

SUBJECT



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10 DOWNING STREET

From the Private Secretary

28 May 1982

As you know, Mr. Albert Booth, MP, called on the Prime Minister this afternoon about the closure of Derwest Jennings. Mr. Lamont was present.

Mr. Booth said that the final shift was working at the time of his meeting. The company was a specialised, efficient textile concern, producing high quality jackets. The workforce was about 200, mainly young women, on relatively low wages as a result of agreements negotiated by the large employers in the industry. The Carrington Viyella group had lost £31 million last year, of which £3 million was lost in the outwear sector, which had a £15 million turnover. This efficient factory had been losing about £4 per garment. The company and the group attributed their problems to four major factors:

- they were competing with dumped imports, mainly from Eastern Europe: East Germany, Yugoslavia and Hungary were notable sources. Some of these came in the form of legal flows into East Germany but there seemed to be some illegal trade. This was the single key factor in the industry's problems;
- interest rates were still a major problem. The group was charging constituent plants 15 per cent interest on both capital and cash flow, over and above depreciation;
- the group also complained about high UK energy costs, and argued that the pricing of its textiles was fair, because energy costs pushed UK charges high;
- the group also complained about industrial water charges.

Mr. Booth added that the loss of Development Area Status, due next August, was a further problem in Barrow. Textiles seemed to be one of the areas most sensitive to changes in the Assisted Area Status. He had discussed Carrington Viyella's investment plans with the group, who saw only two UK areas as having potential for further group investment: Northern Ireland,

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attracting 50 per cent grant, and Gateshead, where the Enterprise Zone combined with favourable Area Status was attractive.

Mr. Booth also spoke of the social tragedy involved, and the wider problems of continuing growth in unemployment in Cumbria, and major problems in finding vacancies for school leavers.

After some discussion of the issues raised by Mr. Booth, the Prime Minister asked Mr. Lamont to arrange for the dumping allegations to be pursued, in conjunction with the Department of Trade. She stressed the need for the industry to provide factual support for their complaints. The Prime Minister also invited Mr. Booth to submit to Mr. Lamont further material on the case for reconsidering the present plans for downgrading Barrow from Development Area Status. The review now in progress automatically covered all areas, like Barrow, which would be moved down two stages. Mr. Lamont emphasised that the Assisted Area Status question could only be relevant to new investment, and not to the closure of existing factories.

I should be grateful if, in consultation with Mr. Rees' office at the Department of Trade, you could pursue the dumping claims made by Mr. Booth. The Prime Minister would like to see copies of any further correspondence, both on this point and on the Assisted Area question, to the extent that this arises directly from her meeting with Mr. Booth. In the course of the conversation, she also suggested that more efforts might be made to draw public attention to the importance of the new origin marking regulations, and it would be helpful if the Department of Trade could let us have a note about what has been done in the way of publicity.

I am sending a copy of this letter to Nicholas McInnes in the Department of Trade.

M. A. PATTISON

John Alty, Esq.,
Department of Industry.