressively than had been envisaged. The over-capacity in Western Europe in the newer synthetic (oil-based) fibres, combined with the decline in their costs as technology, scale and experience progressed, meant that Courtaulds cellulose-based fibres, for long the backbone of the Company's profitability, came under increasing pressure.

With the advent of the recession in late 1979 and the dramatic increase in the strength of the pound, it became apparent that without substantial retrenchment and consolidation Courtaulds might not be able to survive.

In 1980/81 profit before tax on a historic cost basis fell to only £5m; after adjustment for inflation this became a loss before tax of £25m. In the early 1980s, the strength of the pound and the intense pressures of international competition bore most heavily on Courtaulds textile businesses in the UK, although non-textile and overseas operations also suffered. There were far too many businesses which were making losses, and profit margins generally, particularly in fibres and textiles, were far from sufficient to generate the necessary cash or the confidence to reinvest. Drastic action was necessary to prevent the managerial and financial demands of the weaker businesses from undermining the entire Group. Three objectives therefore became paramount: to strengthen the Group's financial position, to restore profitability, and to concentrate on those businesses with the best prospects for long-term viability.

The cost to Courtaulds employees and shareholders of pursuing these objectives has been enormous. The number of those employed by the Group in the UK has fallen by 50% since 1979. The last six years have also seen substantially reduced dividend payments and costs of reorganisation and closures totalling some £200m (equivalent to more than a third of total shareholders' funds, and many times larger than the total of the government grants applicable to capacity closed).

During this period, much emphasis has been laid on the division of the Group into its component businesses, each with its own profit responsibility, on the choice of managers to run these businesses, and on delegating to them as much authority as possible within broad financial guidelines. This policy of decentralisation has improved the responsiveness of the Group's businesses to their competitive environments, and has enabled better judgments to be made about the deployment of the Group's financial and managerial resources.

The substantial reductions in overheads and production capacity, improving efficiencies and management performance, and the weakening of the pound have led to the better results now being achieved. Concern has lessened about the balance of the Group as between textile and non-textile, UK and overseas interests; the emphasis has now shifted to laying the foundations for future growth, and continuing to reduce the Group's vulnerability to factors outside management's control.

CHAPTER 2

INTRODUCTION TO MAN-MADE FIBRES

Man-made fibres are produced by extruding a chemical solution or melt through fine holes in a nozzle or jet and solidifying by various means the fibres thus formed. They are marketed in two principal forms: continuous filament yarn and staple fibre.

Continuous filament yarn can be anything from one single filament to several hundred fine filaments collected in the form of a continuous yarn like silk.

Staple fibre is extruded in an identical manner but is collected in thousands of filaments from a number of jets as a thick rope-like tow. This tow can then be cut into precise lengths as a mass of staple fibres for use, like the "natural" fibres cotton or wool, in textile spinning operations and for other purposes.

The first generation of man-made fibres was developed in the early years of this century, and is made from cellulose, produced by treating woodpulp with chemicals; viscose and acetate are the two principal types of "cellulosics" (also known as "rayon").

Viscose textile filament yarn has been used for a wide variety of purposes - eg from stockings and linings through to upholstery. Viscose industrial filament yarn, a higher strength variety, has been mainly used as the reinforcement for vehicle tyres.

Viscose staple fibre can be used (like cotton) in almost every kind of textile - outerwear, underwear, furnishings and other household textiles. More recently it has found markets in so-called "non-wovens", products such as wiping cloths and nappy liners.

Acetate filament yarn is used mainly for dress fabrics, linings, lingerie, and ribbons.

The second generation of man-made fibres is the "synthetics" (chiefly nylon, acrylics, polyesters and polypropylene), developed from the 1930s onwards, and made from chemicals derived from oil. Their characteristics vary widely, and different versions of them in filament yarn and staple fibre forms can be used for almost every textile purpose.

Natural, synthetic and cellulosic fibres compete on price and properties. The nature of this inter-fibre competition is complex, depending on the end-use concerned. It has changed over time. In particular, the prices of synthetic fibres have fallen dramatically in relation to natural fibres and the older cellulosic fibres, owing to the advances in their technology and the enormous increase in their scale of production. Their advantages in properties include, for example, strength, abrasion-resistance, fineness and easy-care.

Man-made fibres as a whole have developed during this century into a major element of the growing world textile fibre consumption. Their 14m tonnes p.a. now constitute roughly half of the world total. The great bulk of man-made fibres is now synthetics, whereas the cellulosic fibres were dominant up to the 1950s. Cellulosics are also declining in total quantity produced. Nevertheless, over 3m tonnes p.a. are still manufactured worldwide (see Graphs 1 and 2).

CHAPTER 3

COURTAULDS CELLULOSIC FIBRES IN THE UK

CAPACITY & MARKET TRENDS

In the early 1950s, cellulosic yarns and fibres were produced in the UK in some 20 factories by 10 separate companies. Courtaulds and British Celanese were by far the biggest producers. They merged in 1957 and today Courtaulds is (apart from Ectona, which only manufactures acetate cigarette tow) the sole remaining producer of these fibres in the UK. The Group has five factories: at Greenfield, Grimsby, Wrexham, Spondon (Derby) and Little Heath (Coventry). The first two produce viscose staple fibre and the last three acetate yarns. Viscose filament yarn is no longer produced.

Courtaulds also produces viscose staple fibre at factories in France, Canada and the USA, and Courtelle acrylic fibre on the Grimsby site and in France and Spain. In addition two small UK units, at Deeside and Nuneaton, process filament yarns for subsequent weaving or knitting. The main research and development activities, as well as the administration of the viscose and acetate businesses, are at Coventry and Spondon.

The following summarises the position now reached in the UK in each of the cellulosic fibres:-

a) Viscose filament yarns

Courtaulds first began to produce viscose filament yarn on a commercial basis in 1905 at Coventry. It extended its UK capacity by acquiring in 1917 the viscose plant at Flint of the mainly German-owned British Glanzstoff Manufacturing Company. This became Aber Works. Adjacent property was then bought from the United Alkali Company and a new viscose yarn plant opened in 1922 as Castle Works. These three factories were later supplemented by plants at Wolverhampton (1927), Preston (1939) and Carrickfergus (1949), together with a number of processing mills, including Deeside (1927).

During the years up to the 1960s, demand for viscose filament yarns was growing, but then levelled off owing to increasing competition from nylon (see Graphs 3 and 4). The market for textile yarn which the two North Wales factories produced, became increasingly unprofitable. Faced with this situation Aber Works was closed in 1957, followed by the Coventry viscose yarn plant in 1960. All the smaller viscose yarn producers also ceased operations either before then, or soon afterwards.

During the 1960s the market for viscose textile yarn declined, as did also that for viscose industrial yarn. Despite closure of Wolverhampton in 1970, an overall loss of £3m per year from Courtaulds viscose yarn operations was still being incurred in the mid-1970s, mainly at Castle Works. Its closure was therefore proposed in October 1976, but a plan drawn up between management and

unions enabled production to continue at a reduced level, with improved productivity, for more than six months; yarn processing continued there into 1978.

Subsequently the Group's remaining viscose filament yarn capacity, at Preston and Carrickfergus, was closed, the last in 1979.

b) Viscose staple fibre

Beginning in Germany and Italy, a use was found during and after the first world war for waste viscose filament yarn: the filaments were chopped up and used as a substitute for, or additive to, natural fibres. Foreseeing a potentially large market, Courtaulds encouraged demand in the 1930s for viscose staple fibre specifically manufactured for use in cotton and woollen spinning operations. The staple was first produced in small quantitites at Aber and Castle Works, and then on a larger scale at Wolverhampton. Its increasing acceptance led to the construction of the factory at Greenfield, which began production in 1936.

After the war Greenfield's output was substantially increased, and for a time an attempt was made to utilise part of the old Aber yarn plant for increased staple fibre production. In 1957, the Grimsby plant came into production, and subsequently another at Carrickfergus, to respond to a world demand which continued to increase until the early 1970s (see Graph 5).

Thereafter, although total world demand remained on a plateau, staple fibre production in Eastern Europe and developing countries grew rapidly (see Graph 6). With demand for Western European viscose staple declining from 1970 onwards (see Graph 7), a decision had to be taken in early 1976 to reduce Courtaulds UK capacity. Greenfield's costs were the highest and it was making losses, while Grimsby and Carrickfergus were still profitable. No.1 unit at Greenfield was therefore closed in May 1976, with some 600 redundancies. Viscose staple fibre manufacture at Carrickfergus was also subsequently ended in 1980, leaving Greenfield No.2 unit and the Grimsby factory as the sole UK producers.

In 1980/81, a £9m capital expenditure programme was initiated for the modernisation of Greenfield No.2 unit, but not without anxiety about its prospects. The Group also invested heavily in the development both of fibres with different properties, and of non-textile market outlets. In spite of these efforts to maintain competitiveness and sales volume, increasing losses at Greenfield required further cost-cutting measures, with additional demanning to a total of over 500.

In July 1984, because of a further sharp decline in longer-range export demand, Grimsby's output was reduced to 2 of its 4 production lines. In November 1984, Greenfield's output was also cut to 6 of its 10 (smaller) lines, for similar reasons, and additionally because the extra cost of producing specialist fibres there could not be recovered in selling prices.

A series of full-scale plant and market reviews has led to the conclusion that production in other parts of the world, especially the Communist bloc and developing countries in the Far East, will continue to increase, reducing the export markets available to West European producers. This reduction reflects the general shift of textile production to these countries, particularly in the commodity products in which the West European exported fibre is used.

These market factors, and the decline in West European consumption, have resulted in the closure of viscose staple operations by seven other producers in W Europe since 1981, representing a total capacity reduction of 220,000 tonnes p.a. It is however thought likely that most of Courtaulds remaining competitors in W Europe will continue to have their operations underpinned by their governments for social reasons, leaving them with capacity which can only be filled through increasingly fierce competition for a declining volume of business in the more distant markets.

It is not, however, considered that this over-capacity will impact on the limited, but potentially more profitable, opportunities in a now relatively stable West European market. Most of the vulnerable commodity textile business in this market has already been lost, and "non-woven" outlets for fibres will continue to grow. Courtaulds has in recent years increased its sales of viscose staple fibre to Western Europe and its market share (see Graphs 8 and 9), but the market it is likely to be able to hold will not require anything like its present UK capacity of 115,000 tonnes p.a.

As there is no prospect of sustained profitable prices from longer-range export markets, one of the two factories has to close if there is to be a basis for a viable UK business in the future. It will also be essential for a competitive cost base to be maintained.

Since the cutbacks in 1984 Grimsby has demonstrated that, even on 2 lines, it can compete effectively in current market circumstances by maintaining costs at a competitive level for a more limited range of fibres for sale in Western Europe. During this period, Grimsby has remained profitable.

At Greenfield however, notwithstanding the cooperation of the workforce in efforts to improve the factory's competitiveness, the trading loss for the year to March 1985 was £2.6m, and approaching £0.5m per month by the end of that period.

Greenfield has substantially higher costs than Grimsby. The principal factor is that, with the same production capacity, it has 10 small production lines compared with Grimsby's larger 4, thus entailing higher manning, and less efficient use of steam, power, water and chemicals. In addition the Grimsby viscose plant shares overheads with the major Courtelle (acrylic) plant on the same site. And, looking to the future, Grimsby will need much less capital investment than would Greenfield to achieve further cost reductions and quality improvements.

One particular recent attempt to reduce Greenfield's costs has been the microcoal project, an innovative process for burning powdered coal in a boiler designed to consume fuel oil. Howden Engineering Ltd, with NCB support, has made a considerable investment in this project, using one of Greenfield's boilers as a joint-venture pilot plant for trials. The results to date have been encouraging, but there is a considerable way to go before the system could be confirmed as a viable commercial operation. And although the savings likely to be achieved could be significant in the long-run, they would not be sufficient to offset Greenfield's disadvantages, even if taken together with all other practicable savings.

The plan put forward by the Greenfield staff for continuing production has been thoroughly examined. Its projected cost reductions would depend upon maintaining the factory at virtually full production; but this would require the reallocation to it of so much of Grimsby's current output that the latter would have to close. And at the very best this would only produce a 'breakeven' position at Greenfield, if the sales prices projected in the staff plan were achieved. The fact is, though, that the production in question is fetching considerably lower prices at Grimsby, so that continued losses would be inevitable if it were produced at Greenfield.

The conclusion therefore has to remain that if the Grimsby viscose plant were to close, the higher costs at Greenfield would mean that the remaining viscose production could not be viable. On the other hand, by retaining Grimsby and closing Greenfield, there are genuine prospects of maintaining a viscose staple operation in the UK.

c) Acetate filament yarns

Between the wars, British Celanese established itself as the largest UK producer of acetate filament yarns, with a factory at Spondon, near Derby. Courtaulds had a smaller acetate yarn factory at Little Heath, Coventry. British Celanese considered many alternative sites for expanding yarn production before, in 1946, it chose the former Royal Ordnance factory at Marchwiel, near Wrexham as the site for additional capacity. Along with certain other activities, yarn production developed there during the 1950s. The Spondon and Wrexham factories became jointly managed with Little Heath from 1957 when British Celanese became part of the Courtaulds Group after falling into financial difficulties, and this business is now known as Courtaulds Acetate.

Courtaulds Acetate has three major products in the three factories: filament yarns, cigarette tow (for filter tips) and flake (an intermediate product in the manufacture of acetate fibres and plastics). The Wrexham factory can produce only yarn; the other two factories produce cigarette tow and flake, as well as yarn.

Cigarette tow and flake are profitable. Filament yarns have been loss-making in four out of the last five years; in 1984/85 their losses reached £2m.

World demand for acetate filament yarns peaked in the early 1970s (see Graph 10 and 11). Graph 12 shows how, since the early 1970s W European capacity, production and consumption have fallen. Deliveries to "other markets" have not fallen; Courtaulds Acetate has provided a high proportion of these exports, but orders have had to be taken on increasingly unfavourable terms in an attempt to maintain an acceptable level of capacity working.

Whereas the cigarette tow market is expected to hold firm, or even expand, the long-term decline in demand for filament yarn is expected to persist. This is because of the availability of alternative fibres more attractive in terms of both cost and properties. Courtaulds Acetate has recently lost its major export market, the USSR, whose own production now exceeds a declining internal demand. The largest remaining potential market is in the USA, but well-protected by freight and duty barriers. Demand is continuing to decline there and two US acetate yarn plants have recently closed.

Over the past few years, every practicable step has been taken at Wrexham to reduce costs and generate revenue in order to justify continuing yarn production. In particular, reorganisation of the site services has enabled some 20 buildings to be let to 44 small businesses. After a prolonged period of difficult industrial relations, the much reduced workforce have given their support to efforts to improve productivity.

However, the continuing market contraction, and the unattractiveness of much of the yarn business which has been taken, now requires a strategic change in the balance of the total Courtaulds Acetate business by reducing filament yarn capacity to 14,000 tonnes p.a. This reduction would shift the balance towards the more profitable and secure markets for cigarette tow and flake; and filament yarn sales would become more concentrated on those outlets, both geographically and in terms of product-type, where higher margins are expected to be achieved.

To achieve the cost savings which are so crucial, the remaining yarn production needs to be concentrated at two of the three sites. Spondon (Derby) and Little Heath (Coventry) have the vital advantage over Wrexham of being able to produce cigarette tow and flake, as well as yarns.

INVESTMENT

To counter the decline in demand for viscose staple fibre and acetate yarns which was becoming apparent in the early 1970s, Courtaulds continued to make substantial investments to improve the efficiency and competitiveness of both Greenfield and Wrexham. Over 80% of the sums invested in these two factories was made available from the Group's

resources. Total capital expenditure since 1972, and related Regional Development Grants and Interest Relief Grants, has been:-

£m	Gross Capital Expenditure	Grants
Greenfield	27.1	4.4
Wrexham	5.4	0.9

As regards the recent major modernisation project at Greenfield in particular, the uncertainties about the future viability of the plant were made clear in discussions with the Department of Industry and special repayment conditions were attached to one of the grants made in support of this project. All of the repayment conditions attached to grants received have been, or will be, met.

EMPLOYMENT

In the immediate post-war years, Courtaulds and British Celanese between them had some 30,000 employees in their UK fibres activities. Several thousands more were employed in the independent companies producing cellulosic fibres which are no longer in existence.

The Courtaulds/British Celanese post-war peak of employment in North Wales was close to 8,000 in the late 1940s. The closure of Aber Works in 1957 entailed the loss of 1,000 jobs. At that point, the total in the four remaining factories, Castle, Deeside (yarn processing), Greenfield and Wrexham, was approximately 6,000. It rose again to 7,000 in the late 1960s.

Since then the total number employed has declined to 1,300. The most significant cut-backs were the closure of Greenfield's No.1 unit in 1976 (almost 600 jobs) and the further demanning in 1980/81 (over 500 jobs); the Castle closure in 1977/78 (1,500 jobs); the decline of processing activity at Deeside over the past 15 years (1,500 jobs); and the gradual reduction in numbers at Wrexham in the same period (1,000 jobs).

These reductions in employment have not been unique to North Wales. Taking the Group's main UK fibres-based sites, the changes since their post-war employment peaks have been:-

	Post-war peak employment*	March 1985	Reduction
Spondon (Derby)	12,000	2,350	9,650
Coventry area (incl.Nuneaton)	8,000	2,500	5,500
Lancashire (Preston, Lancaster, Aintree, etc)	7,000	350	6,650
North Wales (Flint, Greenfield, Wrexham)	8,000	1,300	6,700
Carrickfergus (and related fibres activities in N Ireland)	3,300	NIL	3,300
Wolverhampton	2,800	NIL	2,800
Grimsby	2,000	1,200	800

* Peak employment in the different areas occurred at varying dates between the later 1940s and the 1970s.

CHAPTER 4

NORTH WALES - OTHER ISSUES

WHAT OTHER ACTIVITIES HAVE BEEN INTRODUCED TO FIBRE SITES?

From its acquisition by British Celanese in 1946, considerable efforts have continued to be made to develop on the Wrexham site a wide range of activities. The first was warp knitting (closed in 1978 as fashion swung away from this type of fabric). A number of plastics extrusion and moulding operations continue there (including one of the Betts manufacturing units of the National Plastics subsidiary), as does garment manufacture. For some years there was also a plastic vacuum-forming operation and a model trains venture, together with British Lego which now operates independently at another location in the area. As the manufacture of yarn and other activities contracted, efforts have been made to find other uses for the buildings that were released. The result to date has been the establishment of 44 tenant operations, employing some 220 people, and further tenancies will continue to be encouraged by offering advantageous rental terms.

At Flint a number of efforts have also been made since before the Aber Works closure in 1957 to find alternative activities for the sites. A bleaching plant for woodpulp produced by the Group's associate company in Swaziland was installed at Aber after this closure, but did not succeed. When subsequently Castle Works was closing, a stitch bonding operation, Heron Fabrics, was moved from Lancashire to the Aber site but, like the garment operation introduced into Deeside, it was closed during the recent recession.

Apart from the land sold to Kimberley Clark, all the areas of any significance which were once owned by Courtaulds at Flint (as distinct from Greenfield) are now owned by Delyn Borough Council. The portion of Deeside Mill still occupied by Courtaulds is rented back from the Council. There are numerous other industrial tenants of the former factory sites, and of the former Courtaulds land between the Deeside and Aber sites.

Greenfield No.1 unit has already been offered to Delyn Borough Council, who have also been assured of first refusal of No.2 unit.

The criticism has been made that, in the face of the serious decline in demand for cellulosic fibres and yarn, Courtaulds should have introduced other products to offset the effect on local employment. The Group does not believe that it should undertake new manufacturing ventures outside the field of its established expertise. Resources of both management and capital have to be concentrated on those businesses with good growth prospects, and their development is most likely to succeed in the locations where the requisite skills and facilities already exist. Security of employment is more likely to be achieved by modifying existing products to suit changing markets (as was attempted at Greenfield) and making every effort to be competitive internationally. Where such efforts do not succeed, alternative employment opportunities are better promoted by selling surplus sites for new uses, or participating in joint site development projects.

IS THE GROUP "EXPORTING" JOBS?

The increase of man-made fibre production in developing and state-trading countries has already been outlined. Courtaulds has supplied new plant and expertise to some of these countries and arguably, therefore, could have contributed to the need to contract its own capacity. However, if Courtaulds had not supplied plant, its competitors would have done so instead.

Courtaulds Engineering Ltd (CEL) has been in discussion for some years with several Indian and Indonesian enterprises about constructing for them new viscose staple fibre capacity. These discussions will continue and, whilst it is not yet clear whether any of these projects will go ahead, if they do, CEL will almost certainly tender for the contracts. The design, procurement, construction and commissioning of process plants is CEL's main business. Whilst its activities include other process plants such as for pharmaceuticals and food manufacture, it has the special advantage of being able to draw on Group know-how for fibre plants.

If CEL do get such a contract, all or part of the Greenfield plant could certainly be attractive to a client, including both newer and older elements of it. That plant would not however be owned by, or operated under the management responsibility of, Courtaulds although it may be that, in order to secure the contract, the Group would consider taking a minority equity stake.

There is always a management obligation to everyone concerned with the well-being of the Group to realise as much as possible from surplus assets, so long as this does not prejudice continuing operations. The possibility of an overseas contract did not , however, influence the decision to propose the closure of Greenfield. The overriding reason for both the Greenfield and Wrexham closure proposals is that viable futures for these factories can no longer be foreseen; and it cannot be in the interests of the Group, its other employees or the UK economy as a whole that such operations should continue to be supported.

It has been suggested that the sale of Greenfield plant to India would amount to exporting jobs. However, India has a heavily protected home market for viscose staple fibre with duties on imports totalling more than 40%. This is an example of the massive obstacles which face exports from the UK to many of the longer-range markets. The production of such a plant in India would mainly be for domestic consumption, and the evidence available does not suggest that any of it would be targeted at the West European market. If Indian interests intend to expand the capacity to meet the needs of their local market, then it is sensible for the Group to seek to derive what advantage it can from this.

WHY COULD NOT ONE OR BOTH OF THE PROPOSALS HAVE BEEN DELAYED?

Each proposal has been the outcome of thorough examination by separate management teams of the prospects for two entirely distinct ranges of fibres serving different end-use markets. Their conclusions were not influenced by each other.

It has been suggested that, because of existing high unemployment, one or other proposal should have been postponed. Any further delay would, however, have led to an escalation of losses which would increasingly prejudice efforts to create a sound basis for the remaining UK viscose and acetate activities; and could have seriously misled those most directly concerned about the full extent of the problems.

WHY WERE MPs AND LOCAL AUTHORITIES NOT CONSULTED IN ADVANCE?

It is Courtaulds firm belief, and established policy, that whenever a proposal to declare redundancies has become necessary, the first people who should know are those directly affected, ie the employees concerned. There is also, of course, a legal obligation to that effect in section 99 of the Employment Protection Act 1975. It requires consultation with representatives of any recognised trade unions to begin "at the earliest opportunity".

It must be emphasised that the announcements on 19 April 1985 only signalled the start of the statutory consultation period of 90 days on the proposals concerning Greenfield and Wrexham. The purpose of such consultation is to see whether any viable alternatives to the proposals might emerge.

The procedure followed in the present cases is identical to that followed in the many other major redundancies which have had to be implemented by the Group in the past decade.

Any redundancy proposal is only made as the considered judgment of management after the most careful assessment of the situation. There have been some instances where, following consultation, suggestions have led to changes in such proposals; one example was Castle Works, Flint, where certain activities continued for a time (almost two years in one department). However, it is not often that factors emerge which would alter management's case. It would be a failure of management's responsibilities to table proposals for major redundancies, with all the anxieties and repercussions entailed, if they had not first been thoroughly researched.

The communication that has taken place about the problems facing the factories in North Wales is best described separately for each plant:

a) GREENFIELD: the risk of closure at Greenfield, as distinct from a formal proposal, has been openly discussed by management for a number of years and was widely known not only by the workforce and the unions, but also by the Secretary of State for Wales, senior civil servants, and local authority representatives. In particular, close communication on this and other matters affecting the factory has been maintained by local management with the North Wales Director of the Welsh Office at Colwyn Bay. It may be that the sheer length of time during which management had persevered against the difficulties facing the factory led to genuine surprise in some quarters when the formal proposal was eventually made on 19 April.

b) DEESIDE: government and local authority representatives have been kept fully informed about the severe difficulties which Deeside Mill has faced for ten years or more, with declining demand from the textile industry for its products and a gradual reduction in the number of people employed. Management has considered on a number of occasions whether the factory should be closed, but ways have so far always been found to bring capacity into line with shrinking demand. The present position at Deeside remains very difficult; short-time working has been in force since the beginning of the year. The future substantially depends on certain large export markets. Throughout this period there has been full and frank discussion with employees about the situation. It would not otherwise have been possible to gain their understanding and co-operation in achieving the flexibility which has been vital to meet the constantly changing market requirements.

c) WREXHAM: the serious state of the acetate yarn business has, over a long period, been the subject of detailed communication and consultation with the workforces and unions at the three acetate filament yarn factories (Spondon, Coventry and Wrexham), both through discussion and in writing (newsletters etc). The inevitability of major restructuring had been made clear, and the possibility of one or other of the yarn plants closing was frankly discussed in these exchanges. The Wrexham workforce, after a history of considerable industrial relations problems, has responded by demonstrating that it could achieve standards of productivity hitherto unattained. However, this did not prove enough to outweigh the wider market developments.

To sum up, a final decision is reached on redundancies only when the management is satisfied from the formal statutory consultation process that no acceptable alternative course is open. It should be added that in the case of Greenfield and Wrexham, despite the genuine efforts that have been made to produce alternatives, nothing has so far emerged from the consultations to convince the managements concerned that they should rescind their closure proposals.

WHAT ABOUT THE SITES AND SERVICES?

The factories will be closed in an orderly and controlled manner. Unused chemicals and other materials will be returned to suppliers or redistributed to alternative users. Any remaining hazardous raw materials or chemicals will be identified and dealt with after consultation with the appropriate supplier and/or government agency. The licensed waste tip (Greenfield No.2 unit) will be consolidated in accordance with the licence conditions. Any necessary decontamination will be carried out and appropriate health and safety measures and security arrangements will be maintained.

Site assessment portfolios will be presented to the appropriate Councils, giving information about the buildings, roads, railways, fume stacks, ground conditions, water courses and any potential hazards.

The land and buildings will be released for other use as soon as possible. The sites are very different in character. Wrexham does have numerous buildings of a kind which lend themselves to development by a multiplicity of small projects. Greenfield does not: it will take time to dismantle and prepare the site for alternative use.

In the meantime, discussions have been taking place with officials of the local authorities, and they will be given copies of the detailed site surveys which are being carried out by Courtaulds Engineering Ltd. Equipment not required by Courtaulds but which might be useful locally - eg for training purposes - will be offered to the appropriate Authority. The water supply to Greenfield through the Holywell-Halkyn Mining and Tunnel Co Ltd, a Courtaulds subsidiary, will be the subject of further discussion with Delyn Borough Council.

Steps will be taken to seek continuity of facilities for existing members of the Sports and Social Clubs at equally favourable levels of subscriptions as apply today.

A firm commitment has been given to the local authorities concerned that there will be full consultation with them to ensure that the sites are constructively utilised. In particular, any plans will be discussed to ensure that short-term measures do not conflict with longer-term plans.

WHAT IS BEING DONE TO HELP FIND JOBS?

When announcing the proposed closures on April 19, it was stated that job search and counselling programmes would be instituted, with a major managerial input, and that every effort would be made to help employees to find alternative jobs both within and outside the Group.

In the case of Wrexham, a special job search team has now been formed, headed by the Factory Manager and a former Personnel Manager. Their mandate is to leave no stone unturned in helping the redundant employees to find new jobs. In particular, they will maintain regular personal contact with local employers in order to track down possible vacancies.

Staff have also been receiving external training on how to advise employees on the best ways to set about job searching, and personal counselling is being made available to the whole workforce. (Personal counselling covers how best to prepare CVs, write application letters and complete forms, present information about experience and skills etc.) This is backed by a new job search and counselling room, fully equipped with material from the Department of Employment and information on benefits, tax etc. The DoE are supplying daily details of vacancies, and extracts are being taken from local newspapers and journals. All the relevant material is displayed on job search boards around the factory.

At Greenfield steps are being taken in the same direction. In both factories, special efforts are being made on behalf of apprentices to secure continuity of training with new employers.

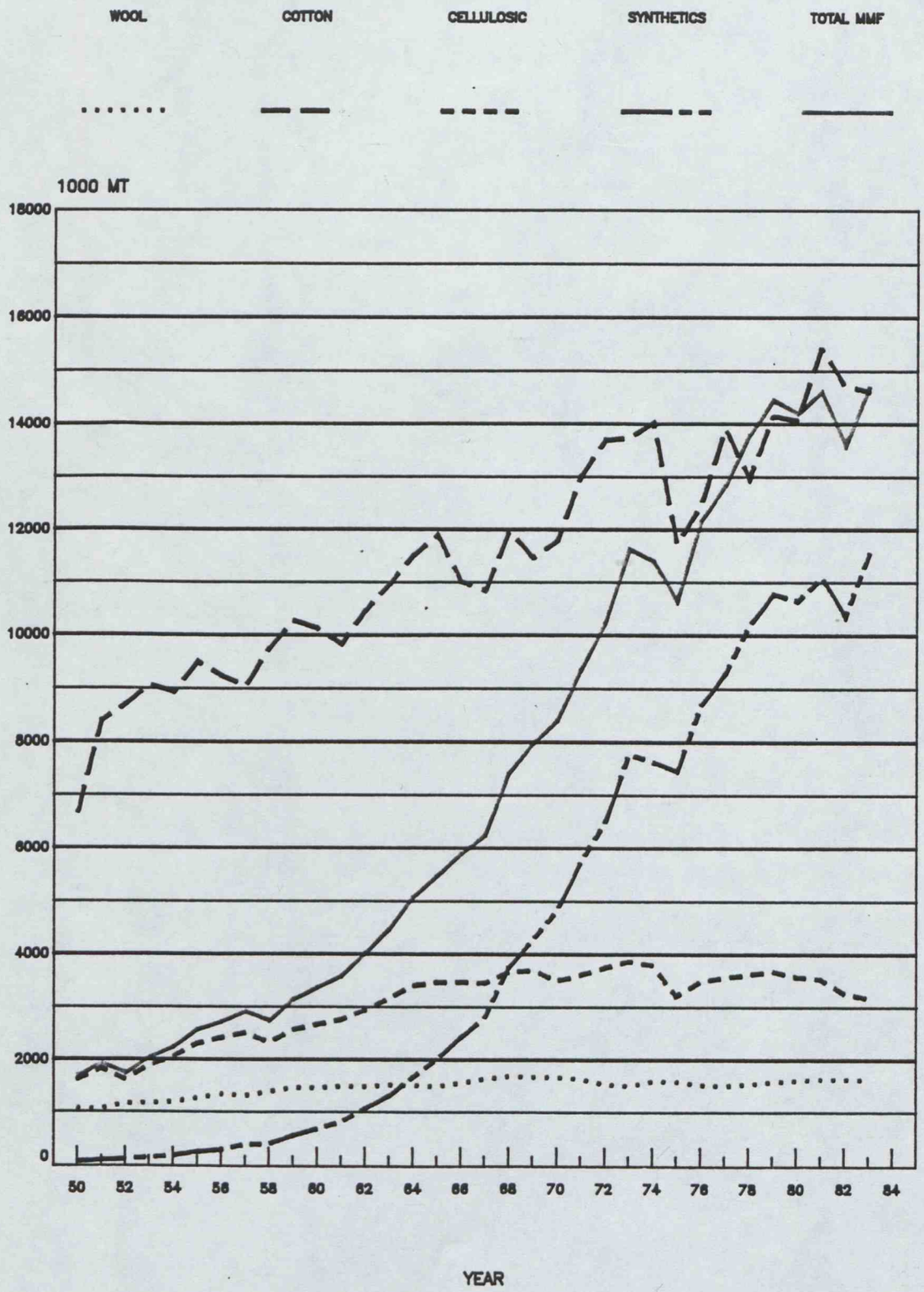
A senior executive has already been seconded from the Group to explore and assess the best ways to assist in the creation of job opportunities in the area. He has access to Group resources to back him up in this wide-ranging role, and the provision of supporting staff will depend upon developments. His first task has been to evaluate the potential of the many agencies, etc already operating in this field. It is important to assess how to work most effectively with such bodies in order to harness the contribution Courtaulds can make to theirs, and to avoid duplication of effort.

Only when this has been determined will it be sensible for more specific commitments to be made. However, a firm assurance can be given that the Group does intend to assist those affected in ways which these studies indicate as the most appropriate and effective. Particular attention will be paid to the possibilities for promoting new businesses, eg by seconding staff to help in setting up and managing small workshops, and to assist in retraining people in alternative skills.

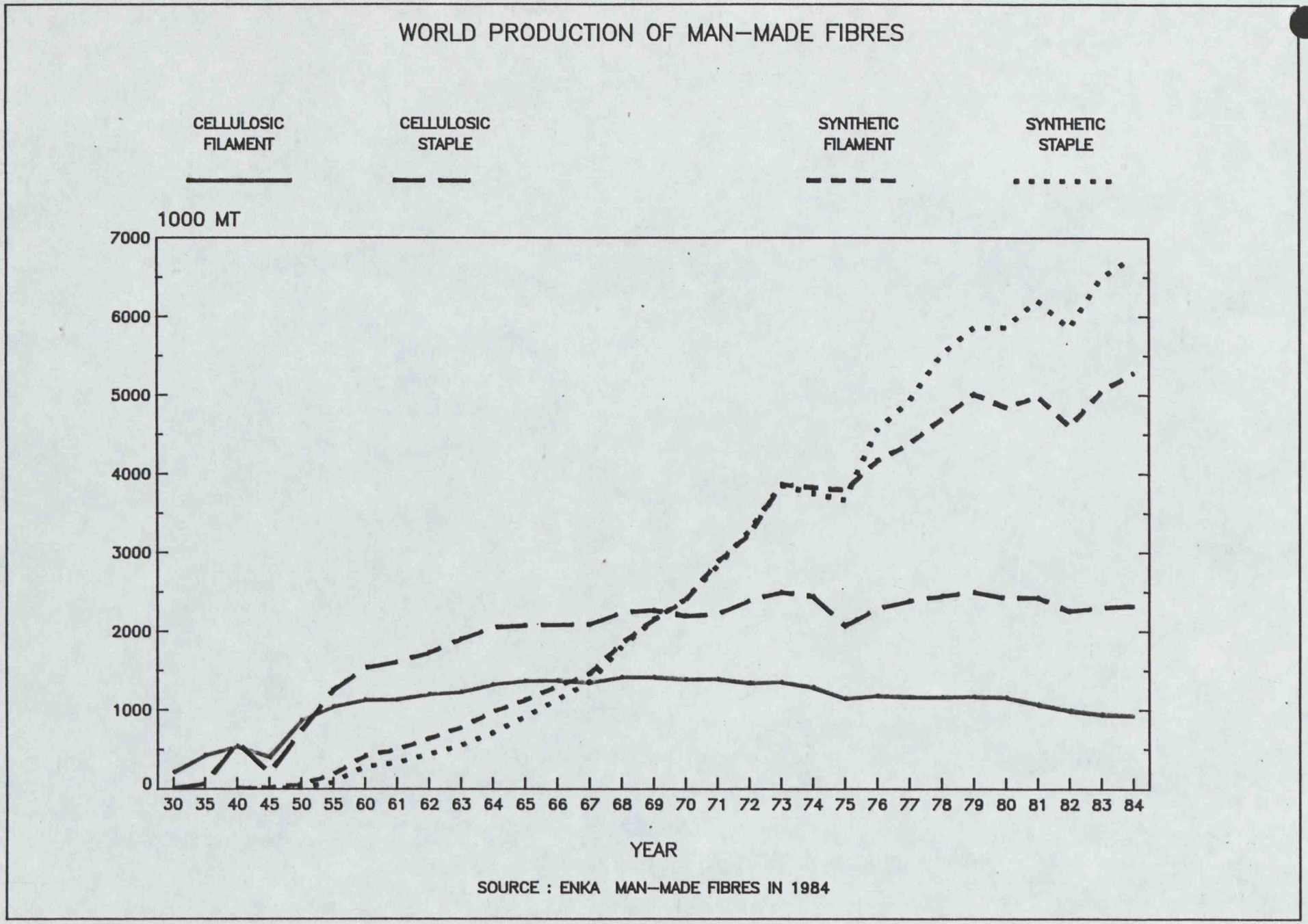
As previously mentioned, there are already 44 small business tenants on the Wrexham site, providing 220 jobs. It is intended to give fresh impetus to this development by seeking additional tenants, who may well include some of the Group's own employees.

WORLD FIBRE PRODUCTION BY MAJOR TYPE.

1950 – 1983

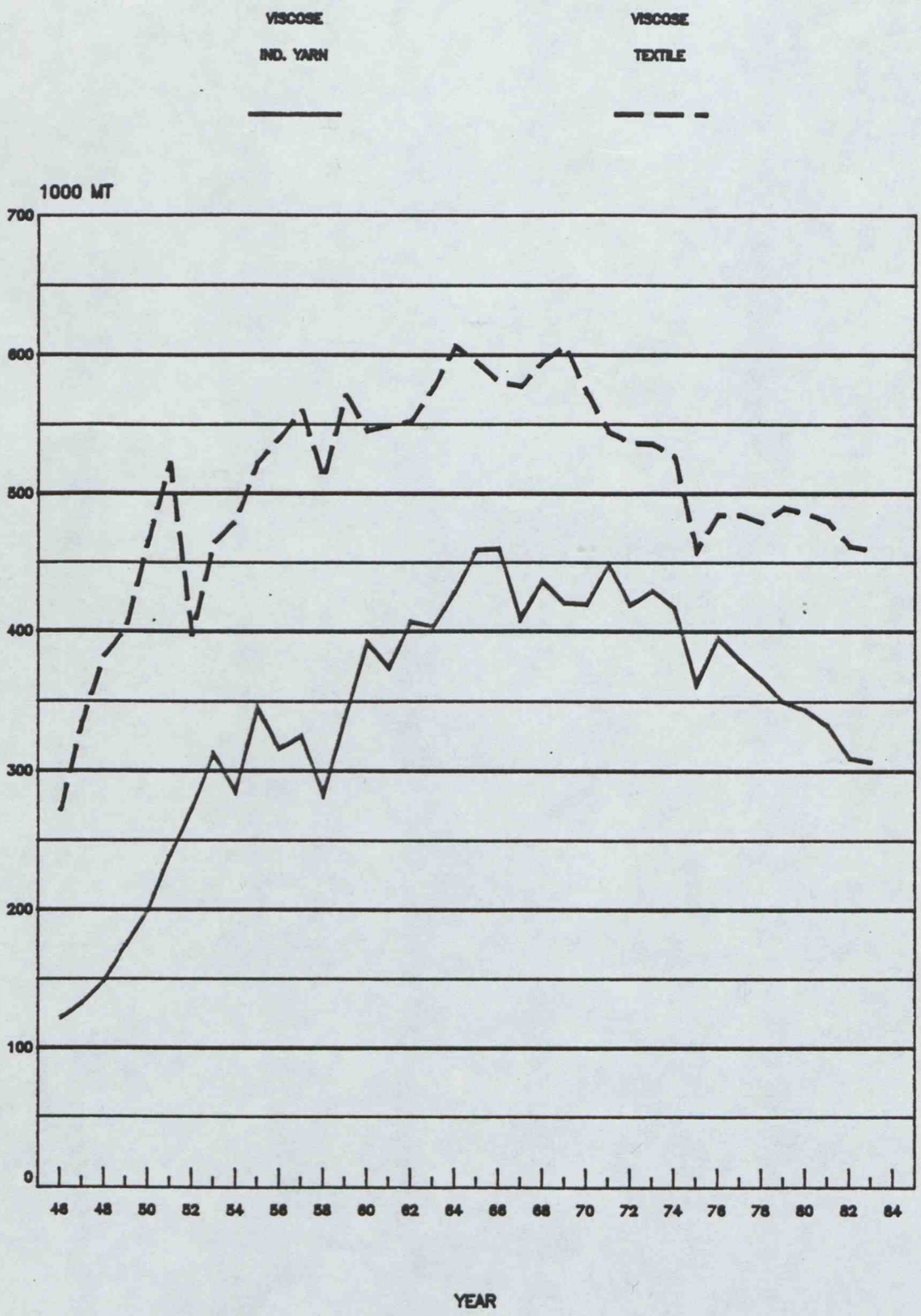


SOURCE : CIRFS YEAR BOOKS.


WORLD PRODUCTION OF MAN-MADE FIBRES
CELLULOSIC FILAMENT
CELLULOSIC STAPLE
SYNTHETIC FILAMENT
SYNTHETIC STAPLE
1000 MT
7000
6000
5000
4000
3000
2000
1000
0
30 35 40 45 50 55 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84
YEAR
SOURCE : ENKA MAN-MADE FIBRES IN 1984

WORLD PRODUCTION VISCOSE FILAMENT YARNS.

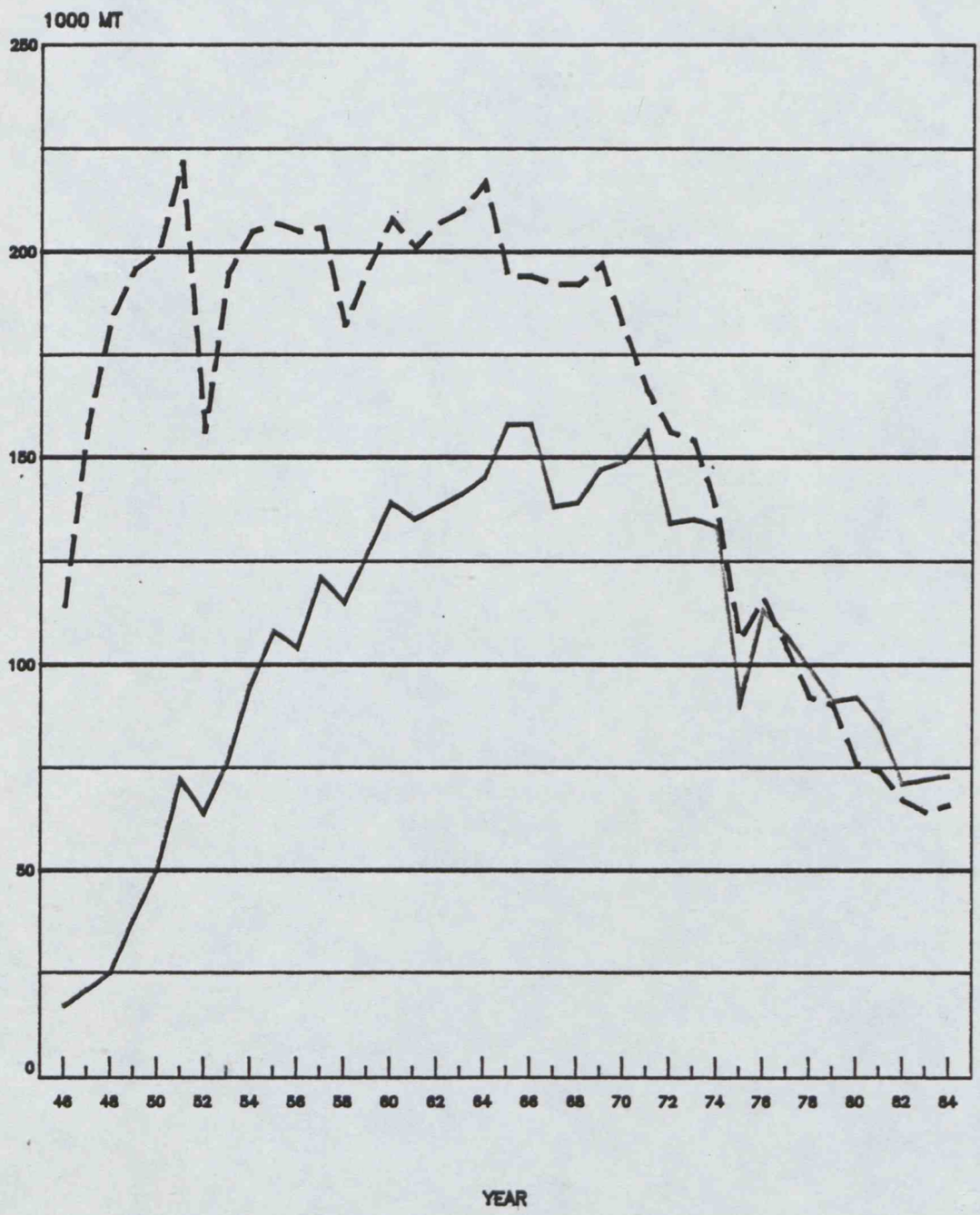
VISCOSE INDUSTRIAL AND TEXTILE YARNS.



SOURCE : TEXTILE ORGANON.

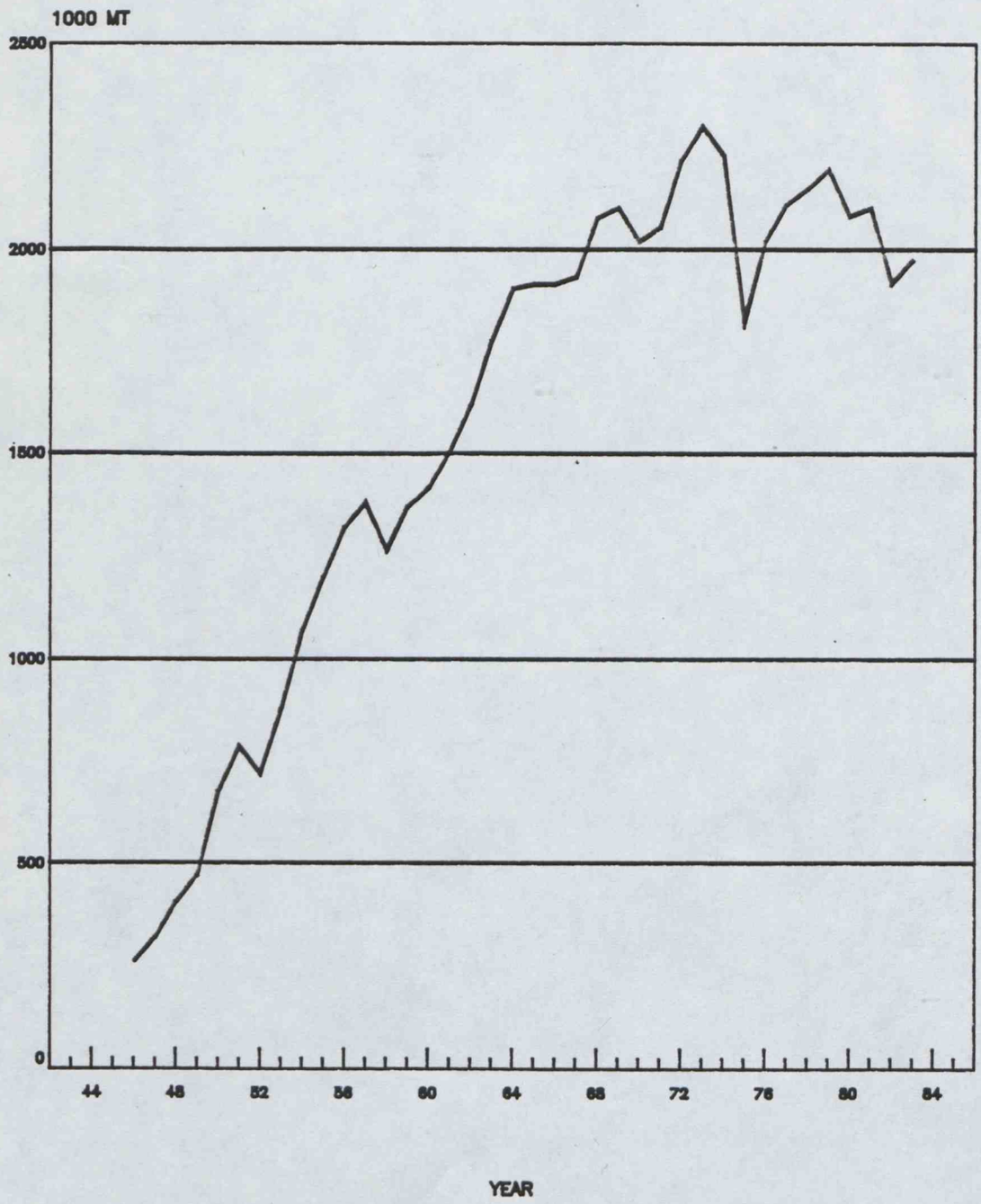
W. EUROPEAN PRODUCTION OF VISCOSE FILAMENT YARNS.

VISCOSE INDUSTRIAL AND TEXTILE YARNS.



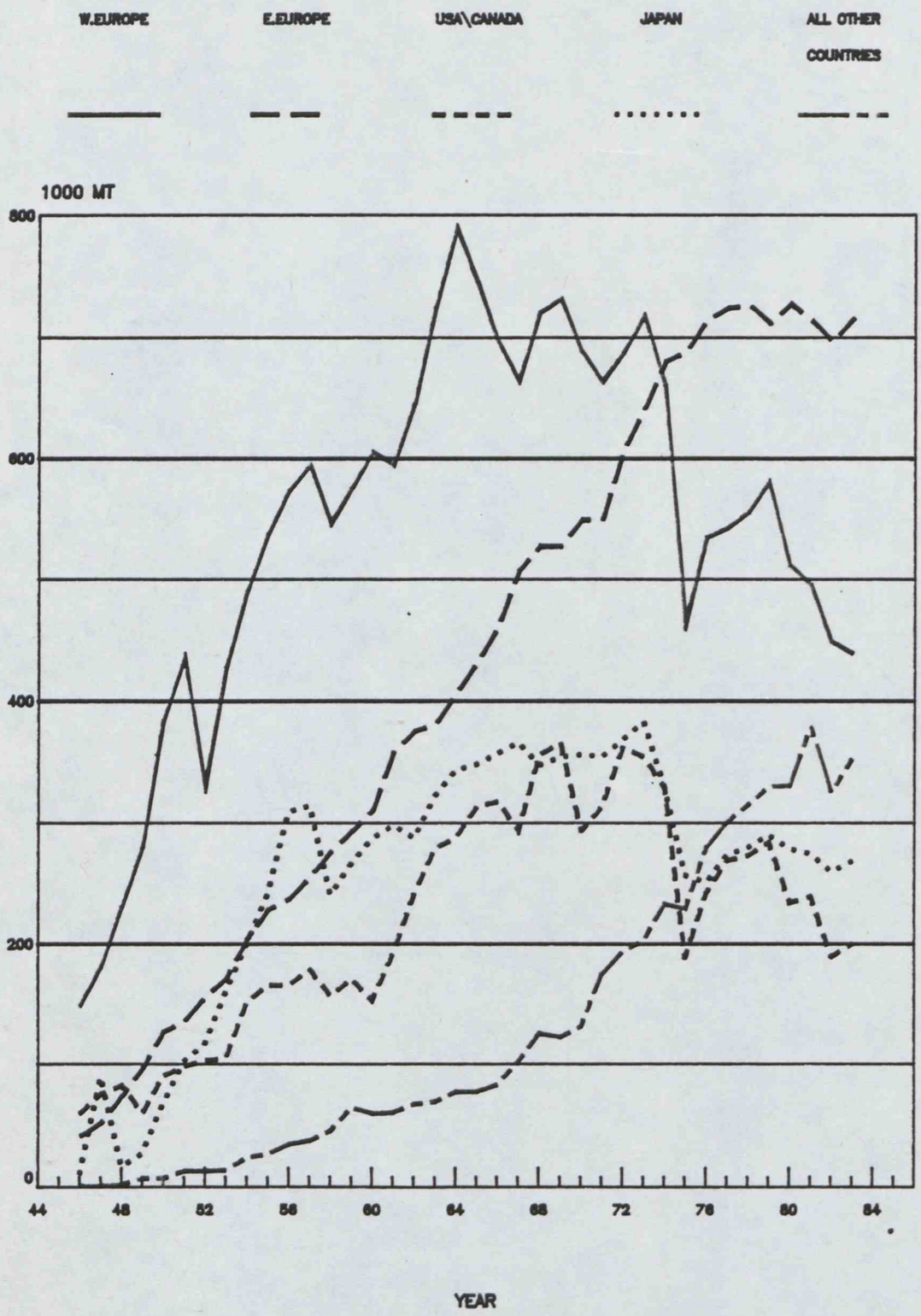
SOURCE : TEXTILE ORGANON & CIRFS.

WORLD PRODUCTION OF VISCOSE STAPLE.



SOURCE : TEXTILE ORGANON.

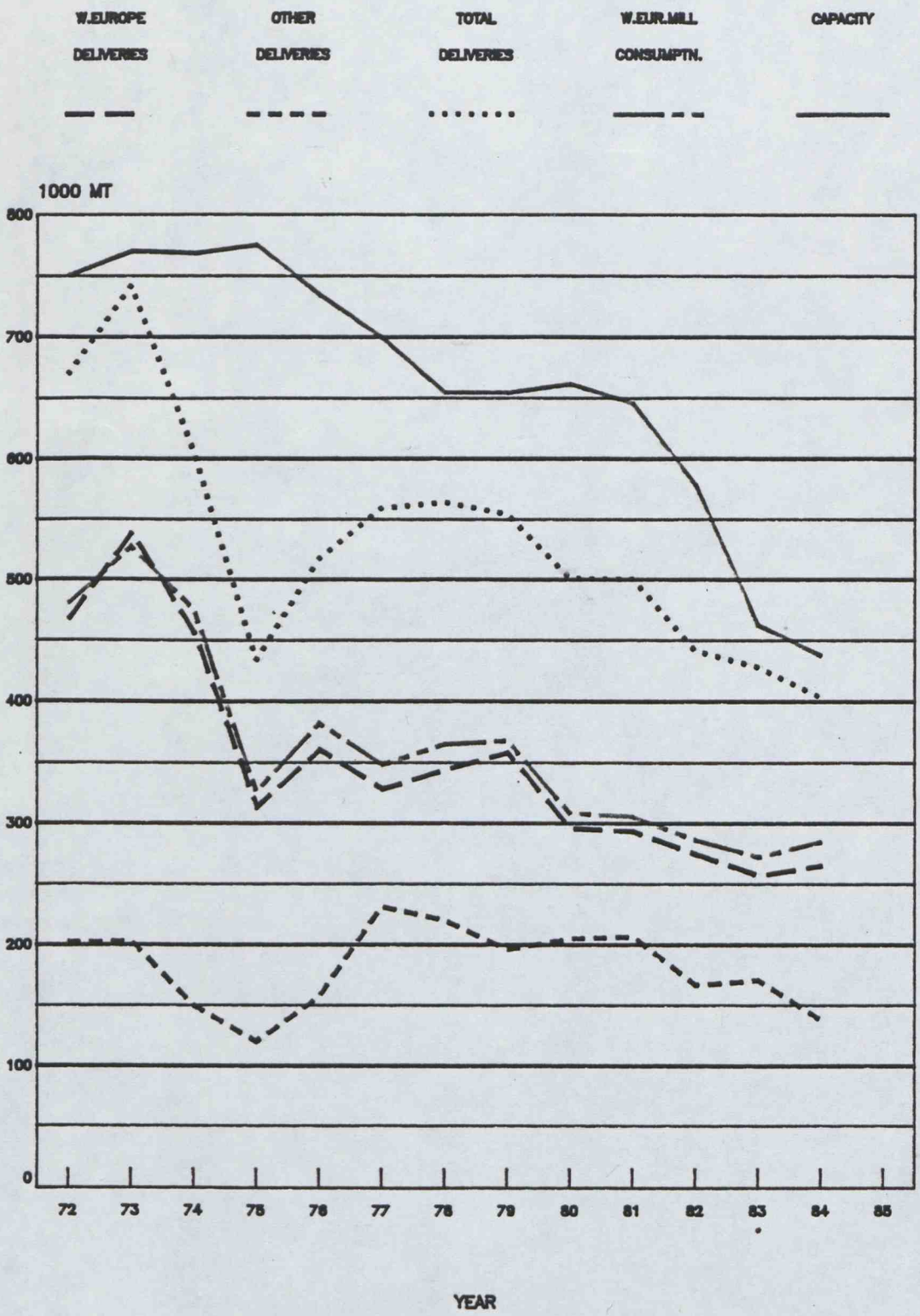
VISCOSE STAPLE PRODUCTION BY REGION.



SOURCE : TEXTILE ORGANON.

WEST EUROPEAN VISCOSE PRODUCERS

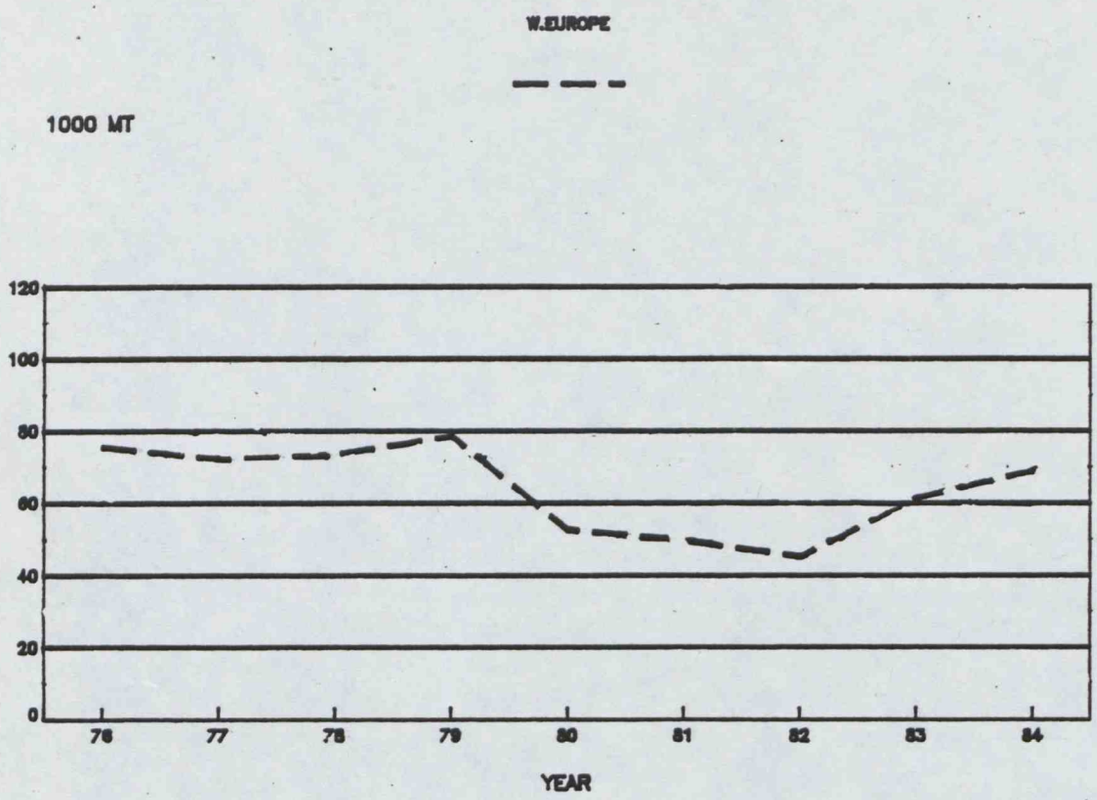
STAPLE CAPACITY, DELIVERIES AND CONSUMPTION.



SOURCE: C.I.R.F.S.

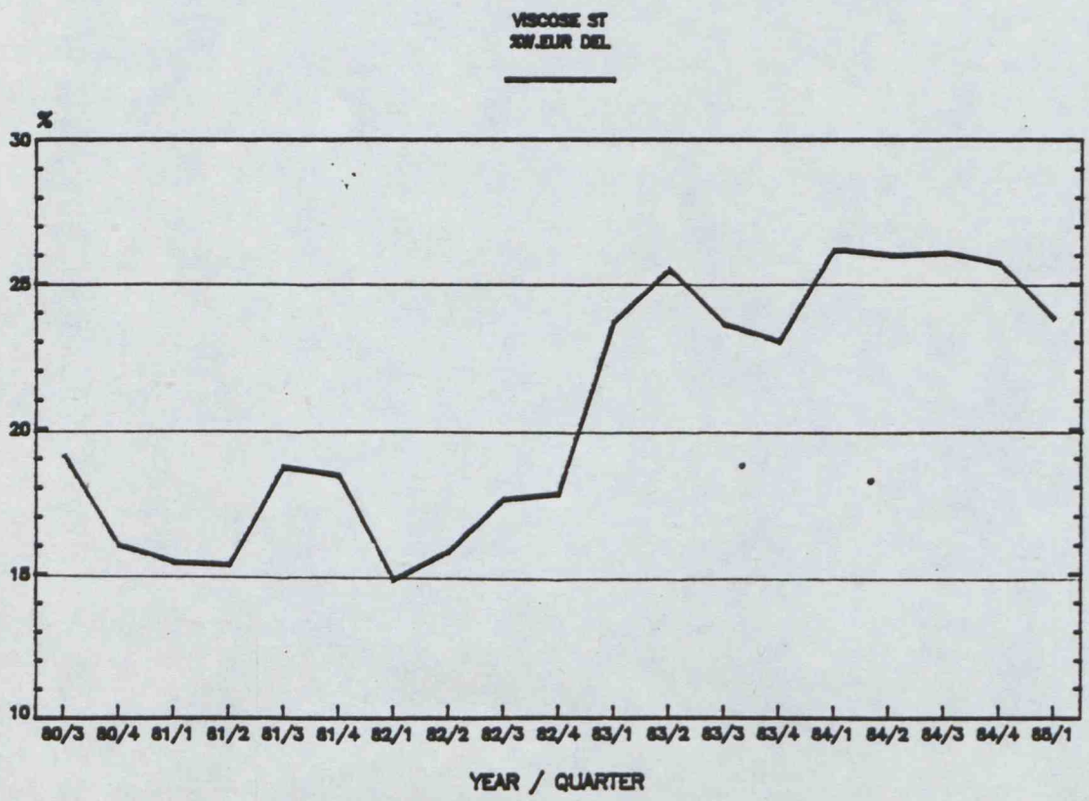
VISCOSE EUROPE – COURTAULDS.

VISCOSE STAPLE AND TOW DELIVERIES.



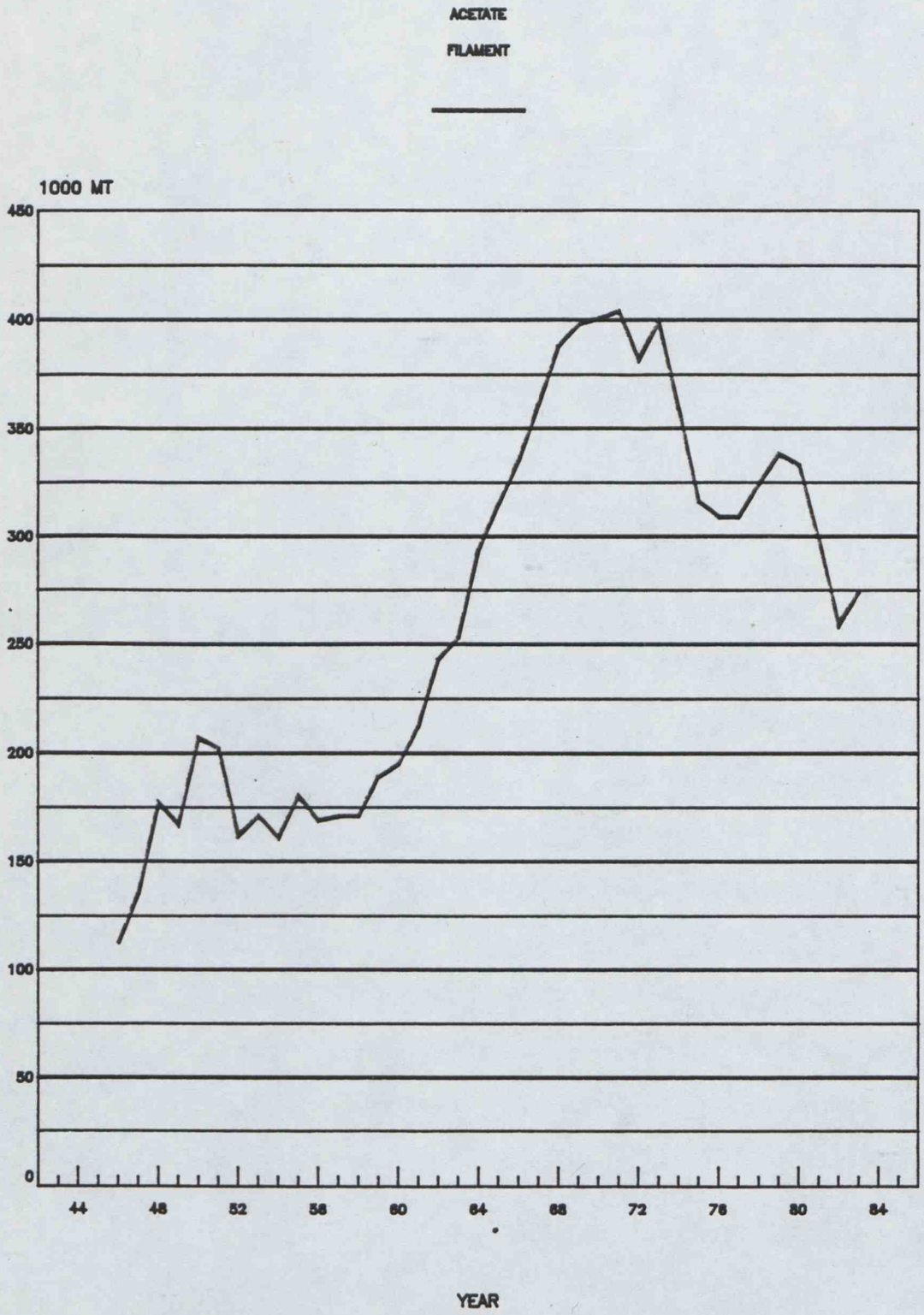
COURTAULDS' SHARE OF W. EUROPEAN PRODUCERS' DELIVERIES.

VISCOSE STAPLE FIBRE TO W. EUROPE.



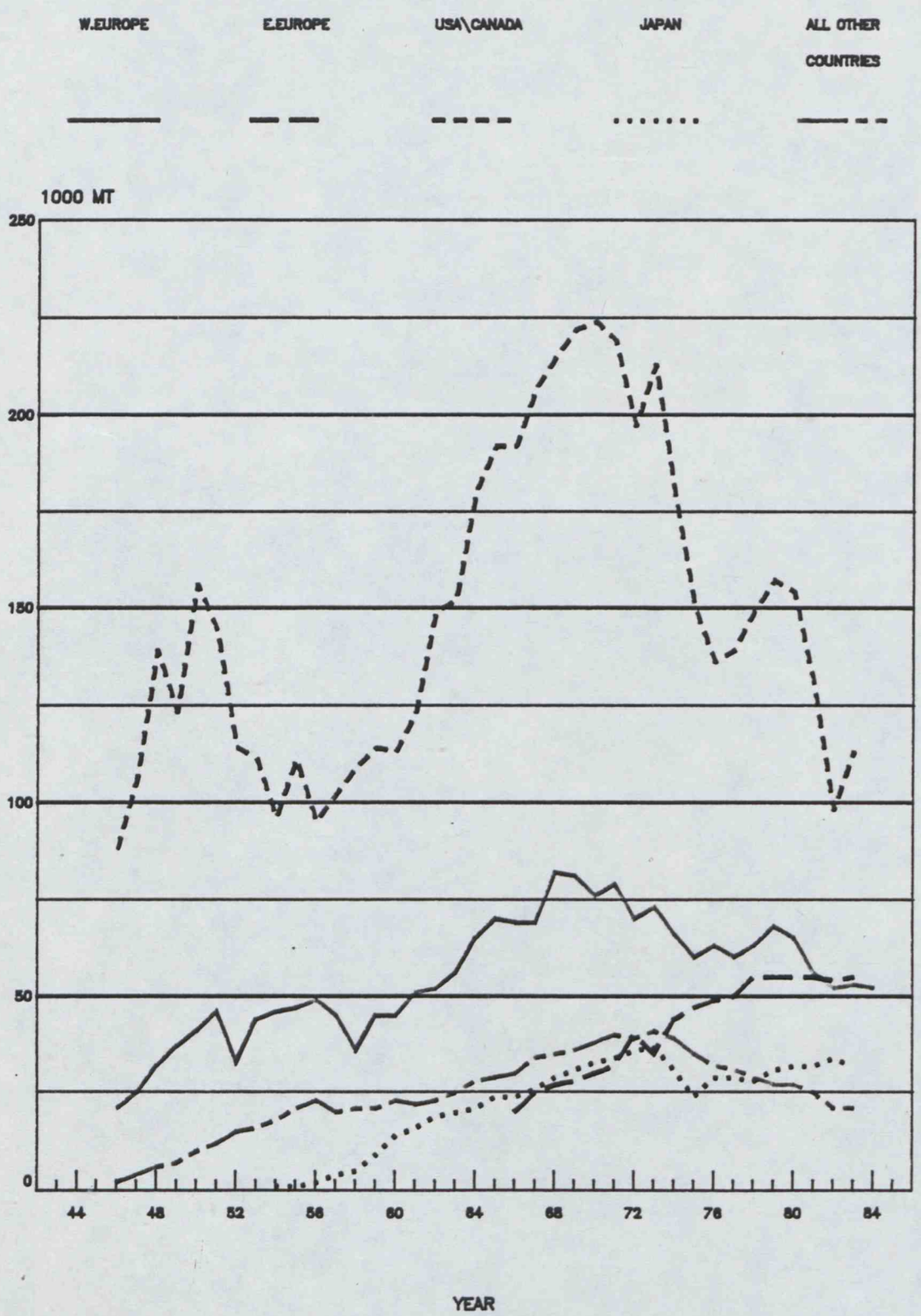
SOURCES : CIRFS AND COURTAULDS.

WORLD PRODUCTION OF ACETATE FILAMENT YARN.



SOURCE : TEXTILE ORGANON.

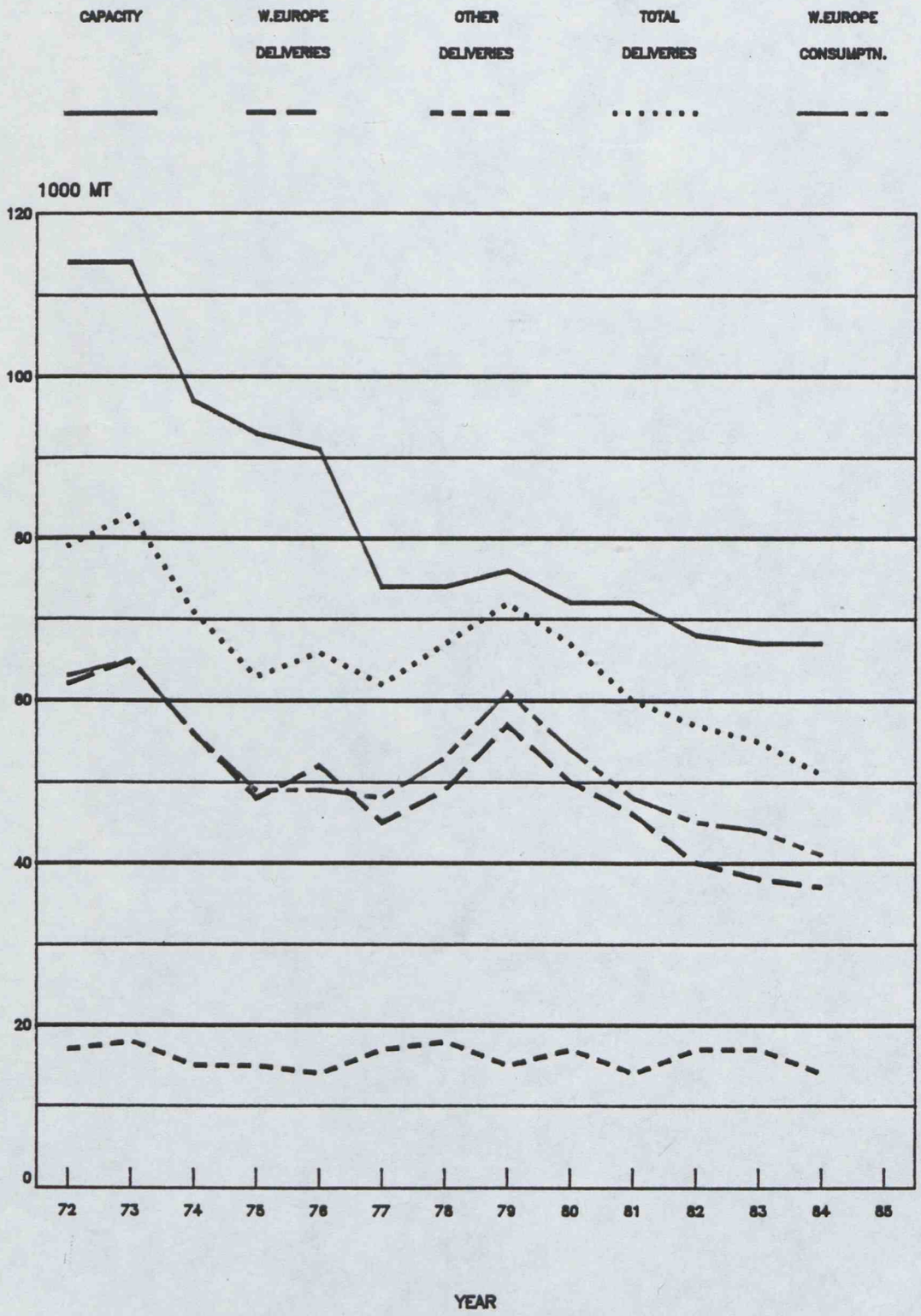
ACETATE FILAMENT YARN PRODUCTION BY REGION.



SOURCE : TEXTILE ORGANON.

WEST EUROPEAN ACETATE/CUPRO FILAMENT YARN PRODUCERS.

CAPACITY,DELIVERIES AND CONSUMPTION.



SOURCE: CIRFS. NOTE: CUPRO CAP.ca.3000 MT. DELS.ca.2000 MT.