

PREM 19/8/11



confidential filing.

The imminent collapse of Fordus, the truck manufacturers.

INDUSTRIAL POLICY.

July 1980.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>11.7.80.</del>							
<del>15.7.80</del>							
<del>2.9.80</del>							
<del>18.9.80</del>							
<del>29.9.80</del>							
<del>16.12.80</del>							
<del>19.1.81</del>							
8.2.82							
10.2.82							

PREM 19/811



c.f. file

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*VB*



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const.*

10 DOWNING STREET

THE PRIME MINISTER

10 February 1982

Dear Nicholas,

Thank you for your letter of 12 January about one I had received from Mr. Harry Sampson of Three Way Travel Limited.

I appreciate your concern over the Foden liquidation but I am advised that it is not yet possible to say, on the information available, whether there are grounds for an independent investigation.

The relevant powers are those of the Department of Trade to appoint inspectors to investigate the affairs of companies under Sections 164 and 165 of the Companies Act 1948. Additionally, officers of the Department may carry out confidential enquiries under Section 109 of the Companies Act 1967. But the powers relate principally to matters of fraud, misfeasance or other serious misconduct, mainly of a criminal nature.

If the company is wound up voluntarily, Section 334 of the 1948 Act requires the liquidator to report to the Director of Public Prosecutions if it appears to him that any past or present officer, or any member of the company has been guilty of any offence in relation to the company for which he is criminally liable and the Director of Public Prosecutions may, if he thinks fit refer the matter to the Department of Trade for further enquiry.

In this case Fodens Limited went into creditors voluntary liquidation (under the name of Denfo (Realisations) Limited (formerly Fodens Limited)) on 3 March 1981 and R.D. Atkins and A. Griffiths of Messrs Thornton Baker, Brazenose House, Brazenose Street,

/ Manchester,

*JUP*



Manchester, were appointed joint liquidators. I can tell you in confidence that following an earlier complaint from a Foden shareholder, the Department of Trade was informed by Mr. Griffiths that he was making enquiries into the previous history of the company and the actions of the directors but at that stage (June 1981) had nothing specific to report.

I fully understand the feelings of your constituents and have every sympathy with the Foden creditors but almost inevitably when adverse conditions force a company to cease trading some creditors suffer financial loss. It is sometimes argued by those not fully conversant with the law that, when a company is encountering difficulties, by delaying the appointment of the receiver or liquidator the burden of loss can be shifted to creditors who can more readily bear it. There is however a danger that those responsible for such a delay could be trading fraudulently and apart from any criminal liability might become personally liable for the company's debts under the provisions of Section 332 of the 1948 Act.

I am sorry that I cannot give you a more encouraging reply but I will arrange for the Department of Trade to keep in touch with the liquidator on the progress of his enquiries.

Yours sincerely,

MT

N.R. Winterton, Esq., M.P.





*From the Secretary of State*

Mike Pattison Esq  
Private Secretary  
10 Downing Street  
London, SW1

*Type to PM*

*cc. l. G.*

*8th* February 1982

*MA*

*Dear Mike,*

You wrote to me on 19 January with a copy of a letter of 12 January the Prime Minister had received from Nicholas Winterton MP. This asked for an enquiry into the circumstances in which Fodens Limited, Sandbach, ceased trading, and commented on the letter of 5 January from his constituent Mr Harry Sampson, Managing Director of Three Way Travel Limited.

The only relevant powers for the investigation of a company's affairs are those contained in the Companies Acts of 1948 and 1967. On the information presently available there are no grounds for setting up an investigation, but it is possible that further information may emerge during the course of the ... liquidation. I enclose a draft reply to that effect.

*Yours Sincerely,*

*Jonathan Rees*

J N REES  
Private Secretary



**DRAFT**

**File No.**

Copies to:

Originated by:  
(Initials and date)

Addressed to:

Nicholas R Winterton Esq MP  
House of Commons  
London SW1A 0AA

Seen by:  
(Initials and date)

Ref: NRW/cmh

Enclosures:

Type for signature of

Prime Minister  
.....  
(Initials and date)

DEPARTMENT OF TRADE ~~AND INDUSTRY~~

Thank you for your letter of 12 January ~~enclosing the copy~~  
~~of the letter to me from your constituent Mr Sampson~~

*about one from I had received*  
*Ham*  
*of Three Way Travel Ltd.*

I appreciate your concern over the Foden liquidation but I am advised that it is not yet possible to say, on the information available, whether there are grounds for an independent investigation.

The relevant powers are those of the Department of Trade to appoint inspectors to investigate the affairs of companies under Sections 164 and 165 of the Companies Act 1948. Additionally officers of the Department may carry out confidential enquiries under Section 109 of the Companies Act 1967. But the powers relate principally to matters of fraud, misfeasance or other serious misconduct, mainly of a criminal nature.

If the company is wound up voluntarily, Section 334 of the 1948 Act requires the liquidator to report to the Director of Public Prosecutions if it appears to him that any past or present officer, or any member of the company has been



(CONTINUE TYPING HERE)

File No.

guilty of any offence in relation to the company for which he is criminally liable and the Director of Public Prosecutions may, if he thinks fit refer the matter to the Department of Trade for further enquiry.

In this case Fodens Limited went into creditors voluntary liquidation (under the name of Denfo (Realisations) Ltd (formerly Fodens Ltd)) on 3 March 1981 and R D Atkins and A Griffiths of Messrs Thornton Baker, Brazenose House, Brazenose Street, Manchester were appointed joint liquidators. I can tell you in confidence that following an earlier complaint from a Foden shareholder, the Department of Trade ~~were~~ <sup>was</sup> informed by Mr Griffiths that he was making enquiries into the previous history of the company and the actions of the directors but at that stage (June 1981) had nothing specific to report.

I fully understand the feelings of your constituents and have every sympathy ~~for~~ <sup>with</sup> the Foden creditors but almost inevitably when adverse conditions force a company to cease trading some creditors suffer financial loss. It is sometimes argued by those not fully conversant with the law that, when a company is encountering difficulties, by delaying the appointment of the receiver of liquidator the burden of loss can be shifted to creditors who can more readily bear it. There is however a danger that those responsible for such a delay could be trading fraudulently and apart from any criminal liability might become personally liable for the company's debts under the provisions of Section 332 of the 1948 Act.

I am sorry that I cannot give you a more encouraging reply but I will arrange for the Department of Trade to keep in touch with the liquidator on the progress of his enquiries.



HL

19 January 1982

I am writing on behalf of the Prime Minister to acknowledge your letter of 12 January.

I will place your letter before the Prime Minister and a reply will be sent to you as soon as possible.

M A PATTISON

N.R. Winterton, Esq., M.P.

ME



100 801

19 January 1982

I enclose a copy of a letter the Prime Minister has received from Mr. Nicholas Winterton, M.P., together with the letter from Mr. Harry Sampson to which Mr. Winterton refers. We have not seen the press reports quoted by Mr. Sampson.

I should be grateful for a draft reply for the Prime Minister's signature by Friday 5 February.

M A PATTISON

Jonathan Rees, Esq.,  
Department of Trade.

M



NICHOLAS R. WINTERTON, M.P.  
(Macclesfield)

CGW



12th January 1982 NRW/cmh

Rt. Hon. Mrs Margaret Thatcher MP  
10 Downing Street  
LONDON SW1

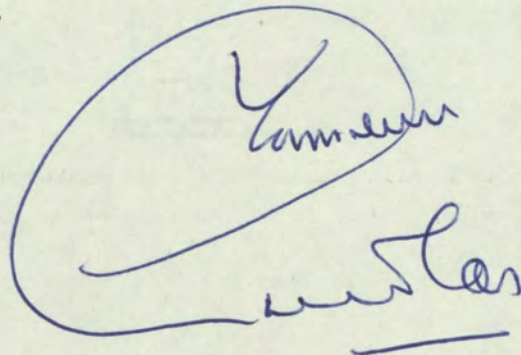
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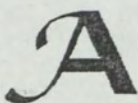
Dear Margaret,

My constituent, Harry Sampson Esq., Managing Director of Three Way Travel Limited, has forwarded to me a copy of his letter to you dated 5th January following a report in the Evening Sentinel that investigations are to be made into allegations by the workers who were sacked by Fodens Limited, Sandbach, when the company collapsed in 1980.

I have received representations from many constituents who were, at one time, employed by Fodens Limited, and I believe that the details outlined in Mr Sampson's letter warrant investigation. I feel I must advise you that I fully support the request that consideration be given to the appointment of an independent person to investigate the affairs of the company prior to it going into liquidation. I fully realise that consultation with the Attorney General might be necessary before any action is taken, but I would ask you to give serious consideration to the request, and I look forward to hearing from you in due course.

  
Sampson





The National Archives

LETTERCODE/SERIES ..... <i>PREM 19</i> .....	Date and sign
PIECE/ITEM ..... <i>811</i> ..... (one piece/item number)	
Extract/Item details:  <i>Letter from Sampson to Prime Minister dated 5 January 1982</i>	
CLOSED FOR ..... <i>40</i> ..... YEARS UNDER FOI EXEMPTION	<i>13 September 2012</i> <i>Wayland</i>
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TEMPORARILY RETAINED	
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NUMBER NOT USED	



# P.M. to probe Foden sackings

**PRIME MINISTER** Margaret Thatcher is investigating allegations that 1,900 workers, who were sacked when Cheshire truck makers, Foden Ltd., Sandbach, collapsed in 1980, have been unfairly treated.

The committee who represent the former truckmen wrote to Mrs. Thatcher outlining the reasons for their allegations and have received a reply that she is looking into the matter.

Their main complaint is that they were assured by the Official Receiver, Sir Kenneth Cork, that he would not consider selling the company unless all the 1,900 jobs there were saved.

"This assurance was given in a notice pasted to the works clock and notice boards from Sir Kenneth," said Mr. Alf Lightfoot, secretary of the unemployed Foden workers, today. "But subsequently the company were sold and all 1,900 were summarily dismissed."

"Only 356 of the total workforce were re-engaged by the American company who took over. This and other matters affecting our pension rights redundancy money and the fact that many had their dole docked to the amount of severance pay they had received, all serviced to show that we had been led up the garden path."

Mr. Lightfoot added: "We have asked Mrs. Thatcher if she will meet our representatives to discuss these instances. I don't suppose that will come about but she has assured us she is looking into our case."

"We are now awaiting her reply."

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*Ind Pol.*

16 December 1980

The Prime Minister has asked me to thank you for your letter of 10 December.

Your comments about Fodens have been noted. As regards your kind invitation, I am afraid it will not be possible for the Prime Minister to attend your Annual Dinner for members and wives. The reason for this is that the Prime Minister's speaking programme for the first nine months of next year has already been finalised and is extremely over-crowded. Added to this, Mrs Thatcher is planning an extensive overseas trip at that time.

I am sorry to have to send you this disappointing reply and would be grateful if you could pass this on to all your members.

TPL

J.D. Paybody, Esq.

*SC.*





10 DOWNING STREET

*Mr. Halkett*

---

ADDITIONAL PARAGRAPH

4

Regarding your kind invitation, I am afraid it will not be possible for the Prime Minister to attend your Annual Dinner for members and wives. The reason for this is that the Prime Minister's speaking programme for the first nine months of next year has already been finalised and is extremely over-crowded. Added to this, Mrs Thatcher is planning an extensive overseas trip at that time.

I am sorry to have to send you this disappointing reply and would be grateful if you could pass this on to all your members. "

*ef.*



MANCHESTER BRANCH



# British Institute of Management

President:  
J. D. PAYBODY

Vice-Presidents:  
E. RHODES  
D. G. de BELDER

Registered in England No. 441975

Please reply to:-

Owlpen  
York Drive  
Bowdon  
Cheshire  
WA14 3HF

Chairman:  
J. S. WILCOCK  
10 New Hall Avenue  
Heald Green, Cheadle  
Cheshire  
Telephone: 061-437 6558

Hon. Secretary:  
J. I. McDonagh  
1 Old Hall Drive  
Whaley Bridge  
Nr. Stockport  
Tel: 061-662 2008

Hon. Treasurer:  
J. R. B. GOULD  
Seton Group  
Tubiton House  
Medlock Street  
Oldham

The Prime Minister  
10 Downing Street  
London

10th December 1980

Dear Prime Minister,

You may recall me as the Chairman of Fodens Ltd. at Sandbach in Cheshire. I resigned on 3rd October last. I had written asking for your support to keep that Company alive. Your last letter dated 29th September 1980 referred to its acquisition by an American company (Paccar) as a going concern. Unfortunately I did not receive your letter until my return from South Africa and Zimbabwe at the end of October. You may be interested to know that Fodens won the Blue Ribband for truck design in South Africa last year and whilst I was at the factory in Johannesburg a Paccar truck was having a Foden axle fitted for a customer who considered that was necessary to make it "a real truck".

You may know that, since you wrote, Paccar insisted that all Foden's 1950 employees be made redundant one night and then they acquired 350 of them as "new starters" the following morning. The cost of this action is, perhaps, some three million pounds and is at the expense of the British Government and the Creditors. The Government, I gather, becomes an unsecured creditor and, if my American informants are correct, the price paid by Paccar for the main assets (the information has not been released in U.K.) is such that after the Bank has received its money little will be left for unsecured Creditors. We, Fodens, could not have done that but if it had been possible we could have survived strongly on our very profitable spares business until better times came.

However, it is as the President of the British Institute of Management for the Manchester area that I write to you now. Each Spring we hold an Annual Dinner for members and wives. For 1980 this was held in Manchester Town Hall when the principal guest was the Duke of Edinburgh and he addressed a capacity gathering of some three hundred and fifty members, wives and local civic leaders.

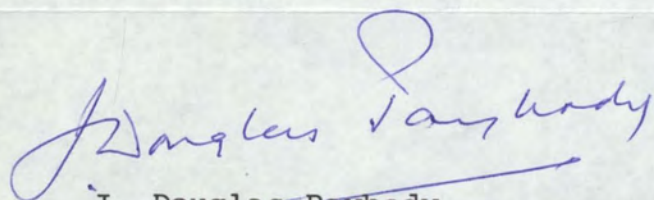


It occurs to me that next Spring this event could be an excellent platform for you to address some of the Leaders of Industry and Senior Managers in this part of the provinces. We, the B.I.M., are by every inclination your supporters and admirers but some of us have felt recently a little lost and perhaps a little betrayed. Many of our wives work for the party and have similar feelings.

Of course you are so right about the battle for inflation and it could well be that by April 1981 you will even more strongly be able to say " I told you so".

Would it be possible for you to select in April 1981, a "Manchester Day" culminating in your being the Guest of Honour at the 1981 Dinner of the British Institute of Management in Manchester?

Yours sincerely

A handwritten signature in blue ink that reads "J. Douglas Paybody". The signature is written in a cursive style with a large loop at the top of the "J".

J. Douglas Paybody





10 DOWNING STREET

THE PRIME MINISTER

29 September 1980

Dear Mr. Paybody,

Thank you for writing to me on 11 September about the situation at Fodens and your hopes for the Company's future.

I understand that the receivers have now received an offer, which they have publicly described as acceptable, from PACCAR Inc. of Seattle to buy Fodens as a going concern. While this offer does not meet with your wish for Fodens to remain under British ownership, it does present an opportunity for the Company to continue manufacturing and maintain employment. I am very sorry that Fodens were unable to weather their present difficulties unaided; but I trust that the eventual settlement negotiated by the receivers will provide the best solution for those currently involved with the Company and for the UK industry as a whole.

Yours sincerely,

MT

J. Douglas Paybody, Esq.

*Handwritten:* 29/9/80

*Handwritten:* Incl Mr. Juf 24/9  
e.d.1  
Bide

*Handwritten:* Juf





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

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

PS/ *Secretary of State for Industry*

Tim Lankester Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

26 September 1980

*From Ministry*

*Draft reply attached*

*Dear Tim,*

... I attach a draft reply for the Prime Minister to send to Mr J Douglas Paybody, the Chairman of Fodens Limited who manufacture a range of standard heavy trucks and also specialist vehicles including some for the Ministry of Defence. The company went into receivership on 14 July and has been run as a going concern since then.

2 In my letter to you of 28 August I detailed the recent history of Fodens which has been one of some financial difficulty. There has been a major development since the receipt of Mr Paybody's letter in the Receivers announcement on 22 September that they had had an 'acceptable' offer for the company from PACCAR Inc of Seattle. PACCAR occupy a similar position in the North American lorry market to that of Fodens in the UK and their product ranges should be complementary. No details of the offer have been made public but the Receiver has indicated that he does not foresee any hitches in the completion of the deal in about three weeks. PACCAR had been looking for a base from which to expand into Europe and were attracted to Fodens because of its modern assembly facilities which are currently being used at only 25% of their annual single-shift capacity of about 6000 units a year. Foden's site also has room for further expansion. Press reports indicate that PACCAR's offer has been welcomed by the 2000 workforce.

3 My Paybody's letter is a general complaint about the position in which he and the company find themselves and, because of the PACCAR offer, has been overtaken by events. I suggest, therefore, a brief reply as attached, touching on the latest developments and wishing the company well for the future.

*Yours ever,  
Pete*

PETER STREDDER  
Private Secretary





DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO

J Douglas Paybody Esq  
Chairman  
Fodens Limited  
Birkwray Farm  
Outgate  
Ambleside  
Cumbria LA22 ONH

Thank you for writing to me on 11 September about the situation at Fodens and your hopes for the company's future.

I understand that the receivers have now received an offer, which they have publicly described as acceptable, from PACCAR Inc of Seattle to buy Fodens as a going concern. While this offer does not meet with your wish for Fodens to remain under British ownership, it does present an opportunity for the company to continue manufacturing and maintain employment. <sup>I am very sorry</sup> ~~It is~~ unfortunate that Fodens were unable to weather their present difficulties unaided, but I trust that the eventual settlement negotiated by the receivers will provide the best solution for those currently involved with the company and for the UK industry as a whole.





26 SEP 1980

RECEIVED



B/f 26-9-80

18 September 1980

The Prime Minister would like to reply personally to the enclosed letter from the Chairman of Fodens. I would be grateful if you, in consultation as necessary with the Department of Trade, would let us have a draft.

I am sending a copy of this letter and the enclosure to Stuart Hampson (Department of Trade).

TL

Ian Ellison, Esq.,  
Department of Industry.



jfh

18 September 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 11 September.

I will place this before the Prime Minister and a reply will be sent to you as soon as possible.

TL

J.D. Paybody, Esq.





10 DOWNING STREET

Dear Mr. ...

Do you wish to  
reply to his further

cri de coeur from Chairman

of Foden's? (his previous

letter was a joint one

from himself and Mr Foden).

We should

ask DOT

to provide

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CHECKLEY FARM, CHECKLEY, NANTWICH,  
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114/9

Dear Mr Thatcher,

Thank you so much for your  
letter of 2nd September written in reply to mine  
about the collapse of Fodene.

I very much appreciate you taking  
the time and trouble to write so fully.

Yours sincerely

Joanna Fodene

FODEN



JDP/MW

11th September, 1980

URGENT

The Right Honourable Margaret Thatcher, M.P.,  
10, Downing Street,  
LONDON.

Dear Prime Minister,

I write to you as Chairman of Fodens Limited following a letter I wrote to you on 10th July, 1980, under the joint signature of the then Chief Executive and myself. On that day we were making a presentation to the Department of Industry seeking a financial umbrella of £4-5 million pounds whilst we tried to conclude discussions with possible buyers. We also stressed the military necessity to Britain, and others, of this 124 year old company and listed the £50 million orders for military vehicles alone which we then had in hand. We were in a dark tunnel, but there was light at the end of it then.

We were very satisfied that day with the reception our case received from the D.O.I. representatives and others who attended. It was, we know, referred to the Minister at once. At the same time we presented our case at your doorstep and you were kind enough to reply. Also at the same time a member of our Board visited Peter Thorneycroft to solicit his support. This three pronged approach I confess was made because many of we industrialists

/up....

Birkwray Farm, Outgate, Ambleside, Cumbria LA22 0NH  
Telephone : 09666 542



- 2 -

up here, whilst finding it difficult to fault the Minister's economic theories, feel he does not live in the real world. That we support you so strongly and admire your courage seems to make us schizophrenics.

My childhood background has similarities to your own. I became a professional accountant and started six years of infantry service in 1939. I finished as a Lieutenant Colonel in Montgomery's Army and decided on demobilisation, the next battle for Britain was in industry.

So I spent thirty years helping to build a fine engineering company, Mather & Platt, into one of the most successful international companies in this part of the world. For many years I was its Group Managing Director. I make these personal observations so you will accept I am objective.

In 1977 I was invited to join the Board of Fodens Limited, amongst others, and just two months before the receivership became its non-Executive Chairman. Its problems were immense but I thought these wonderful people deserved someone to fight for them. Yet with these excellent workpeople, the best truck works for its size in Europe, and superb products we became short of cash. Last year our results (unpublished), were that we lost some £3 million, of which over £2 million was interest paid to the Bank, which pulled the rug from under us. How different if our Banks operated with industry as those in some competitors' countries.

You include a professional background amongst your various qualifications, as indeed I have. But to be on the receiving end of a Receivership seems so different from the theory we both studied. Top management is

/immediately....

*Birkwray Farm, Outgate, Ambleside, Cumbria LA22 0NH*

*Telephone : 09666 542*



- 3 -

immediately removed and ignored. The Company is run down rapidly as the only seeming object is to get the money for the bank and to hell with what's left. Frankly I can see nothing now for Shareholders and the creditors will get a bruising too. Fodens is being destroyed faster than in all my years of industrial experience I thought would be possible. A small example. Two young inexperienced men (not directors) have been despatched to Japan to try and sell the Company and we, the Board, are not supposed to know. They have never been to Japan before....but nor have the Receivers. Some of us have years of international experience but we are ignored as if we who care so much for the survival of the Company are a fifth column not to be trusted. Sadly we also suffer from Receivers composed of two firms who have only recently joined forces and have "growing pains" and we are their first victim. Sadly too professional people seem so seldom to have any vestige of leadership ability with the shopfloor or indeed even to care about it.

Present indications are, and as I am largely ignored I may be out of date, that if a purchaser is found the price will be rock bottom and foreign at that. Then another piece of valuable Britain will be sold in the bargain basement. You have a crusading zeal for Britain. So have I. Cannot we work together for the sake of this dear country?

To be constructive. I believe the D.o.I. supports our cause. When the Bank pulled the rug I had made contact with Vickers (Peter Matthews) and Bill Foden with Rolls-Royce (David Plastow). If we could put Fodens into a grouping with these two companies and other suitable British companies (Tilling? E.R.F.? G.K.N.?) we could not only continue to serve the Nation's military requirements but build a truck company in the private sector which could take on the world and BRITISH to the core. Later, if desired, it

Birkwray Farm, Outgate, Ambleside, Cumbria LA22 0NH /could....  
Telephone : 09666 542



en, York Drive, Bowdon, Cheshire WA14 3HF Telephone 061-928 4086

- 4 -

could be floated off.

I'm sure John Biffen, whom I knew well in my Mather & Platt days, will vouch for my sincerity. Alas poor John Davies can do so no longer.

With very best wishes,

Your Sincerely,  
J Douglas Paybody

J. Douglas Paybody.

Birkwray Farm, Outgate, Ambleside, Cumbria LA22 0NH  
Telephone : 09666 542





Industrial Policy cc LB  
D/1

10 DOWNING STREET

THE PRIME MINISTER

2 September 1980

Dear Mrs. Jodan,

Thank you for writing to me on 13 August about the recent failure of Fodens and the part which you feel this Government's policies had to play.

Believe me, I am acutely aware of the difficulties being faced by many companies and have no wish to minimise their problems. But after many years of refusal to face up to fundamental problems, serious difficulties are now inevitable especially at a time of world recession.

The Government is not a party to the view that Britain has no future as an industrial nation. Manufacturing industry forms the backbone of the economy and it is our determination to make it healthy, strong and capable of competing in the long term, that has necessitated the measures we have taken. High domestic inflation has been one of the major root causes of industry's failure to compete effectively and bringing it under control is the first crucial step towards restoring prosperity, growth and employment.

Reducing inflation implies trying to keep the growth in the supply of money similar to the growth in the supply of goods. It was necessary last year to raise interest rates in order to bring money supply down. I know that these high interest rates are an unwelcome burden for many companies but to reduce them prematurely would risk a resurgence of inflation which would be much more damaging to industry in the long term. Interest rates will come down as soon as we judge it prudent to reduce them.

/ I believe

J.S.



I believe that the strength of the pound accurately reflects the UK's position as an oil producer and international confidence in this Government's firm monetary and fiscal policies. It is also making an important contribution to the battle against inflation. Even if we wanted to engineer a lower exchange rate (and it is doubtful that we could), this would not of itself produce a lasting improvement in our price competitiveness. That can only be achieved through higher productivity and lower inflation.

I know this explanation will be of small comfort to you, but the harsh facts of life are that if this country does not get to grips with inflation, we must abandon all hope of attaining the levels of prosperity enjoyed by our competitors abroad. I regret that Fodens has been unable to see out this tough period alone. However, if the firm is sound at the core (and I understand that since going into receivership substantial orders have been confirmed) then it should prove attractive to potential partners and I hope this will be the case. This is a difficult time for everyone, but I believe that this country will see its way through the bad times to a brighter future.

Yours sincerely  
Raymond Foden

Mrs. J. Foden.



COMMERCIAL IN CONFIDENCE



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

TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

Secretary of State for Industry

28 August 1980

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

*Type for P.M. with this note  
 behind draft, M.*

*MAP*

*Dear Mike*

... I attach a draft reply for the Prime Minister to send to Mrs Foden's letter of 13 August. Mrs Foden's husband's firm, Fodens Ltd, went into receivership on 14 July and is being run for the time being as a going concern. 630 people have been issued redundancy notices to take effect in September/October. The receivers and managers hope to sell the business as a going concern.

2 The company produces a range of standard heavy trucks as well as specialist vehicles including vehicles for the Ministry of Defence. It has had a history of financial difficulty. Limited Government support by way of bank guarantees for £2 million was provided in 1974/75 but the guarantees were subsequently withdrawn when the City organised a refinancing operation. Subsequently the company introduced a new range of trucks, modernised its premises and appeared to be more soundly based. However, a downturn in the commercial vehicle market coupled with a lull in orders for specialist vehicles particularly from the Ministry of Defence, led to losses of £750,000 in their financial year ended 31 March 1979. Further and much bigger losses would have been announced for the year ended 31 March 1980. For some time the management have been seeking a partner, since it had become clear that the company could not survive as an independent organisation. Negotiations with Renault fell through. Negotiations were in progress with Mercedes Benz, when the National Westminster Bank, who are already owed £15 million, indicated that they were unwilling to provide the facilities of £4-5 million needed to keep the business going until the end of August. The Department of Industry was approached but after consideration it was decided that there were no grounds for departing from the normal Government policy of allowing the accepted commercial processes to take their course.

COMMERCIAL IN CONFIDENCE



COMMERCIAL IN CONFIDENCE



2

Mrs Foden feels that the Government's policies, together with the recession, contributed directly to the failure of the firm and asks for an explanation of the Government's attitude towards industry. I hope the attached draft will enable the Prime Minister to reply.

*Yours sincerely*

*Catherine Bell*

CATHERINE BELL  
Private Secretary

COMMERCIAL IN CONFIDENCE





DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO

Mrs Joanna Foden  
Checkley Farm  
Checkley  
Nantwich, Cheshire.

Thank you for writing to me on 13 August about the recent failure of Fodens and the part which you feel this Government's policies had to play.

Believe me, I am acutely aware of the difficulties being faced by many companies and have no wish to minimise their problems. But after many years of refusal to face up to fundamental problems, some short term hardship is the price which this country must now pay if inflation is to be squeezed out of the economy and we are to enjoy long term prosperity.

The Government is not a party to the view that Britain has no future as an industrial nation. Manufacturing industry forms the backbone of the economy and it is our determination to make it healthy, strong and capable of competing in the long term, that has necessitated the measures we have taken. High domestic inflation has been one of the major root causes of industry's failure to compete effectively and bringing it under control is the first crucial step towards restoring prosperity, growth and employment.

Reducing inflation implies keeping a firm hand on money supply growth and it was necessary last year to raise interest rates in order to bring money supply under control. I know that these high interest rates are an unwelcome burden for many companies but to reduce them prematurely would risk a resurgence of inflation which would be much more damaging to industry in the long term. Interest rates will come down as soon as monetary policy permits.

/I ...

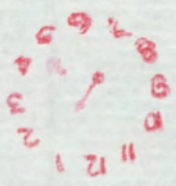




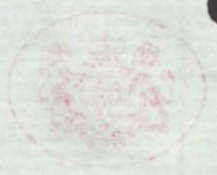
I believe that the strength of the pound accurately reflects the UK's position as an oil producer and international confidence in this Government's firm monetary and fiscal policies. It is also making an important contribution to the battle against inflation. Even if we wanted to engineer a lower exchange rate (and it is doubtful that we could), this would not of itself produce a lasting improvement in our price competitiveness. That can only be achieved through higher productivity and lower inflation.

I know this explanation will be of small comfort to you, but the harsh facts of life are that if this country does not get to grips with inflation, we must abandon all hope of attaining the levels of prosperity enjoyed by our competitors abroad. I regret that Fodens has been unable to see out this tough period alone. However, if the firm is sound at the core (and I understand that since going into receivership substantial orders have been confirmed) then it should prove attractive to potential partners and I hope this will be the case. This is a difficult time for everyone, but I believe that this country will see its way through the bad times to a brighter future.





29 AUG 1980





Surf

The FODEN

18 August 1980

I enclose a copy of a letter the Prime Minister has received from Mrs. Joanna Foden who writes about the liquidation of Foden's Limited.

The Prime Minister will wish to reply personally and I should be grateful if you could let me have a suitable draft reply for her to send to Mrs. Foden. It would be helpful if this could reach us by Friday, 29 August.

M. A. PATTISON

I.K.C. Ellison, Esq.,  
Department of Industry.

ES



Sub

18 August 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 13 August. This is receiving attention and a reply will be sent to you as soon as possible.

M. A. PATTISON

Mrs. J. Foden

15



CHECKLEY FARM, CHECKLEY, NANTWICH,  
CHESHIRE. CW5 7QA.  
BRIDGEMERE (09365) 210.

13. U14.80 2/16

Dear Mr Thatcher,

In July of this year Fodens Ltd. of Sandbach Cheshire was obliged to call in the Receivers. Founded in 1856 by my Husband's great-grandfather it was one of the only two independant commercial vehicle manufacturers left in the country.

Of course responsibility for their failure must be borne in part by the management - as an instance an enterprising expansion programme in 1973 when they installed the most modern assembly plant in Europe was, as it turned out, to ~~the~~ say the least untimely.

However the major reason for their inability to continue trading has been the world-wide recession coupled with the over-valued pound and the added burden of crippling interest rates. No other industrialised nation in the world has had these three factors to contend with, <sup>Simultaneously,</sup> without some form of centralised government or banking support.

The Company and such of the workforce as had not already been made redundant now face a situation where at best they may be taken over by a foreign company who themselves may well owe their own survival to outside support.

As a relative newcomer to the North West and the world of Industry generally, it has seemed to me that Fodens as a small patriarchal firm with many second and some third generation employees epitomised British industrial life at its best - unglamorous though it may be.



Of course there is a case for 'survival of the fittest' and if, as I heard well-argued on the radio recently, Britain no longer has a future as an industrial nation, then your governments' policies may be even more far-sighted than they are given credit for. But if not, if the major part of the population must continue to earn their livelihood in industry, surely it must be wrong to allow such companies as this to go to the wall?

I appreciate what a wonderful job you are doing in so many spheres, but I am at a loss to understand your attitude towards Industry. To an uninitiated outsider it appears short-sighted and I should be so grateful if you could spare a moment to enlighten me a little?

Yours Sincerely  
Joanna Fodder



E. R.

Ind. P.S.

MIKE

Now amended

~~MAO~~

Catherine Bell telephoned early this morning about the letter to Mr. Foden. (I typed this up for PM's signature last night and it was put into the box).

As we were pressing for a reply by yesterday, Catherine Bell did not have time to clear the draft with the S/S. He has now seen the draft submitted to us and would like something changed, although Catherine did say that he was not too "exercised" about it.

She has asked if we could hold the letter back until she is able to telephone with a revised text today.

*Lillian*

15 July 1980





file (CF)

cc: D/Jud, LFC

Ind PA

10 DOWNING STREET

THE PRIME MINISTER

15 July 1980

Dear Mr. Foden

Thank you for your letter of 10 July in which you explain the difficulties which your company is facing and seek my help with the Department of Industry in obtaining financial support.

The Department of Industry have looked into this case and have reported to me on the circumstances. In the light of these I am afraid that the Government could not provide your company with the £4-£5 million which it is seeking. I understand that this decision has been communicated to you through Sir Kenneth Cork and I fully appreciate that it will come as a great disappointment. However, I hope that should it be necessary to put your company into Receivership, a suitable purchaser will emerge to enable the business to continue.

Should there be any other way in which the Department of Industry can help, I am sure you and your advisers will be in touch with them.

I can well understand your feelings  
at this time.

Yours sincerely  
Margaret Thatcher

W. L. Foden, Esq.

BR





Ind. P.S.  
Superseded

10 DOWNING STREET

THE PRIME MINISTER

Dear Mr. Foden,

Thank you for your letter of 10 July in which you explain the difficulties which your company is facing and seek my help with the Department of Industry in obtaining financial support.

The Department of Industry have looked into this case thoroughly and have told me the outcome of their investigations. In the light of these I am afraid that the Government could not provide your company with the £4-£5 million which it is seeking. I understand that this decision has been communicated to you through Sir Kenneth Cork and I fully appreciate that it will come as a great disappointment. However, I hope that should it be necessary to put your company into Receivership a suitable purchaser will emerge to enable the business to continue.

Should there be any other way in which the Department of Industry can help I am sure you and your advisers will be in touch with them.

I can well understand your feelings  
at this time.

Yours sincerely

Harold Wilson

W. L. Foden, Esq.





14d

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

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

PS/ *Secretary of State for Industry*

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

14 July 1980

*Type for PM M*

*NAR*

*Dear Mike*

FODENS LIMITED

... As requested in your letter of 10 July, I enclose a draft reply to the letter from M W L Foden to the Prime Minister seeking financial support to prevent the company going into Receivership.

Details of this case were included in my Secretary of State's minute of 11 July to the Prime Minister indicating that there was no case for Government intervention.

*Yours sincerely*  
*Catherine Bell*

CATHERINE BELL  
Private Secretary

PS I will inform you as soon as I know when an announcement is to be made.





DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

W L Foden Esq  
Chief Executive  
Fodens Limited  
Sandbach  
Cheshire CW11 9HZ

Thank you for your letter of 10 July 1980 in which you explain the difficulties which your company is facing and seek my help with the Department of Industry in obtaining financial support.

The Department of Industry have looked into this case thoroughly and have told me the outcome of their investigations. In the light of these I am afraid that the Government could not provide your company with the £4-£5M which it is seeking. I understand that this decision has been communicated to you through Sir Kenneth Cork and I fully appreciate that it will come as a great disappointment. However, I hope that should it be necessary to put your company into Receivership a suitable purchaser will emerge to enable the business to continue.

Should there be any other way in which the Department of Industry can help I am sure you and your advisers will be in touch with them.



*cy A. Duguid*

*BIF 14-7-80*

PRIME MINISTER

*has seen*

Keith Joseph reports the imminent collapse of Fodens, the truck manufacturers. The company and its financial advisers had a meeting at the Department of Industry yesterday. Sir Keith does not propose to intervene - the company had hoped for some bridging finance through August, to allow them to pursue merger negotiations with Mercedes Benz. About £4m would have been necessary. The company will be told today of Sir Keith's decision.

The Chairman of the company wrote to you yesterday - letter at Flag A - asking you to intervene in the case.

*Yes*  
*Yes*

1. Content with Sir Keith's decision?
2. Would you nevertheless like to acknowledge the Foden letter personally? We will try to get you a draft in the course of Monday.

*MAO*

11 July 1980





PRIME MINISTER

1 The Department of Industry was approached yesterday by Sir Kenneth Cork (Cork Gulley - Coopers), Fodens and the National Westminster Bank to seek Government financial support to enable Fodens, who manufacture commercial vehicles at Sandbach in Cheshire, to continue in operation while they seek to negotiate a takeover. I understand that the company have sent details of their case direct to you. This minute describes the situation and the line which I propose to take.

2 Fodens are one of four low volume commercial vehicle producers in this country. Apart from a range of standard trucks, the company produces specialised vehicles, mainly for the Ministry of Defence and overseas governments. Some five years ago the company ran into difficulties and at that time the Bank of England organised a City rescue. Fodens have relatively modern production facilities and made profits in two years following the rescue. However, belated realisation of their problems compounded by the cyclical pattern of defence purchasing and a massive downturn in the demand for commercial vehicles over the past few months have created a severe cash crisis. The company's annual accounts to 31 March 1980 to be published next week will show a loss of £3 million. There was also a loss of £750,000 in year ended 31 March 1979.

3 Despite substantial cutting back and the announcement of 650 redundancies, some £4 million would be required to enable operations to continue to the end of August, during which period Fodens hope to arrange a merger with Mercedes Benz. The National





Westminster Bank, which is exposed to the extent of £15 million, is unwilling to provide further finance and, unless this is obtained from some source, the company's Directors are likely to ask the Bank to appoint a Receiver on Monday 13 July.

4 In the company's judgement, which may well be optimistic, there is a realistic prospect that Mercedes Benz will be interested in coming to an arrangement with them. They and their advisers consider that this would best be arranged whilst Fodens are still operating normally rather than in receivership. If the company goes into receivership, there is likely to be interest not only from Mercedes Benz but also from others, including Volvo and possibly Nissan with whom Fodens have had some contacts. Preliminary examination of a report which Cork Gulley - Coopers have prepared on the company's affairs suggests that even a purchaser might request the appointment of a receiver.

5 At present there is considerable over-capacity in the commercial vehicle industry. It has been apparent for several years that some contraction, particularly at the low volume end, was likely. Loss of Fodens' very limited output of general purpose vehicles is therefore unlikely to have significant adverse effects on the industry; it might even ease the problems of other domestic suppliers at this difficult time but there could also be a small increase in imports. The possible loss of Fodens' capacity in specialist military vehicles would cause the Ministry of Defence some embarrassment; for example an order which would normally





have been placed with the company for 116 road tankers would have to be re-allocated to a different UK company, possibly at greater cost, and with an unspecifiable time lag unless suitable arrangements could be made with the Receiver and any successor company whether UK or foreign owned. Similarly requirements in the future for sophisticated recovery vehicles might need to be re-sourced from other UK companies.

6 Sandbach, where Fodens operate, is in the Crewe travel-to-work area which had a rate of unemployment of 5% in June. The loss of the 2000 jobs at Fodens would increase this to 8% (the average for the NW Region as a whole), although the effect on the immediate locality would be more severe.

7 There seems no reason whatsoever to consider any departure from our normal position or for us to seek to prevent a receivership. Nor do I consider that it would be appropriate for the Government to provide the £4million which the company are seeking simply to defer a receivership until the end of August in the hopes that a more satisfactory deal can be made with Mercedes Benz or another company than could be made by a receiver. If the facilities and products are attractive, a potential buyer will be as likely to enter into negotiations with a receiver as with the present management; if they are not, then taxpayers' money would have served merely to delay the inevitable.

8 I have arranged that the company should be informed this afternoon that the Government is unable to provide the financial support they have requested.





9 I am copying this letter to Geoffrey Howe, Jim Prior, Francis Pym, John Nott (because of current discussions with ECGD about possible cover for an order to supply military vehicles to Tanzania) and to Sir Robert Armstrong.

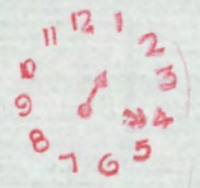
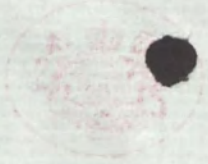
14

K J  
18 July 1980

Department of Industry  
Ashdown House  
123 Victoria Street



11 JUL 1980



COPIED FROM

1980





10 DOWNING STREET

From the Private Secretary

10 July 1980

I enclose a letter to the Prime Minister from Fodens, forecasting the imminent collapse of the company and seeking her intervention to assist their discussions with your Department. I am also sending you the originals of the enclosures to the company's letter.

The Prime Minister will wish to reply as early as possible next week. It appears that you have already had meetings with the company, and I would be grateful if you could try to let us have a suitable draft reply in the course of Monday.

---

M. A. PATTISON

MRS

Catherine Bell, Esq.,  
Department of Industry.

NS





FODENS LIMITED  
SANDBACH  
CHESHIRE  
CW11 9HZ  
09-367 3244

JDP:WLF/MW

10th July, 1980

The Right Honourable Margaret Thatcher, M.P.,  
10, Downing Street,  
LONDON.

Dear Prime Minister,

In a few days this Company with a 125 year history of loyal service to the country and its people is likely to go at best into receivership and at worst into liquidation.

If this is allowed to happen it will be done without proper regard to the circumstances and the effect both psychologically and physically on the Nation.

In 1971 the Company was at a crossroads in its long history. It had out-moded products, out-moded thinking and very little reserve and, in the background the threatening invasion by the major European truck manufacturers. In 1972 with the encouragement of Edward Heath's Government, and after a worldwide survey of our competitors, the Company decided to invest in a modern plant which still today, for its size, is probably the best in Europe. Unfortunately before the new plant could come on song we were hit by an economic recession and rapidly escalating interest rates. We battled and just survived with City help. But last year's three successive national strikes, exorbitant interest rates and trade recession crucified us and we shall announce next week, after paying £2½ million pounds interest charges, we lost £3 million in 1979/80.

Fodens is the main supplier of Low and Medium Mobility Heavy Duty trucks to the Ministry of Defence and is currently engaged in negotiations for further supplies to Her Majesty's Government as well as to the Governments of the United States, India, Tanzania, Malaysia, Canada, Australia and other countries. At the recent Army Equipment Exhibition in Aldershot it was apparent to all that our specially designed Army vehicles are essential to the nation's defence system in which we are closely integrated with Vickers and Rolls-Royce. We enclose herewith a Corporate Presentation, a Military Brochure and a copy of a Schedule showing the current Military negotiating position.

/In...



The Right Honourable Margaret Thatcher, M.P.,

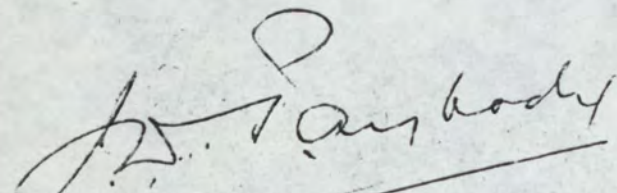
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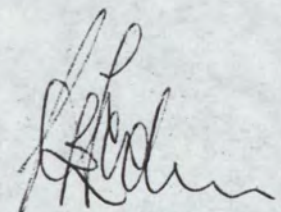
In 1979 we had a redundancy of 300 employees and we had to announce last month, a further redundancy of 630 people. This is a third of our workforce and already a severe shock in this small North Western market town in which we are the main employer. In today's slump conditions these steps were essential to enable us to become profitable. We cannot become so until 1981/82. But our bankers will not support us in the interim. So we are having to hawk this fine old British Company around the world for an overseas buyer to seek our salvation. In an international recession time is against us and we need a financial umbrella of £4-£5 million for a short time to try to conclude discussions with possible buyers.

We ask, Prime Minister, for your personal help with the Department of Industry, which department we are seeing today along with Sir Kenneth Cork and a representative of National Westminster Bank.

Leadership in industry is about caring for people and that we have done for 120 years. We have no militants here. The call for "the day of action" fell on ears not attuned to hearing such calls. Employees' wages have advanced only 10% this year and Directors, of course, nothing.

Yours faithfully,  
for Fodens Limited.

  
J. D. Paybody  
Chairman

  
W. L. Foden  
Chief Executive

Encls:





10 DOWNING STREET

*From the Private Secretary*

10 July 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of 10 July.

I will of course bring this to the Prime Minister's attention immediately, and you will be sent a reply as soon as possible.

M. A. PATTISON

J.D. Paybody, Esq. , M.B.E.

ds

nds





FODENS LIMITED  
SANDBACH  
CHESHIRE  
CW11 9HZ  
09-367 3244

JDP:WLF/MW

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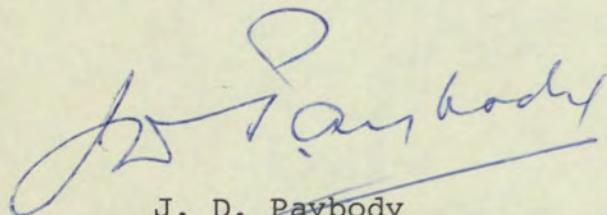
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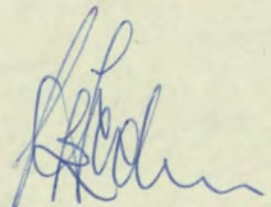
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J. D. Paybody  
Chairman



W. L. Foden  
Chief Executive

Encls:



