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COMMISSION
OF THE
EUROPEAN COMMUNITIES

General Secretariat

COM(79) 728 final

Brussels, 10th December 1979

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REQUEST FOR ASSENT, PURSUANT TO ARTICLE 56.2a)
OF THE ECSC TREATY TO GRANTING A RECONVERSION LOAN TO
"LIGHTNING FASTENERS LTD., UNITED KINGDOM"

(Communication from the Commission to the Council)

COM(79) 728 final

COMMUNICATION TO THE COUNCIL

Subject : Request for assent, pursuant to Article 56.2a) of the ECSC Treaty to granting a reconversion loan to Lightning Fasteners Ltd., United Kingdom.

I. ESSENTIAL INFORMATION

<u>Applicant</u>	: Lightning Fasteners Ltd.
<u>Beneficiary</u>	: Same
<u>Project</u>	: Modernisation and expansion of zip fastener manufacturing facilities
<u>Location</u>	: Peterlee, Co. Durham and Cleator Moor, Cumbria, Northern Region
<u>Investment</u>	: £ 3.35 m
<u>Loan requested</u>	: £ 1.6 m (+ 2.468 m EUA)
<u>Jobs created</u>	: 149
<u>Interest reduction</u>	: 60,000 EUA per year for five years.

II. CONFORMITY WITH ARTICLE 56 OF THE ECSC TREATY

The projects for which ECSC finance is sought, are located at Cleator Moor, West Cumbria and Peterlee, South East Durham and are part of the Northern Region which covers the counties of Tyne and Wear, Cleveland, Northumberland, Durham and Cumbria. The region has a population of 3.2 m and a workforce of 1.3 m (approximately 5% of the insured working population of the UK). It has a history of dependence upon traditional heavy industries, coal-mining, shipbuilding, heavy electrical and marine engineering and a metal manufacture, all of which have suffered a dramatic decline in the past 25 years.

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West Cumbria is defined as the travel-to-work areas of Whitehaven (including Cleator Moor) and Workington, both of which have Special Development Area status. Industry is concentrated on the coastal strip around Whitehaven, Workington and Maryport. The problems of the area are due mainly to the decline of the coal and iron industries coupled with its distance from the main communication arteries.

The current (May 1979) unemployment rate for West Cumbria is 7.1% (7.0% males) compared with the Northern Region rate of 7.8% (9.0% males) and the Great Britain rate of 5.2% (6.3% males).

The South East Durham area comprises the Employment Office areas of Peterlee and Wingate. The whole area has Special Development Area status. Included in this area is Peterlee New Town which was designated in 1948. Building was started in 1950 and a steady growth has taken population up to the present figure of 26,000. Situated between the great manufacturing centres of Tyne/Wear and Teesside, Peterlee draws much of its workforce from traditional declining industries - steelworks, shipbuilding, coal-mines, etc.

The South East Durham area has a current (May 1979) unemployment rate of 9.9% (9.8% males) compared with the Northern Region rate of 7.8% (9.0% males) and the Great Britain rate of 5.2% (6.3% males).

II. THE UNDERTAKING

Lightning Fasteners Limited is a private company but a subsidiary of a quoted public company, IMI Limited, incorporated in 1925.

Lightning Fasteners owns 100% Cleator Fasteners Limited and Clix Fasteners Limited.

The registered office and the head administrative office is at Kynoch Works, Witton, Birmingham. The factories are :

1. Lightning Fasteners Limited
Kynoch Works
Witton, Birmingham
2. Cleator Fasteners Limited
English Industrial Trading Estate
Cleator Moor, Cumbria
3. Clix Fasteners (UK) Limited
Armstrong Road,
Peterlee, Co. Durham.

Nature of business : Manufacture and sale of zip fasteners

Labour employed	: Birmingham	693
	Cleator Moor	184
	Peterlee	354

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Lightning Fasteners Limited is the UK part of the LF/Opti Group of Companies which is owned on a 50%/50% basis by IMI Limited and the Heilmann family of Germany. The LF/Opti Group manufactures and sells throughout Europe, in the Far East and in North America. Major manufacturing plants in Europe are located in the UK, Germany and France with smaller operations elsewhere. Total sales of the Group are about £ 100 million with net assets of about £ 60 million. The Group employs over 8,000 people.

IV. THE PROJECT

The project is a combination of modernisation and new activity. The modernisation covers existing products which are technically competitive but require an improvement in manufacturing costs. The new activity is the introduction of a totally new fastener for trousers and dresses.

Of the total capital cost of £ 3.35 m, £ 1 m will be incurred at Cleator Moor and £ 1.35 m at Peterlee. It is important to note that whilst the proposed investment will be physically divided between Cleator Moor and Peterlee, the project is essentially integrated; some of the employment to be provided at Peterlee is dependent upon the investment at Cleator Moor and vice versa.

The project consists of four main investments :

- a) The introduction of a completely new product recently developed in Germany. The product is code named EC 21. This product is lower in cost than the existing 4 mm product sold in the UK and in several ways superior in quality.
- b) The addition of a more economic but commercially proven variant of the company's Record 10 (6 mm) open end product; it will increase sales in this sector and replace in part some of the presently more expensive LF sales.
- c) The provision of dyeing facilities at Peterlee. These facilities will improve manufacturing costs and delivery service, especially for the EC 21 product where fast delivery is essential.
- d) The updating of Record chainmaking facilities at Cleator Moor to take advantage of the latest techniques developed and proven within the Group.

The equipment will be located as detailed below :

Dyehouse	)
EC 21 Finishing	) Clix Fasteners Limited,
Lysta type RT 10 Open End Finishing	) Peterlee, Co. Durham
	)
EC 21 Chainmaking	)
RT 10 Chainmaking	) Cleator Fasteners Limited,
	) Cleator Moor, Cumbria

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The project will have a progressive timescale; some elements will come on stream during the early part of 1980 whilst the dyehouse will not be fully commissioned until late-1981/early-1982.

V. EMPLOYMENT

The following table summarises the labour requirements ;

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
<u>Clix Fasteners Ltd.</u>				
<u>Peterlee, Co. Durham</u>				
Staff	9	5	7	21
Male	14	16	30	60
Full-time female	7	-	6	13
Part-time female	8	-	14	22
Total	38	21	57	116
<u>Cleator Fasteners Ltd.</u>				
<u>Cleator Moor, Cumbria</u>				
Staff	2	3	-	5
Male	5	8	-	13
Full-time female	-	7	-	7
Part-time female	-	8	-	8
Total	7	26	-	33
Total By Year	45	47	57	149

Both the factories at Peterlee and Cleator Moor have established training programmes for new recruits. In the case of craftsmen, this consists largely of product and machinery familiarisation. For operatives LF employ, at each factory, full-time staff who are versed in all stages of manufacture. These staff teach and monitor new recruits under non-incentive conditions until an acceptable level of performance is reached. It is LF's policy to maintain maximum employee flexibility and to this end the company operate an ongoing training programme designed to increase the areas in which employees can be effectively deployed.

For staff, in-house training facilities of LF's parent company in the UK, IMI Limited, are used. They provide a full range of both specialist and general courses to teach and/or improve skills as appropriate. In addition, arrangements have been made for specialised training on much of the new equipment to be carried out at Group factories in Germany where the equipment is already in operation.

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VI. ENVIRONMENTAL ASPECTS

The only potential pollutant generated by the project is waste dyeing liquid. The quantity produced will be some 250,000 gallons per week. Treatment methods for waste dyeing liquid are well established and consist of settling tanks and chemical treatment. The quality of liquid discharged into external drainage systems is subject to regular analysis and is controlled by local authority instruction.

Personal injury is possible in the dyehouse as in any area where chemicals are used. Appropriate protective equipment must be worn by employees. The risks are minimal if the prescribed procedures are followed - no serious injury has ever occurred in the company due to the substances in question.

VII. MARKET

LF's current share in the zip fastener market of the UK is about 33%. The expected market share will be 30% to 33%. This expectation is based on the intent to eliminate some presently uneconomic products, the sales of which may or may not be compensated for by the projected product range. LF believe that this projection is conservative and that, in fact, sales could expand, but the viability of the project does not depend on expansion nor even on complete maintenance of their current market share.

VIII. FINANCING

	£ 000
The total finance required is :	
Fixed Assets	
Machinery and Plant	3,350
Working Capital	1,379
	4,729

The sources of finance envisaged are :

ECSC Loan	1,600
Funds to be injected by LF/Opti Group	1,657
Other external funds -	1,472
	4,729

IX. CONCLUSION

The Commission considers that the request complies with Article 56 (2a) of the ECSC Treaty and that the proposed investment is economically sound. In consequence the Commission has approved a loan to Lightning Fasteners Limited for its project at Peterlee, Co. Durham and Cleator Moor, Cumbria for a maximum amount of £ 1.6 m (+ 2.468 m EUA) or its equivalent amount. Interest is to be reduced by 60,000 EUA per year for the first five years after the payment or payments of the loan.

The Commission invites the Council to give its assent to the foregoing decision.