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Confidential Filing

PM's meeting with Harry Cowans  
MP to discuss Vickers Elswick  
in Newcastle upon Tyne

PRIME  
MINISTER

May 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>4-6-81</del>							
<del>16-6-81</del>							
1-7-81							
PREM 19/568							





10 DOWNING STREET

CP  
THE PRIME MINISTER

Prime Minister JS  
C D L H d  
MOD  
1 July 1981

Following our meeting on 15 June which Kenneth Baker attended, I agreed to examine the points you raised on the problems facing Vickers Elswick Works.

Vickers seem well placed to get the expected order for Nigerian tanks. Although there have been administrative delays in the placing of large military contracts, there are encouraging signs that the logjam has recently been broken and I think that there are grounds for optimism.

While the Elswick factory has traditionally supplied maintenance spares to the British Army for heavy armoured vehicles, spending on contracts throughout the defence field had to be cut back in the last financial year. This resulted in a decline in orders placed with many companies, including Vickers. However, I understand that Vickers is to be asked over the next few months to tender for spares whose total value is in excess of £700,000. The first of these tenders has already gone out. I hope the company will bid competitively and secure a good proportion of these orders.

Tank spares bought by the Ministry of Defence on behalf of overseas customers are normally provided by the original manufacturer of the component involved and, except for a few specialised parts which Vickers supply, the company is not expected to benefit to any great extent. The spares arrangements for Valiant Tanks are handled by the company themselves rather than through the Ministry of Defence.

/ I am sorry JS



I am sorry to say that officials have not been able to find any record of Standard 90 as a measure of the quality of production. However, I understand that the Defence Systems Division and Non-Ferrous Metals Divisions have both met Ministry of Defence quality assurance standards.

Finally, I am told that the brass products you mentioned can be obtained from other UK suppliers. There are four other companies which could supply the hollow brass rod and one other the specialised fittings. But it is recognised that this is a declining market facing cheap imports from Germany and France, as well as substitution from other materials.

(SGD) MARGARET THATCHER

Harry Cowans, Esq., MP.





FROM THE  
MINISTER OF STATE  
FOR INDUSTRY AND  
INFORMATION TECHNOLOGY

Kenneth Baker's Office

Mike Pattison Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
London  
SW1

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212  
SWITCHBOARD 01-212 7676

6401

*Pre-type  
cc 19*

29 June 1981

*Dear Mike,*

In your letter of 16 June you reported on the meeting which the Prime Minister had with Harry Cowans MP on the threatened closure of the Non-Ferrous Metals Division of Vickers Elswick, and asked for Mr Baker to investigate certain points.

The Ministry of Defence has informed us that the Nigerian Army now requires substantial new equipment after a period without major purchases. Although there have been administrative delays following the formation of a new Government last year, large contracts of more than £5m which require the approval of the President have recently been let, including one last week to Alvis for Scorpion armoured vehicles valued at £13m. The £53m tank contract for which Vickers have tendered has not yet been signed but Vickers are front runners.

Vickers have been suppliers of maintenance spares to the British Army for armoured vehicles for sometime. There has been a cutback in spares requisitioning recently which has affected many contractors, including Vickers. Contracts valued at some £240,000 were placed in each of the last two years (August-July) but for this year (from August to date) contracts placed have totalled only £34,000. However, MOD has identified seven major requisitions, valued at £746,000 which are either out to tender or will be put to tender within the next few months and for which Vickers will be invited to quote. Smaller spares orders, not put through the main Contracting Branch, are also likely to come forward. In the past Vickers have lost some contracts because their prices have tended to be higher than their competitors'. The prospects of Vickers supplying overseas customers with spares to support tanks sold to them by MOD do not appear good. Except in the case of a few specialised items spares requirements

HRH/HRHAAH





are met by procurement from the original manufacturer of the part in question, and Vickers tend to specialise in basic fabrication and assembly of components bought in from outside suppliers.

Vickers stand to benefit from work carried out as sub-contractors to GKN for the MCV80 Armoured Personnel Carrier. They are responsible for development and production of the 30mm Rarden Turret. Development work to date has involved expenditure of over £600,000 and production over the next decade could reach some £40m in value. The exact amount will depend on the re-appraisal of the MCV80 programme now being carried out in MOD.

Despite extensive enquiries we have not been able to establish the meaning of Mr Cowans' reference to Standard 90. The Defence Systems Division is MOD approved to Standard 05/21 which is a quality assurance standard for design and development as well as production, while the Non-Ferrous Metals Division is approved to Standard 05/24 which relates to quality of production.

We have established that there are other manufacturers of the products which Mr Cowans said only Vickers made. Brass rod and hollow brass rod as Vickers' product is usually called, rather than brass tube, are manufactured by four other UK companies. The specialised pressings are believed to be brass plates, probably condenser plates, which are produced by one other UK manufacturer. We understand that Vickers called in a firm of consultants to look at the market for their non-ferrous products and no doubt their decision to close that part of the factory has been reached partly on the basis of its findings.

A draft letter for the signature of the Prime Minister is attached. I am sending a copy of this letter to Jonathan Dawson in Ministry of Defence.

*Yours sincerely,*

*Jonathan Hudson*

JONATHAN HUDSON  
Private Secretary



**DRAFT**

Addressed to :

Harry Cowans, Esq, MP  
House of Commons  
LONDON  
SW1A 0AA

**File No.**

Copies to :

Originated by:  
(Initials and date)

LF  
26.6.81

Seen by:  
(Initials and date)

ECJ  
26.6.81

Enclosures :

Type for signature of

PRIME MINISTER  
.....  
(Initials and date)

**DEPARTMENT OF**

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File No.

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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*

J C Hudson, Esq  
Department of Industry





FROM THE  
MINISTER OF STATE  
FOR INDUSTRY AND  
INFORMATION TECHNOLOGY

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212  
SWITCHBOARD 01-212 7676

6401

Kenneth Baker's Office

Mike Pattison Esq  
Private Secretary to  
The Prime Minister  
10 Downing Street  
London  
SW1

9 June 1981

*Dear Mike,*

In your letter of 22 May to Catherine Bell you said that Harry Cowans MP had requested a meeting with the Prime Minister to discuss the threatened closure of the Non-ferrous Metals Division of Vickers Elswick in Newcastle upon Tyne. It has since been confirmed that the plant is located in Mr Cowans constituency.

I now enclose a brief for the Prime Minister's meeting with Mr Cowans which I understand will be on Monday 15 June at 19.50. Mr Baker will attend.

*Yours sincerely,*

*Jonathan Hudson*

JONATHAN HUDSON  
Private Secretary

CUL/CULABF



BRIEF FOR THE PRIME MINISTER'S MEETING WITH HARRY COWANS, MP :

15 JUNE 1981

CLOSURE OF VICKERS LTD, NON-FERROUS METALS DIVISION, ELSWICK WORKS,  
NEWCASTLE

Line to Take

The decision by Vickers to close its Non-Ferrous Metals Division is regrettable but is a matter of commercial judgement by the company in the light of the situation within the industry generally. The redundancies involved are regretted but the modernisation of the Defence Systems Division is welcomed. It is encouraging to see the Enterprise Zone playing its intended part in revitalising Tyneside.

Background

Vickers' Elswick Works in Newcastle currently houses the Defence Systems Division (900 employees) building tracked armoured vehicles, the Non-Ferrous Metals Division (200 employees) and the Metal Pressings Division (100 employees). The works are old and not suited to modern, flow-line, methods of manufacture.

Vickers announced that it was considering a project 'Operation Dreadnaught' costing £7.5m to build a new factory in the Newcastle Enterprise Zone to house the Defence Systems Division and transfer and reinstall the machinery from the Elswick Works. The increased efficiency of the new factory, due to open in July 1982, would result in 400, mainly non-productive redundancies.



CONFIDENTIAL

Vickers applied for Selective Financial Assistance under Section 7  
for the Armaments Division  
to preserve 700 jobs and this application was approved by the  
Department. Grants of £1.4m were offered on 29 April and acknowledged  
by the company on 30 April but it has not yet accepted the offer which  
remains open until 29 July

Vickers also announced that they had reviewed the operations of the  
Non-Ferrous Metals Division and concluded they were not commercially  
viable against the present background of over-capacity in the non-  
ferrous metals industry. They had investigated the possibility of  
selling the Division but had found no potential buyers. A note on  
Vickers' production and the position of the UK market is attached as  
an annex.

Following this announcement the workforce organised a 'sit-in'. We  
understand that the AUEW persuaded its members to return to work to  
allow an internal discussion of the Division's future to take place.



Vickers Ltd are a member of the British Non-Ferrous Metals Federation, the main association looking after the interests of the copper and copper alloy semi-manufacturing industry in the UK. The Federation's directory lists them as producing ~~solid~~ solid and hollow extruded brass rods, shapes and sections, and sleeve pressings; cold rolled brass and copper sheets, strip and circles; hot rolled yellow metal and navel brass plates, sheets, sheathing and circles; Muntz 'Three Crown' metal sheathing.

The copper and copper alloy UK semis industry is being particularly hard hit by the recession. Their production is supplied to a wide range of industries, particularly to the engineering and the electronics industries, which are themselves cutting production or destocking. As a consequence the semis manufacturers are finding it harder to obtain new outlets for their products.

One of the hardest hit sections is rolled copper and copper alloys, are manufactured by ~~of~~ which the Vickers subsidiary, ~~appears to be one~~. Orders given to this industry are down by some 50-60% compared with the same period last year and down by about 75% compared with 1970. In fact one of the major rolled copper producers, Enfield Rolling Mills, a subsidiary of Delta Metal, closed down their rolled production because of declining demand and increasing competition from cheap imports, mainly from the more modern European mills.

The Department has provided finance under Section 8 of the Industry Act to help modernise and improve profitability of some of the smaller UK rolling mills, including an IMI subsidiary. However if Vickers are typical of most, they will be using old ~~and~~ outdated machinery and probably find it is cheaper to buy their in-house requirements elsewhere.



The following table is for UK copper and copper alloy rolled semi-manufactures supplied by the World Bureau of Metal Statistics. All figures are in metric tonnes.

	1976	1977	1978	1979	1980
Production	129,715	134,355	132,075	125,340	99,450
Imports	5,139	6,956	10,544	15,753	17,639
Exports	22,809	23,783	25,653	25,305	22,214
Consumption*	112,045	117,528	116,966	115,788	94,875

\* Production + Imports - Exports; no account taken for stocks.

Not all figures are yet available for the beginning of 1981 but what there are suggest the situation is continuing to worsen with imports still rising and production and exports falling.





10 DOWNING STREET

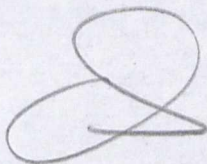
From the Private Secretary

4 June 1981

CF

I have now spoken to Harry Cowans MP and he has confirmed that Monday 15 June at 1950 is convenient to meet the Prime Minister in her room at the House along with Mr. Baker.

Could your brief please reach us by close of play on Friday 12 June.



Martin Hollobone, Esq.,  
Department of Industry.

Rth



MISS STEPHENS (on return)

The Department of Industry confirm that the plant about which Mr. Cowans writes is in his constituency. Could you please therefore find a time, ask Industry to field a Minister, and arrange for briefing to reach us the day before, prepared in consultation with the Ministry of Defence?

MAO.

K. Baker.  
Mark

28 May 1981





10 DOWNING STREET

26/5  
MR. H. COWANS MP.

VICKERS ELSWICK

From the Private Secretary

22 May, 1981.

Mike  
Have you heard yet?  
Kay  
26/5

Harry Cowans, M.P., has written to the Prime Minister seeking a meeting with her about the threatened closure of the Non-ferrous Metals Division of Vickers Elswick in Newcastle upon Tyne. It is not absolutely clear from his letter that the plant in question is located within his constituency. As you know, this is the criterion on which the Prime Minister bases her agreement to see Members. I should be grateful if you could let us know by telephone whether Mr. Cowans is the M.P. covering the plant. If so, the Prime Minister will agree to see him, and we will ask you for briefing, and the presence of a Minister to support the Prime Minister at the meeting in due course.

A copy of this letter and its enclosure goes to Derek Piper (Ministry of Defence).

M. A. PATTISON

Mrs. Catherine Bell,  
Department of Industry.

81C.



22 May, 1981.

The Prime Minister has asked me to thank you for your letter to her of 20 May.

This is receiving attention, and a reply will be sent to you as soon as possible.

M. A. PATTISON

Harry Cowans, Esq., M.P.



cc IG ✓  
FROM: HARRY COWANS, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

20th May, 1981

Dear Prime Minister,

Non-ferrous Metals Division,  
Vickers Elswick,  
Newcastle upon Tyne

With reference to the above, I would like to request a meeting with you concerning the threatened closure of this division and the consequent loss of jobs. There are many aspects concerning this that I would like to raise with you which are too numerous to include in a letter. However, suffice to say concerning previous correspondence that I have had with you concerning the Elswick Vickers Defence Section this is an overall part of Vickers Elswick Works and one could have repercussions on the other.

I would be obliged if you could see your way clear to give me an appointment on this very important matter bearing in mind the already very heavy unemployment figures in the North East, but particularly within my constituency.

Yours sincerely,

Harry Cowans

Rt. Hon. Margaret Thatcher, M.P.,  
Prime Minister,  
10 Downing Street,  
S.W.1.