



10 DOWNING STREET

From the Private Secretary

16 June, 1981

Alan
cc to Minister
Yours to keep. I have
cross-referenced.
17/6

FILE

30/6

PH

Alan Jonathan

Thank you for your letter of 9 June, providing briefing for the Prime Minister's meeting with Mr Harry Cowans, MP, about the threatened closure of the Non-Ferrous Metals Division of Vickers Elswick. As you know, Mr Cowans saw the Prime Minister last night and Mr Baker was present.

Mr Cowans emphasised that the Vickers Elswick plant had a good industrial relations record by comparison with many other plants in the area. Its closure would only play into the hands of more militant workforces in the area. He was also most concerned to find that the Elswick plant was the only UK manufacturer of two of its products. Its closure would presumably leave the UK entirely dependent on imports in the area of extruded brass tubes and certain specialised pressings. There was one aspect in which he looked particularly to the Government to try to help. The company used to be a major supplier to the Ministry of Defence. The Ministry of Defence had pressed the company to reach Standard 90 in its output, but since the company had reached this level it had gained no new MOD order. This seemed to the workforce to be a kick in the teeth.

Mr Cowans also said that the latest company figures showed that the division would be in profit if the very high group charges were excluded from the accounts. The Prime Minister commented that high company overheads were a problem throughout the United Kingdom, but that it was unrealistic to pretend that a group could relieve individual plants of its share of those costs. She nevertheless understood Mr Cowans concern over the plant. Companies who had benefited from a loyal workforce ought to recognise an obligation to support that workforce, perhaps by transferring into alternative lines. This was an area in which British management had failed to emulate the best management practice in our competitor countries.

/Mr Cowans

RA

Mr Cowans said that Vickers were, perhaps belatedly, trying to diversify, but they could make no progress unless there were orders to tie them over. There were now threats of further redundancies in the defence systems section of Vickers. He understood that 456 would be announced for early July. His private information was that that division was well placed to obtain a Nigerian tank order. But in the fairly recent past, there had been similar prospects of a Greek order, which had fallen through when a German company had stepped in to offer tanks on very favourable terms, thereby obtaining substantial spares orders. Mr Cowans asked whether there was any prospect of the Ministry of Defence placing some orders for spares, for Chieftain or Valiant tanks which had been built by Vickers.

The Prime Minister said that she would gladly arrange to have examined all the points raised by Mr Cowans. She emphasised that she was concerned to avoid raising hopes falsely, but Mr Baker would, on her behalf, investigate the question of Standard 90, the prospects for a Nigerian order, and the possibility of orders for tank spares. The issue of the Vickers Elswick plant's position as sole UK supplier of certain items did not appear to be a major problem, because these items were now apparently replaced by different materials. This point would nevertheless be checked.

I should be grateful if you could arrange for Mr Baker to have the four points mentioned above investigated. I am sending a copy of this letter to Jonathan Dawson (Ministry of Defence), whom you will wish to consult. The Prime Minister will wish to write to Mr Cowans when the outcome of the enquiries is known. I should be grateful for a suitable draft, to reach me here by the end of the month if possible.

Yours ever

Mike Patten

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Department of Industry