

CONFIDENTIAL FILING

PROPOSED MEETING WITH ALLEN S ADAMS MP,
TO DISCUSS THE SITUATION IN THE
TEXTILE INDUSTRY.

PRIME MINISTER

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851

NOVEMBER 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
25.11.81							
1.12.81							
15.12.81							
16.12.81							
6.1.82.							
7.1.82							
22.1.82							

PREM 19/885

PM



SCOTTISH OFFICE
NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Mike Pattison Esq
Private Secretary
10 Downing Street
LONDON
SW1A

✓
MAP

22 January 1982

Dear Mr Pattison,

J & P COATS, PAISLEY

In your letter of 7 January to Muir Russell you asked to have a copy of any follow-up correspondence. I enclose a note recording the discussion which Mr Fletcher had with the company's Managing Director on 18 January and a copy of the letter he subsequently sent to Mr Adams.

You will wish to note particularly the degree of co-operation between management and the trades unions. Despite some unhelpful noises made by Mr Adams to the local press the company feels reasonably sure that the programme of restructuring can be carried through without undue difficulty. Indeed Mr Adams does not appear to have either the support or confidence of the union leadership.

As Mr Fletcher's letter explains, discussions between the company and Scottish Economic Planning Department about financial assistance are already under way.

I am sending a copy of this letter and enclosures to DoI.

Yours sincerely,

Paul Stephenson

PAUL STEPHENSON
Private Secretary



SCOTTISH OFFICE
NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Allen Adams Esq MP
House of Commons
LONDON
SW1A 0AA

22 January 1982

At the meeting with Prime Minister on 7 January about J & P Coats of Paisley I offered to meet the company's Managing Director to clarify the possibilities for financial assistance.

I met Mr Hardy and his Finance Director on 18 January and we went over the company's position in some detail. It was clear that the company is in very close touch with my Department and has already taken exploratory discussions about financial assistance some way. Mr Hardy and his colleagues are fully appraised of the possibilities and I arranged for a further meeting with officials to take place shortly to go into the figures in more detail.

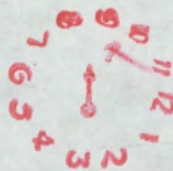
Mr Hardy explained that the company has been carrying out a very radical reassessment in which they have had the full co-operation of the trades unions who apparently recognise fully the urgent need to restructure operations on a single site and modernise through reinvestment. You asked in the meeting about the possibility of saving some 200-300 of the 1,000 jobs which are to be lost and I understand that there have been reports in the local press to the effect that the Government would consider investing even more money to save 500 of the jobs to be lost.

There was no such commitment given at our meeting: indeed the Prime Minister referred specifically to the danger that deliberate over-manning only serves to undermine industry's efficiency and she emphasised that Government finance would be tied to reinvestment. I understand that both management and the trades unions have denied that these extra jobs could be saved.

Mr Hardy and his colleagues are in no doubt, then, about the assistance which we and the Department of Industry can make available through Regional Development Grants and Selective Financial Assistance under the Industry Acts. I have also agreed to assist the company in any way I can to get access to any preferential loans available through the EEC. It is to be hoped that with Government help the company can become competitive and profitable once again and I am sure that we can look to you to assist the management and trade unions in their joint endeavour to the benefit of Paisley as a whole.

ALEX FLETCHER

225 JAN 1982



Present: Mr Alex Fletcher, MP, Minister for Industry and Education
Mr K H Hardy, Managing Director, J & P Coats (UK) Ltd
Mr D C McCrone, Financial Director
Mr J Currie, SEPD/IDD
Mr K MacRae, SEPD/IDD

1. Mr Fletcher thanked Mr Hardy and Mr McCrone for agreeing to meet him. At the meeting between Mr Allen Adams, MP and the Prime Minister, he had undertaken to meet the company representatives to ensure that they were fully aware of the possibilities for Government assistance. He then invited Mr Hardy to explain the company's position.
2. Mr Hardy explained that, traditionally, the company had supplied thread to the world from Paisley and this activity had probably reached its peak in 1952. Since then, the company had built thread mills in various overseas countries in response to both economic and political pressures. These mills, and the emergence of other sources of supply, when taken together with the reduction in the size of the garment industry in the UK, had seriously reduced the demand for Paisley products. The company was determined to remain in business in Paisley but, if it was to do so, there was an urgent need to reinvest and concentrate on the viable parts of its activities. The Anchor and Ferguslie mills, taken together, were much too large and expensive in operation to economically meet the foreseeable demand. The only viable option was to close the Ferguslie mill and concentrate activities at Anchor mill which was at present primarily engaged in the finishing processes.
3. It was hoped, as part of the reorganisation, to instal at Anchor a modern compact spinning unit of about 10,000 spindles which would permit the continued manufacture of core spun thread; probably the only growth area in the industry. It would also provide the opportunity to manufacture a small quantity of cotton thread although this was a comparatively small and decreasing market. The other major market, staple spun polyester, was readily available worldwide and it was no longer economic to continue its manufacture at Paisley. It was, however, intended to continue the finishing of almost all Coats yarns at Paisley to enable the company to meet the particular demands of its customers, especially in the fine sewing ranges.
4. In a period of reduced demand and increased competition from abroad, sales of industrial sewings (which represented about 88% of total sales) during 1981 were about 20% below the previous year while sales of domestic varieties were about 17% down. The company expected a gross trading loss in excess of £2m for 1981 but it hoped to return to something approaching break-even in 1982. In the earlier part of the year, competition from USA had been very serious but the recent movement in exchange rates meant that the company could just about compete although prices were still lower and wage costs higher than desirable. Increased competition from Europe, particularly Belgium, was now being experienced. The capital cost of the rationalisation was likely to be in the region of £4.5m to £5m; about £1.5m was attributable to the spinning plant with the remainder being accounted for by twisting and finishing plant. In addition, the investment for which Industry Act assistance had previously been offered would proceed with the Ferguslie part transferred to Anchor. Unfortunately, very little of the new plant would be of UK origin; current indications were that the most appropriate spinning plant would come from Portugal while the finishing plant was likely to be European.

5. Mr Fletcher referred to Mr Adams' statement to the local press following the meeting with the Prime Minister about the possibility of safeguarding an additional 500 jobs. Mr Hardy said that this figure had not come from the company or the Trade Union and indeed the Trade Union had subsequently published a disclaimer. The company view, which was shared by Union leadership, was that this was simply not compatible with the rationalisation required. The figures were complicated by the employment of part-time workers, but current employment in the company as a whole was in the region of 2,200 full-time equivalents (1,600 at Paisley). Over an 18 month period it was intended to reduce this to about 1,200 full-time equivalents (600 at Anchor). Early retirement, together with voluntary redundancy on attractive terms, would just about achieve this. In view of the scale of the reduction, however, the company had considered it essential to inform the workforce at the earliest opportunity. The Trade Union leadership had been responsible and co-operative and Mr Hardy did not think they were in sympathy with Mr Adams' views.

6. On assistance, Mr Hardy confirmed that the company had been in discussion with SEPD and it knew what was required to seek assistance in addition to the 22% Regional Development Grant. It would like a further meeting with SEPD to discuss the presentation of its case and it was agreed that the Department would arrange this. The company was also in discussion with the SDA about the disposal of surplus buildings amounting to about 1m ft sq.

SEPD/IDD
20 January 1982

SUBJECT



cc. Market set

10 DOWNING STREET

From the Private Secretary

7 January, 1982.

Dear Mami

J & P Coats, Paisley

Thank you for the additional briefing provided yesterday for the Prime Minister's meeting with Mr. Allen Adams, M.P. As you know, this took place this afternoon, and Mr. Alex Fletcher attended.

Mr. Adams reminded the Prime Minister of Paisley's traditions as perhaps the major textile centre in Great Britain. The industry had in 1946 employed 16,000 people in the mills and a further 4,000 in finishing, but the numbers had now fallen to 2,500. Shortly before Christmas, Coats' Managing Director had told him that the Ferguslie plant would be closed, to allow the company to concentrate production and further investment at the Anchor mill. The Managing Director envisaged the loss of 1,000 jobs in 18 months to 2 years.

Mr. Adams acknowledged that it was pointless to argue for the retention of the Ferguslie mill. He looked for help in 2 ways. First, he hoped that the Scottish Office would do everything possible to expedite the release of Government finance available to the company, so as to ensure that the remaining 1,500 jobs could be retained. Secondly, he asked that Ministers should look at the possibility of finding just a little more money, in the hope that the number of redundancies could be minimised. The Managing Director had seemed to believe that most of the job savings could be found through natural wastage, but Mr. Adams believed that around 500 would involve redundancies. Much of the workforce was female. There were many women in the 50-60 age group, who would be ready to take redundancy, but there were also quite a number of much younger women who would have no alternative job prospects. If it were possible to save another 200-300 jobs, thus preserving work for these younger women, this would be of great value to the community. The Prime Minister emphasised that Government finance would be tied to investment, and the optimum size of the labour force in the modernised mill must be a matter for the company's commercial judgement. At the end of the present period of economic difficulty, the Government looked to see healthy and competitive industry, and deliberate overmanning would undermine this. She nevertheless recognised Mr. Adams' concerns. Mr. Adams said that the Managing Director had reported enormous differentials between the production costs in Paisley and in developing countries:

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the Philippines had now superseded Hong Kong and Korea as the cheapest competitor. This raised the question of European Community protection for the textile industry. The Prime Minister explained that the UK was pressing for a strong new multi-fibre arrangement to succeed the expiring one.

Mr. Fletcher said that Coats would qualify for assistance with their new investment under the Special Development Area arrangements. There was also a possibility of Selective Financial Assistance. Mr. Adams had reported that the company Managing Director seemed uncertain of his entitlements, or how to apply for them. He would be ready to see the Managing Director to explore the position. He would be in touch with him shortly to arrange a meeting.

The Prime Minister said that she would be content for Mr. Adams to tell the Press that, following his meeting with the Prime Minister, Mr. Fletcher would be seeing the company Managing Director to clarify the possibilities for financial assistance.

Mr. Fletcher's office will no doubt be making contact with the Coats Managing Director shortly. I believe that Mr. Adams passed the name to Mr. Fletcher. I should be grateful if we could have copies of any follow-up correspondence between Mr. Fletcher and Mr. Adams.

I am sending a copy of this letter to Mr. Stephenson (Mr. Fletcher's Office).

Yours ever

Mike Pittson

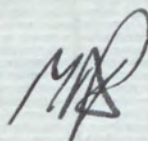
A. Muir Russell, Esq.,
Scottish Office.

PRIME MINISTER

I attach a note from the Scottish Office for your meeting with Mr. Allen Adams, M.P.

In addition to the original note, Annex A records a further offer of Government assistance; and Annex B provides answers to some additional questions I put to the Scottish Office covering:

- (i) the competition which led to the closure;
- (ii) how the company expect to shed the 1,000 jobs;
- (iii) where matters stand on offers of Government assistance (you will see that none has yet been drawn down, but a first payment under the later offer is in the pipeline);
- (iv) SDA status;
- (v) progress on the company's undertaking to seek alternative users of the premises at Ferguslie.



6 January, 1982



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

M Pattison Esq
Private Secretary
No 10 Downing Street
LONDON
SW1A 0AA

6 January 1982

Dear Mr Pattison

Further to John Wilson's letter of 21 December, I am enclosing the additional briefing you requested on J&P Coats (UK) Ltd for the Prime Minister's meeting with Mr Allen Adams MP tomorrow.

*Yours sincerely
Margal Stewart.*

MISS M STEWART
for Private Secretary

Line to Take

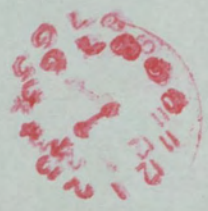
1 The consequences for those workers who will be made redundant is to be greatly regretted. The purpose of the Company's proposal is to place thread-making at Paisley on a viable and secure basis for the long term.

2 The plan involves a major investment in new plant and machinery at the Anchor site totalling some £4 million. The Company is responding positively to difficult market conditions. Officials from the SEPD have been in touch recently with the firm and have had preliminary discussions about possible Government assistance. Details about Company proposals are awaited.

3 Restructuring of this kind has unfortunate consequences but doing nothing would have far more serious repercussions.

4 The Company have said they will actively seek alternative users for the Ferguslie factory.

SCOTTISH OFFICE
11: December 1980



174 DEC 1981
DEC 1981

BACKGROUND

J & P Coats (UK) Limited, based at Paisley, is primarily engaged in the manufacture and sale of cotton and synthetic sewing threads. It is a wholly-owned subsidiary of J & P Coats Limited (whose business is now largely carried out overseas), the parent company of the largest division within the Coats Patons Group.

Premises/Employment

Production facilities at Paisley are spread between the extensive freehold Anchor Mill and Ferguslie Mill sites where some 2,000 people are employed.

Financial Assistance

In recent years the Company has been experiencing increasing difficulty in meeting fierce competition from overseas manufacturers on a profitable basis. In an effort to improve its trading performance the Company proposed a substantial investment programme to rationalise and upgrade its Wet Processing activities and part of its winding operations.

In this connection the Company was offered in January 1980 a Section 7 (of the Industry Act 1972) Grant of up to £170,000 to:

- (a) build and equip premises of 20,000 ft² at Anchor Mill, Paisley, to house the dyeing and bleaching operations presently contained in 2 separate buildings; and
- (b) purchase up-to-date winding machinery to be installed at Ferguslie Mill, Paisley, for improving the quality of core-spun thread.

See also Annex A.

Redundancies

The Company has reduced its workforce by 263 people since January 1981 mainly because of reduced demand for its products. The Company received assistance under the TSTWCS from June 1980 - August 1981.

Recent Developments

The Company announced on 20 November its intention to cut its workforce by about 1,000 over the next 2 or 3 years. The Ferguslie Mills will close and £4m will be spent on new plant and machinery for the Anchor Mills if Government assistance is available. The Company said this rationalisation and reorganisation is necessary to ensure that the whole operation did not disappear.



ADDITIONAL NOTE

J & P COATS (UK) LTD

Financial Assistance

The company were offered £221,320 on 28 September 1981 under DoI's
Product and Process Development Scheme.

This was to enable the Anchor Mill at Paisley to develop a process
to manufacture industrial sewing threads from polyester filament
fibre to replace the conventional multi-stage method using stable
fibres.

THE ANSWERS TO THE QUESTIONS POSED ARE :-

(1) "Competitive Situation"

The main problem arises not so much from direct competition in thread-making (although the Far East, USA or Europe are engaged in marginal selling) but from the importation of cheap finished goods. Mr Adams will want Government action to curb cheap imports. The MFA is being renegotiated in 1982. (Labour costs in Paisley were 29% higher than in comparable firms in West Germany).

(2) Job Loss

Manpower savings will be achieved by natural wastage, early retirement and some unknown number of voluntary redundancies. The timescale envisaged to complete the redevelopment programme is 2 to 3 years depending upon finance. SEPD officials are involved in this and are in close touch with senior management on Section 7 of the Industry Act 1972 assistance.

- (3) The Section 7 Grant for development at both the Ferguslie and Anchor Mills offered on 15 January 1980 was accepted by the firm on 21 January 1980 but no payment has been made. As part of its reorganisation programme - of which the closure of the Ferguslie Mill is a part - the firm now proposes a complete restructuring of manufacturing processing at Paisley and is seeking a greater measure of Section 7 assistance. The DoI grant offer under the Product and Process Development Scheme was accepted by the company on 16 October 1981. An application for the first payment has been received this week. Subject to checking, this will be paid by the end of the month.
- (4) - This is a Special Development Area with no change in prospect
- Employment prospects in the area are poor. Unemployment in TTWA (Paisley, Johnstone, Renfrew and Kilbirnie) is 17% with male 19.5% and female 13.1%. Area includes Linwood where Talbot factory closed recently.
 - No major new projects in offing but S of S announced programme of initiatives by Scottish Development Agency and private agency, Job Creation Ltd, to identify job opportunities.
 - Until recent announcement Coats was biggest ^{manufacturing} employer in Paisley apart from Royal Ordnance Factory, Bishopton.
- (5) The company is seeking alternative users. Coats has no uses for the Ferguslie premises and wishes to dispose of a number of smaller buildings as well as the Mill. Some outside commercial interest has been shown in the mill but no decisions in prospect.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Mike Pattison Esq
Private Secretary
10 Downing Street
LONDON
SW1A 0AA

BF Dec 30.

MAJ.

21 December 1981

Dear Mike,

I refer to my letter of 11 December attaching a note on J & P Coats (UK) Ltd, for the Prime Minister's meeting with Mr Allen Adams MP on Thursday 7 January.

We have since learned from the Department of Industry that - in addition to the financial help entailed in the brief - J & P Coats (UK) Ltd received an offer of assistance under the Product and Process Development Scheme.

I should be glad therefore if you would associate the attached note with the material already provided.

Yours sincerely,

John Wilson

JOHN S WILSON
Private Secretary

1981



22 DEC 1981

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PM

16 December 1981

Mr. Allen Adams M.P. is coming to see the Prime Minister at 1500 hours on Thursday 7 January to discuss redundancies at J & P Coats Ltd. in his constituency. If your office consider that we require further briefing other than that which you provided on 11 December, could this please reach us by close of play on Tuesday 5 January.

CAROLINE STEPHENS

A.M. Russell, Esq.,
Scottish Office.

file

ds

cc Ian Gow

16 December 1981

Further to our conversation on the telephone this afternoon, I am writing to confirm that the Prime Minister is looking forward to seeing you at 1500 hours on Thursday 7 January at 10 Downing Street.

CAROLINE STEPHENS

Allen Adams, Esq., M.P.

PM
File

SAW

BA

15 December, 1981

I have tried unsuccessfully to reach you on the telephone and I wonder if you would be kind enough to call me on 930-4433 so that we can arrange a mutually convenient time for you to come and see the Prime Minister to discuss redundancies at J. & P. Coats (UK) Ltd.

CAROLINE STEPHENS

Allen Adams, Esq., M.P.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Caroline

This provides enough information to justify a meeting. We will need an S.O. minister. This brief will be adequate, subject to any updating nearer the time.

11 December 1981

Mike Pattison Esq
Private Secretary
No 10 Downing Street
LONDON SW1

MPA
14/12/81

Dear Mike,

✓
Thank you for your letter of 1 December about the Prime Minister's proposed meeting with Mr Allen Adams MP.

We have put together a note on J & P Coats (UK) Ltd covering the recent redundancy announcement and survival plans which the Prime Minister may find useful.

If there is any additional information which you require please do not hesitate to contact me.

Yours sincerely

John Wilson

JOHN S WILSON
Private Secretary



289
cc: Miss Stephens

10 DOWNING STREET

From the Private Secretary

1 December 1981

I enclose a letter to the Prime Minister from Mr. Allen Adams MP. You will see that he asks to see the Prime Minister about the situation in the textile industry in his constituency, following the announcement of further major redundancies at J & P Coats Limited.

The Prime Minister is prepared to see Mr. Adams, in line with her commitment to see Members in whose constituencies factory closures occur. Before she offers to see Mr. Adams, it would be helpful to have a brief note about the Coats closure. I hope that you can get something to us by 14 December.

MUR

Muir Russell, Esq.,
Scottish Office.

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PRIME MINISTER

Allen Adams seeks a meeting with you early next year. He wants to discuss the situation in the textile industry, in the light of the announcement of major redundancies by J & P Coats Ltd.

Agree that we should offer him a date?

M.A.P.

Yes - perhaps
when we know
~~also~~ more
about the
plans
mb

30 November 1981

Prime Minister

jfh'

25 November 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 24 November.

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

MAP

A.S. Adams, Esq., JP, MP.

SIC



HOUSE OF COMMONS
LONDON SW1A 0AA

225/n

24th, Nov 1981.

The Prime Minister.

Dear Mrs Thatcher,

Following the recent announcement by J and P Coats Ltd of Paisley that a thousand workers were to be made redundant in the near future, I am writing to request a meeting with you to discuss the situation in the Textile industry.

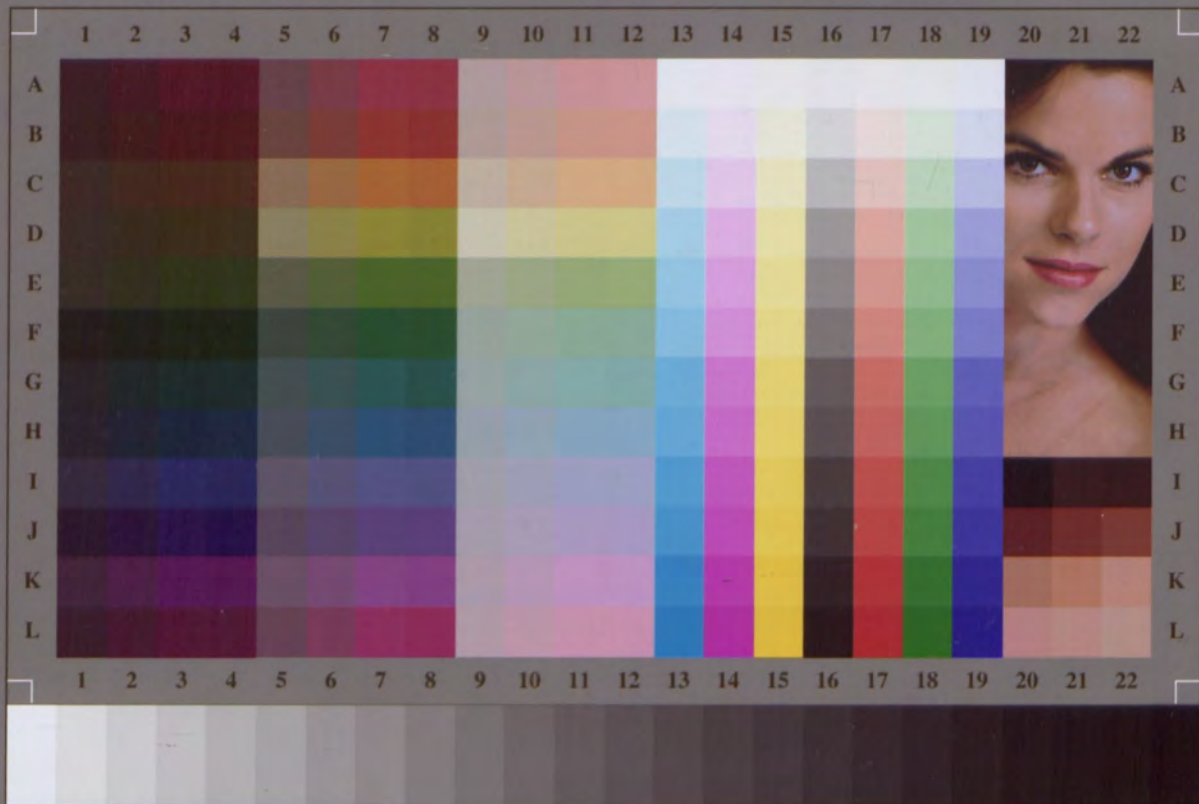
The Company are at present making plans for the next few years which they tell me will be finalised in The New Year and therefore I was wondering if we could meet sometime in January or February to discuss the situation,

Yours Sincerely,

Allen S Adams, JP MP.

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