

Pa or Courtaulds file.

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)
01-233 8545 (Llinell Union)

ODDI WRTH YSGRIFENNYDD

PREIFAT YSGRIFENNYDD

GWLADOL CYMRU



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)
01-233 8545 (Direct Line)

FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

/ August 1985

Dear Mark,

The Prime Minister, with my Secretary of State, is meeting Sir Christopher Hogg on 6 August to discuss the action Courtaulds propose to take in the areas affected by the closures of their plants in NE Wales.

... The attached steering brief draws together the main points which the Prime Minister will wish to pursue together with background information on topics which might arise.

Yours sincerely
Colin

R C WILLIAMS

Mark Addison Esq
10 Downing Street
London
SW1

PM. meetings with Marek : April 1985.



WELSH OFFICE

DWYDYR HOUSE

WHITFIELD LONDON SWANSEA

TEL 01-233 3000 (Swansea)

01-233 8845 (London)

FROM THE TO THE RESTAURANT

TO THE SECRETARY OF STATE

FOR WALES

Y SWYDDFA CYMRU

DWYDYR HOUSE

WHITFIELD LONDON SWANSEA

TEL 01-233 3000 (Swansea)

01-233 8845 (London)

ODD WITH YSGRIFENWYDD

PRELAT YSGRIFENWYDD

GWYBODAETHYD



PRIME MINISTER'S MEETING WITH SIR CHRISTOPHER HOGG 6 AUGUST

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STEERING BRIEF

1. It was suggested that the Prime Minister talk to Sir Christopher since indications were that the Company did not intend to respond to the situation as positively as the Prime Minister had hoped.

2. Sir Christopher is known to feel somewhat aggrieved at being under pressure to spend his shareholder's money in a non-commercial way. He is also known to feel that the Government have "failed" the textile sector and that the multi fibre arrangement and general industrial policy are more to blame for the closures than any failures by the company. Sir Christopher appears to wish to complain that the Government, having created the climate in which closures were necessary is now shrinking from the consequences. In fact the Governments' attitude has been that tough and necessary decisions and actions if handled well and constructively can help build the right attitude and encourage acceptance. Insensitive handling of such decisions can be excessively counter-productive in the working atmosphere created.

3. The Prime Minister has made it clear that the commercial reasons for the closure are not at issue and that it is the handling of the consequences which concern her.

OBLIGATIONS

4. The Government has acknowledged its obligations to the area with a very substantial package.

5. The local authorities have shown considerable moderation in their public statements and have committed themselves to substantial expenditure.

6. No-one is asking the company to spend vast sums (not in comparison with the totals involved in the costs of closure and the savings to be produced). But the scale of the effects on a community like Flint (with very high levels of male unemployment) beyond that on direct employees cannot be denied. Once the obligation is accepted the questions are about how and at what cost.

SPECIFIC POINTS

7. The points on which a positive response is sought from the Company are that it should:-

- a. make an early announcement of the action it proposes to take following discussions with the local authorities;
- b. deal with all hazardous materials on the sites at Wrexham and Greenfield and carry out agreed demolition and clearance of redundant buildings necessary to make the sites usable;
- c. hand over sites, together with equipment and re-usable buildings suitable for general use to the local authorities at no or minimal cost;
- d. provide funding - mainly venture capital - which would not be very much and could be confined to very small advances (under £10,000) in very small enterprises; and the continued involvement of staff for local enterprise agencies;
- e. involve itself in setting up (and at least partly within the Community Programme if this can be negotiated) schemes aimed at improving the local environment and contribute towards the cost of small factory units within the Greenfield site.

8. We have indications that Sir Christopher for his part may try to open out the meeting into a broader discussion of the present state of the textile industry and the future of the multi-fibre arrangement. The suggested line on this is that the Government does not wish to interfere with nor therefore to discuss the company's reasons for closure.

9. Sir Christopher may also say that the questions of site disposal and equipment disposal are ones which are essentially commercial and, consequently cannot be settled at this stage. The suggested response is that a commitment to positive help to the affected communities together with constructive involvement with the local authorities could convince critics that the right answer for the company was also the right answer for the community.

ANNOUNCEMENT OF CLOSURE AND EFFECT

1. Courtaulds PLC announced on 19 April that Greenfield and Wrexham plants were to close with the loss of 1,100 jobs. The company has been a major employer in the area. At its height it employed about 6,000 people in what is now the Delyn area in the mid 1950s and about 1,800 at Wrexham in 1970. The recent announcement of redundancies was but the latest in a series of major closures and redundancies by Courtaulds in North East Wales. These extend in Delyn from the closure of the Aber Works in 1957 (1,000 jobs), Castle Works in 1977 (1,500 jobs) and a rundown of operations at Greenfield and Deeside between 1969-1981 (1,500 jobs); a further 1,300 jobs were lost between 1970 and 1984 at the Wrexham plant. Despite a history of closures over the last 30 years and the Company's significance as a major local employer, Courtaulds has never seen its role as making a contribution towards the local communities. There has been severe local criticism of the state in which it has left some of the sites in the past; particularly the burning tip at the Castle Works, Flint.

2. Although the impact of the closures will be to increase the unemployment levels by about 1% in the two travel to work areas (TIWA) affected, they are taking place in an area where unemployment is already high. In the Shotton, Flint and Rhyl TIWA unemployment stands at 18.1% in total and 17.4% in Wrexham. The effect of the closures will be to increase the levels to 19.0% and 18.5% respectively. Male unemployment will be hardest hit; the levels could go up to 22.1% in Shotton, Flint and Rhyl TIWA and 21.9% in Wrexham. These figures are calculated across the travel to work areas and the impact will be much greater at the local level. Delyn BC have carried out their own calculation using the same method and their estimate is that following the closure as many as 43% of the men of working age in the Flint/Holywell area could be unemployed.

POSITION OF MINISTERS

1. The line adopted by Ministers throughout has been that the closure of the plants, although regrettable, is entirely a matter for the commercial judgement of the Company and the Government would not intervene in their decision. The concern has been with the Company's apparent reluctance to acknowledge a responsibility for the consequences to the local area of its decisions beyond that to its employees and shareholders.

2. In writing to Sir Christopher on 1 May the Prime Minister said her concern was that, as a good employer, the Company should be seen to be doing its level best for those who have worked for it for a long time. She asked that after discussions with local authorities, Sir Christopher should let her know how he was going to tackle the blow to the area. The Secretary of State has also made it clear that a successful and profitable company such as Courtaulds has an obligation to co-operate with central and local government in clearing away debris and dereliction and assisting in the task of new job creation.

3. Sir Christopher insists that the Company has and will meet obligations to its ex-employees. Beyond that he has made it clear that he does not see the Company as having more than minimal obligations to the broader community and in any case does not accept that the responsibility for the closures - and thus for their effects - is wholly the Company's anyway.

DEMANDS OF LOCAL AUTHORITIES

1. In presentation of their evidence to the Select Committee on Welsh Affairs and their earlier submissions to the Prime Minister the local authorities have asked that the following action should be carried out:

From Courtaulds

2. Delyn Borough Council have asked for unconditional free transfer of the No 1 and No 2 sites at Greenfield. The Council have said that the sites should be cleared of all hazardous installations and materials; the industrial waste tip on the sites should be stabilised and that the sites should be transferred with the use of existing buildings and services. They also consider that Courtaulds should make a significant contribution of at least £0.5 million to the Delyn Enterprise Agency and that the Company should retain an interest in the area for at least 5 years.

3. Wrexham Maelor BC are seeking a free transfer of the Wrexham site from the Company which they propose to develop themselves with the assistance of central government urban development and urban programme grants and European Regional Development Fund assistance.

From Welsh Office and Other Public Agencies

4. The authorities have indicated their priorities for action by the Welsh Office and other central agencies. Delyn BC are primarily seeking urban programme and other assistance towards the cost of developing the Greenfield site (which they currently estimate at about £3.7 million) and an assurance that there will be an improved road link between Flint and the A55 main trunk artery. They also wish to see an extension to the existing Delyn Enterprise Zone (although they have not formally applied for this as yet) and an easing of the controls on their general rate fund.

5. Wrexham Maelor BC have sought urban programme assistance to develop the Redwithers industrial site (which is adjacent to the Courtaulds site). At the Select Committee hearing they also made some miscellaneous requests for the controls on the spending of local authority capital receipts to be

relaxed, for greater flexibility to be given to MSC community programmes and for regional development grants to be paid direct to local authorities.

6. Clwyd CC have put in bids for a string of urban programme and roads schemes.

RESPONSE OF THE COMPANY

1. Courtaulds have been discussing their response with the local authorities since the closure was announced but they have yet to give a clear indication of how they might help the areas. At the Select Committee hearing on 1 July Sir Christopher Hogg indicated that he saw most of the Company's obligation as being directed through its workforce, but offered very little in the form of assistance requested by the local authorities. He saw the Company helping by:-

- a. awarding severance and redundancy pay in excess of the legal minimum requirement. In total this was expected to be of the order of £5 million-£10 million;
- b. £100,000 for counselling and training in skills to find alternative jobs;
- c. Secondment of a senior member of staff to assist the Delyn enterprise agencies for as long as such help was considered to be useful;
- d. a survey of the Greenfield site jointly with Delyn BC to decide the options which are open for its future use;
- e. deciding what might be done to rehabilitate the sites;
- f. considering whether the Company might be able to offer with help towards an environmental survey of asbestos levels on the Greenfield site.

2. Sir Christopher did not see the company assisting in venture funds. At the hearing he said "I would find it very difficult to believe that there is an amount which we could justifiably invest in a company in a self contained or local authority supported enterprise agency venture capital which was essentially putting capital into absolutely new ventures outside the ambit of Courtaulds from a sense of obligation to the community. I do not like this".

. Since the hearing on 1 July the Company have had further negotiations with Delyn BC and Wrexham Maelor BC. Because of the reluctance of Courtaulds to declare its hand it is very difficult to know what they are prepared to offer. However, the understanding is that the latest state of play is:-

a. **At Greenfield:** Courtaulds are prepared to make a free transfer of the No 1 site to Delyn BC on 1 November together with the drainage pumping station and an agreement on the future use of services currently connected to the No 2 site. They are currently clearing toxic waste stored in tanks and associated pipeworks. However Sir Christopher should be pressed about the extent to which he is prepared to work with Delyn BC by offering the No 2 site on the same terms; clearing redundant buildings and leaving the site in a fit state for further development; clearing all asbestos from contaminated buildings and areas; and establishing a venture fund or assistance to Delyn Enterprise Agency.

b. **Wrexham:** the position at Wrexham is far less clear and negotiations have not yet been taken so far forward. Courtaulds have not given any indication about their future proposals for the site and the feeling is that Sir Christopher has yet to make up his mind. Our understanding of the latest position is that talks are going on about the possibility of the Company selling or leasing part of the site to Wrexham BC with Courtaulds retaining an interest in the remainder on which a number of small businesses are already established. The impression is that Sir Christopher intends to take his time in reaching a decision on the Wrexham site; the problem is that the longer the issue is left open the more the impetus is lost for developing alternative industries on the Courtaulds site and adjacent Redwithers industrial site, particularly if the existing plant is left to decay and form a derelict eyesore.

RESPONSE OF THE WELSH OFFICE AND PUBLIC AGENCIES

1. The Secretary of State agreed immediately to a request from Delyn BC in May to adjust its existing capital allocation so that some £500,000 will receive urban programme support to enable Delyn to proceed with an industrial construction programme.
2. On 27 June he announced a package of measures including:
 - i. £1 million under the urban programme for new schemes in the area (over and above those already announced). This has already been allocated and will enable Delyn BC to proceed on development of No 1 Greenfield site when transfer is confirmed, Wrexham BC to provide infrastructure at the Redwithers site and for Clwyd CC to start up a Community Agency at Delyn and to provide improved access into the Wrexham Industrial Estate.
 - ii. Additional advance factories to be built by the WDA at a cost of £2.4 million at Deeside Industrial Park, Wrexham Technology Park and Delyn Enterprise Zone (although Delyn BC are currently discussing transferring the WDA resources into land reclamation works at Greenfield).
 - iii. The Welsh Office has agreed to the construction of a new road bridge over the Wrexham/Bidston railway crossing and to consider local authority proposals for improving access into the Wrexham Industrial Estate; when approved, both costing at least £5 million each, they will be eligible for transport supplementary grant at a rate of 50%.
 - iv. Finally the MSC will be making available as many extra community programme places over and above those already in the area as can be taken up by local authorities (and it is hoped the company). The expectation is around 1,300 additional places, in addition to the MSC's normal services in the area.

SALE OF ASSETS TO INDIA AND RECLAMATION OF REGIONAL DEVELOPMENT GRANTS**Sale of Assets**

1. After announcing the closure, Sir Christopher Hogg has made it clear that he intends to try to dispose of the plant in a commercial manner either by selling what he can for scrap or to other users. The unions and other have been highly critical of the Courtaulds' negotiations with Indian and other Third World interests about the sale of relatively modern plant. Their argument (put forward at the Select Committee hearing on 1 July) was that the Company had taken Government grants to subsidise the purchase of capital plant and once the 4-year condition period was over, had manipulated book loss at Greenfield in order to provide an excuse to transfer plant to India. The allegation is that the plant will be used to supply Courtaulds' traditional markets but at higher profits because of lower wages and safety standards.

2. Sir Christopher has refuted all of these charges as well as playing down the firmness of the Indian deal. He considers that it makes good business sense to sell usable plant which he says will be used solely to meet home demand in India or any other Third World purchasing company. Courtaulds will not be taking any equity in any of the purchasing companies. DTI advise there are no grounds on which they would intervene on such a sale and although the European MP, Miss Beata Brookes has referred the matter to the European Commission, they are also unlikely to take action.

CLAWBACK OF REGIONAL ASSISTANCE

3. Sir Christopher Hogg has defended his Company's policy to maximise the income of regional grant while maintaining that it will comply with any of the conditions - including repayment where appropriate. Old style Regional Development Grants (RDGs) attracted by expenditure on assets serve a 4-year condition period beginning on the date of provision of individual assets. Conditions are framed to ensure the use of grant-aided assets on the qualifying premises for the whole of the conditional period. Many of the

Assets grant-aided at both Greenfield and Wrexham have served that 4-year period. Following the closure announcement, RDG staff met Courtaulds in May to identify remaining assets which might be subject to clawback after the 90 notice period expires on 17 August. It was provisionally agreed that the scale of clawback in respect of Greenfield assets would be around £300,000. The position on clawback of the Wrexham assets is less straightforward but initial investigations reveal that RDG of £61,245 remains in condition and clawback of a proportion of that would be recoverable. Investigations and negotiations are continuing and Courtaulds are being co-operative in the calculation of the amount of repayment.

4. Clawback of Regional Selective Assistance (RSA) was not as standard and automatic as with old style RDGs; the conditions of the second and final £350,000 instalment of RSA paid for the Greenfields factory in May 1982 had a provision for clawback in the event of closure or asset disposal but the clawback period ended 30 September 1983. No RSA grant will hence be recoverable.

5. The line on these issues has been that the sale of assets is entirely a matter for the commercial judgement of the Company and that the reclamation of grant will be made in the normal way for assets which are now out of the qualifying period. There is no reason to refer to the sale of assets and reclamation of grant unless raised by Sir Christopher.

MULTIFIBRE ARRANGEMENT AND STATE OF TEXTILE INDUSTRY

1. We have indications that Sir Christopher may try and open out the discussion of the present state of the textile industry and the future of the multi-fibre arrangement (MFA). The suggested line is that the Government does not wish to interfere with nor therefore discuss the reasons for closure which are regarded as for the commercial judgement of the company. Government have announced they are in favour of a renewal of the MFA when it expires in 1986. It believes a new MFA should be more liberal than the present one, and its longer term future should be decided in the context of a new GATT Round. The Government is however, still at an early stage in the negotiations, and the Department of Trade and Industry will be consulting interested parties shortly on the detailed aims and objectives that should be pursued.

BACKGROUND**Multifibre Arrangement**

2. The arrangement first entered into in 1974, and renewed in 1978 and 1982, extends to the end of July 1986 and seeks to restrict the growth of imports from low cost supplies in the developing countries and to allow the developed countries time to reorganise and rationalise their textile and clothing industries. Mr Channon (Minister for Trade) announced on 9 May that the Government would seek a renewal of the MFA. He said a new MFA should be more liberal especially towards the poorest developing countries and those whose own trade barriers to UK exports were acceptably low. The longer-term future of the MFA would have to be decided in a new GATT round. At the Foreign Affairs Council on 22 July the Community agreed that an extension of a multi-lateral framework for textiles trade was necessary in present circumstances. The Community reaffirmed its attachment to the objective of progressive liberalisation of trade in textiles on the basis of a better balance of rights and obligations between contracting parties. The European Community's bilateral agreements with supplier countries run till the end of December 1986 (except for that with China which runs till the end of 1988). The DTI will be consulting industry about possible areas for liberalisation of quotas under a new MFA.

State of the Textile Industry

3. On the basis of Courtaulds' own written evidence to the Select Committee, the Western European and North American demand for the products produced at the Greenfield and Wrexham plants has declined rapidly since June 1970.
4. The production of viscose staple fibre, which is produced at Greenfield has been particularly affected by a sharp decline in longer range export demand. This drop, coupled with an increase in capacity from communist block and developing countries has resulted in the closure of viscose staple operations by seven producers in Western Europe representing a total capacity reduction of 220,000 tonnes pa. Western European production of viscose staple fibre now stands at just over half the capacity of its peak in the early 1960's. According to Courtaulds the reduction in demand and vigorous competition resulted in trading losses at Greenfield of £2.6 million in 1984-85 and £0.5 million per month at the end of that period.
5. The position is similar for acetate filament yarns produced at Wrexham. World demand for these peaked in the early 1970's but since then Western European production and consumption have fallen markedly. There is still a market for such yarns but Courtaulds consider that the only way to achieve the cost savings necessary to compete is to regroup and concentrate production at their other two sites at Spondon (Derby) and Little Heath (Coventry) which can produce profitable cigarette tow and flake as well as yarns.
6. All this demonstrates that western producers including Courtaulds have reacted over many years to a change in the nature and extent of world markets rather than as a result of any Government controls.

COURTAULDS CLOSURE**WELSH AFFAIRS SELECT COMMITTEE 1 JULY 1985**

Summary of Evidence

1. The Select Committee hearing lasted for seven and three-quarter hours of which two and a half hours was spent by Mr Keith Raffan and Mr Keith Best closely examining Sir Christopher Hogg and other senior representatives of Courtaulds. The main points pursued and the MPs 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. After being pressed hard Sir Christopher said that he saw the extent of the company's contribution as being:

- a. Redundancy and severance payments totalling between £5 million and £10 million which he considered as generously exceeding the minimum statutory requirements.
- b. Retraining and advice in assisting employees to find new jobs. Courtaulds' contribution to this would be unlikely to exceed £100,000. There might be some job opportunities in other parts of the group, principally in Derby and Grimsby, 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, or as long as it was proving useful, 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

both Greenfield sites. On site handover, demolition and the transfer of the water pumping plant at Greenfield to the local authority Sir Christopher would not be specific, stating that the final decisions would need to await 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 a venture capital fund 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 Dafydd 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 be regarded only as a start. Both Wrexham Maelor and Delyn BC's argued that the problems were local; central government in responding should direct most if not all of the additional 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 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 Courtaulds' contribution and the final details being prepared by the local authorities. The Department's aim was a complementary two-tier approach at both County and District level and the package was an immediate response by the Secretary of State to the needs of the situation. It had to be seen in the context of the existing

resources and planned programmes. On all the evidence before it the Department did not foresee the WDA being unable to realise the forecast receipts.

EFFECT OF LOCAL AUTHORITY EXPENDITURE CONTROLS (Sir Anthony Meyer)

7. Sir Anthony continuously pressed the point that the reduction in the percentage of prescribed capital receipts would have a serious impact on the local authorities' ability to provide infrastructure and develop sites and the local authority representatives readily agreed with him. However, Sir Anthony left before the Welsh Office officials gave evidence 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 the Welsh Office should second a co-ordinator 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 with the parts of the office concerned with specific issues. European matters were already co-ordinated by the Welsh Office and both the WDA and Industry Department had a permanent presence in the area. A co-ordinator could conceivably become a brake rather than an accelerator.

REGIONAL POLICY (Mr Wardell and Mr Best)

9. The Department was questioned about how the instruments of regional policy encouraged indigenous industrial development and Mr Best asked if there was any substance in Clwyd CC's argument that levels of regional 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 problems. 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 achieved by 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. It would not make economic sense to close the Greenfield plant if there were still profitable European markets. 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 any equity in India.

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 calls saying that the grant had been applied for and given openly. Conditions had been imposed which the company had accepted and it would meet the consequences of any which it had contravened, including repayment of about £300,000. He said that it had to be recognised that the company had already lost a lot because of unprofitable operations in recent years and that the actual closure of the plant would cost an additional estimated £20 million.

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 had 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 because the company organised its textile operation as a group he had no alternative to a complete restructuring even though the Wrexham plant might not have been operating at a loss. He said that while recognising the difficulties this caused 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 maintaining a profitable company.

July 1985

ERPLA

Welsh Office



78/16. (8)

10 DOWNING STREET

THE PRIME MINISTER

15 May 1985

D16/5

Mr J. F. Craig
PS/MOS PS/PUS
PS/Peron Sec
Mr Lloyd Jones
Mr Lightman
Mr Owen
Mr H-G Roberts

Mr J.A. Armand
Mr E.L. Craig

Dear Sir Christopher
Mr Chris Butler

COURTAULDS

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 use 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

M. B. W. A. S. M. E. F.
Mr Bowley
34/14

By Agax

COURTAULDS PLC *Mr J. F. Craig*

PS/MOS. P5/psas
P5/psm See

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

The Rt. Hon. Margaret Thatcher MP *Mr Lloyd Jones*
Prime Minister
10 Downing Street
LONDON SW1

Mr Lightman
Mr Owen Lees
Mr H. G. Roberts
Mr Chris Butler
Mr G. C. Crag
Mr G. C. Crag
Mr G. C. Crag

9th May 1985.

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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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,

Sir Christopher Hogg.



10 DOWNING STREET

THE PRIME MINISTER

1 May 1985

*FOR
2/5*

*Mr J. F. Craig
PS/MOS PS/PWS*

PS/PSM Sec

Mr Lloyd Jones

Mr Lightman

Mr Owen Rees

Mr H. G. Roberts

Mr Chris Butler

Mrs M. Evans

Dear Sir

As you may know when I was in North Wales on Friday I met representatives from Clwyd County Council, Wrexham Maelor Borough Council and Delyn Borough Council to discuss the Courtaulds' closures at Wrexham and Greenfield. I also met, later in the day, three employees from your Wrexham works at their request.

I was deeply concerned at the lack of regard which the local authority representatives had for Courtaulds. Naturally this worried me both from the point of view of the reputation of your own company and of private enterprise more generally. I was also of course moved by the evident and understandable dismay of the local people in the face of the announcements.

To some extent local people's views are coloured by previous closures in the area, and in particular by the closure of your old Castle works on which the new enterprise zone is now situated. The local authorities put to me forcefully the amount of work they had to do to make the site fit for future development.

Both the local authorities and the employees I met felt quite strongly that for a factory to rely on one product only, without thought of developing possible alternatives

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which could be produced at that site, was unfair to work people who had given their loyalty to an employer and who had co-operated in schemes to secure greater efficiency. I think we would both accept that this kind of product development is a responsibility of management, although of course I accept this cannot be achieved in every case.

Local people also put to me the suggestion that the closure be phased over a longer period than 90 days. This would give the authorities more chance to try and attract other new firms into the area, and to maintain employment. I had in fact understood that you were going to do everything possible to restructure the factories into small start-up units where employees would be encouraged to set up on their own. But the authorities seemed to have the idea you were anxious to sell the sites and leave the area.

On the subject of losses the authorities questioned the figures I had available. They argued that one of the sites, I believe it was Wrexham, was not in fact losing money, and that the losses of the group to which it was attached were mainly attributable to the operation at other sites. They believed the improvements in efficiency on their own site had helped to secure the economic viability of their works.

Of course, I am not in a position to judge these things. My concern now is that, as a good employer, you should be seen to be doing your level best for those who have worked for you for a very long time. I think you may be seeing the local authorities themselves shortly and I should be very grateful indeed if you could let me know, after that meeting, how you are proposing to tackle what is undoubtedly a great blow for the area.

I recognise that the decision you took was not an easy one. It is because I know you are aware of local people's difficulties that I am confident you will do everything possible to mitigate them.

If you would like to come in and talk to me in detail about these matters, I should of course be very happy to see you.

Yours sincerely

Nargana Dhalta

Sir Christopher Hogg

COMMERCIAL IN CONFIDENCE

NOTE OF A MEETING BETWEEN SECRETARY OF STATE AND THE CHAIRMAN OF COURTAULDS
IN GWYDYR HOUSE ON THURSDAY 18 APRIL 1985

Those present: Secretary of State
Sir Christopher Hogg
Mr N Wooding
Mr J F Craig
Mr B Armstrong (DTI)
PS/Secretary of State

Sir Christopher Hogg began the meeting by asking the Secretary of State if he would indicate explicitly what he had heard about the Courtaulds operations in North Wales. The Secretary of State said that his understanding was that Courtaulds intended to announce the closure of the Greenfield and Wrexham acetate plants. Sir Christopher said that he was sorry that the Secretary of State had heard this by way of rumour rather than direct from him. However, he could confirm that the Secretary of State's understanding was correct. A press announcement would be made at 11 am tomorrow (Friday 19 April). Because it was such a grave and sensitive matter Courtaulds would be taking the unusual step of delaying the formal statutory 90 days notice for a period of 10 days. The number of employees concerned would be 595 at Greenfield and 508 at Wrexham.

The Secretary of State said that he was obviously very disappointed to receive confirmation of what he had heard. Obviously he was aware that, as Sir Christopher had put it at their last meeting, the Greenfield site was "hanging by a thread". Nonetheless, Courtaulds had announced substantial redundancies and a reduction in lines only last November. He wondered what they had been looking for in that decision and what had changed in the last 5 months. Mr Wooding said that the future of Greenfield had been finally balanced last November. The options then were to reduce the lines to 6 or to close. Courtaulds had chosen the former in the hope that a volume of speciality products at Greenfield could be produced at prices to match the cost of production. This had not happened. The viscose market meanwhile had continued downwards. Their hope that it would bottom out was not being realised. Although their market share in Europe had actually risen they had lost substantially in other overseas markets. He noted that the Courtaulds plants in North America were also in difficulties: both were working at 60% of capacity. The Secretary of State enquired about the decision on the Wrexham acetate plant. Sir Christopher said it could have been delayed by 2 weeks or so but everything pointed to getting these major decisions out together. The unions would be informed at 9 am tomorrow; the workforce immediately afterwards; the press statement would then follow; and the local MPs would also be informed. The Secretary of State asked that a special effort

be made by the company to inform Mr Raffan and Mr Barry Jones. He was given that assurance.

Sir Christopher gave to the Secretary of State a copy of the press notices that would be issued. The Secretary of State enquired what Courtaulds themselves intended to do for the area and the workforce. Sir Christopher said that he had intended to discuss this matter with the Secretary of State. Mr Wooding said that it was the company's intention to set up an internal job centre with professional guidance being given to those who would be made redundant. They would propose to offer a limited number of jobs at Grimsby but based on past experience they expected very few to show an interest. When the Castle Works had closed with 1500 jobs lost only 3 had taken up the offer of alternative work elsewhere. The Secretary of State asked that consideration be given to seconding one or two top grade people to the Deeside Enterprise Trust. Sir Christopher said that he had already had such a representation from Mr Raffan. Mr Wooding commented that they had had difficulty in identifying someone of the right quality; but two possible candidates had now been unearthed and one was in fact being spoken to that day. The Secretary of State then enquired about the company's plans for the factory and the site both at Greenfield and Wrexham. Sir Christopher said that recently part of the site at Greenfield had been sold for a nominal amount to the local authority. He was perfectly content to proceed in the same way in the future. The plant at Wrexham was pretty well worthless and would be scrapped. Some of the plant at Greenfield, however, could be sold. In both cases however they would be glad to reach an accommodation with the local authority on the sites in due course. The Secretary of State said that the Welsh Office and the WDA would like to discuss these various matters with the company at an early stage. This was agreed.

The Secretary of State asked whether Courtaulds would be sympathetic to undertaking any future investment projects in Wales. Sir Christopher Hogg said that he would not be totally pessimistic about future prospects not least because the company would feel a strong moral obligation to the Principality. Account would certainly be taken of financial incentives for investment. There were no firm prospects at present but certainly Wales would be considered. However, he had to stress that in the end the choice would turn on whatever was, in the company's view, the best and right location for any future investment.

Discussion then returned to the plant at Greenfield. Sir Christopher said the company would be bending ^{every} effort to sell it and realistically this would mean that it would almost certainly go overseas. In fact discussions to that end were taking place at present. He envisaged that the plant would be removed within about 12 months. None of it would be transferred to Grimsby. Mr Wooding suggested that some amounts of government assistance received for the modernisation project might have to be repaid. It was not clear whether this would in fact be the case and it was agreed that it should be investigated further as a matter of urgency.

Sir Christopher enquired again about the source of the rumour about the impending closures. The Secretary of State firmly refused to disclose the source and went on to say that in situations such as this he very much welcomed some advance warning from the company itself. It would certainly not ^{be} in the company's interest for him to have to say in the House that the Chairman had not informed him. Sir Christopher indicated agreement to this and said that he would have arranged a meeting today even had the Secretary of State not phoned him earlier in the week. Nonetheless company policy was not to divulge such information in advance, their fingers having been badly burned some 9 years ago. The Secretary of State assured Sir Christopher that there would not ^{be} a leak from the Welsh Office.

Brief reference was made to the Prime Minister's forthcoming visit to North Wales about which Sir Christopher appeared to be aware. He commented that he would be having a private dinner with the Prime Minister on Tuesday evening of next week. It was agreed that a copy of the Courtauld's press notice would be sent immediately to No 10.

J F CRAIG
19 April 1985

Copies to PS/Secretary of State,
PS/Permanent Secretary
Mr R A Lloyd Jones
Mr Owen Rees
Mr J A Annand ✓

Dr Firth
Mr C Burdett
Mr W P Roderick
Mr B Armstrong (DTI) ✓

WELSH OFFICE MEETING NOTE:

MEETING WITH MR ROBTN GUY, MANAGING DIRECTOR, COURTAULDS
ENGINEERING LIMITED, MONDAY 29 JULY 1985

1. Mr Guy explained that at this stage he had been asked by Sir Christopher Hogg to look at the options of the ways in which Courtaulds might assist. He was having explanatory talks with the local authorities in the area and had come to South Wales to discuss with BSC how BSC (Industry) assists in closure areas. He also wanted to discover more about the assistance in NE Clwyd from Welsh Office and other public agencies.
2. Mr Guy confirmed that Courtaulds would not be able to react in the same way as NCB and BSC. The company's main obligations were towards its employees and shareholders. At present Courtaulds saw itself as assisting by offering:-
 - a. redundancy pay at a rate higher than the statutory minimum;
 - b. counselling services for existing employees to discover their potential for new careers and develop skills in interviewing techniques. The services would be aimed at individuals;
 - c. a sensible arrangement for dealing with sites.
3. The discussion between Mr Guy and Delyn BC had centred on the future use of the Greenfield site. He would be meeting the Chief Executive again on Wednesday, 31 July and was satisfied that they would be able to reach agreement on the transfer of the No 1 site to the local authority. The topics of discussion would cover the use of the existing services, including the drainage pumping plant and electricity supply, and the Greenfield water supply which was a significant asset. Although Kimberly Clarke had an option on 3 million gallons of water from the plant this would still leave 17 million gallons which would be a considerable attraction to many industrial developers.
4. Mr Guy said that in the normal course of events the company would not wish to hasten the disposal of the plants. He accepted the No 1 Greenfield site could be transferred quickly and this would be done. However time would be needed to conduct a proper survey of the No 2 Greenfield and Wrexham sites to decide how they might be most effectively used and which part of the plant could be profitably sold or scrapped. This could take several months. At Wrexham he would be speaking later in the week to Chief Executive about the possibility of dealing with the sites in 2 parts but the company had reached no decision as yet on the future of

he plant. It was pointed out that the timescale was considerably slower than the local authority requirement to develop the sites and the possible eyesore of derelict plant could considerably impair Wrexham's ability to develop their own Redwithers site as an attraction to new industry. Mr Guy noted the point.

5. Mr Guy had noted that the local authorities were interested in the company contributing towards the cost of a venture fund. He gave no commitment on this but sought information on the use of revolving funds for soft loans in providing assistance to small companies requiring £5,000-£10,000 capital and for financing for firms which were wanting to expand after overcoming the problems of becoming initially established. It was recognised there were gaps in both these areas of financing which could be filled by a locally-established venture fund operated through an enterprise agency or trust.

6. Mr Guy also did not respond when it was mentioned that it was difficult for the public agencies to do anything worthwhile when they did not know what Courtaulds were proposing to offer. The Welsh Office hoped that the company would be able to announce soon that it would be seen to be doing something positive and which was regarded by all concerned as the right thing.

31 July 1985

ERP1A
Welsh Office