

SUBJECT.



Re UPO  
Prime Minister

10 DOWNING STREET

cc. Master set.

From the Private Secretary

5 November 1981

Dear Miniv

B.M.K. Ltd

The Prime Minister was grateful for the briefing provided for her meeting with Mr. William McKelvey, M.P., last night. In the event, the delay in transmission did not cause any difficulty.

Mr. McKelvey made it clear that he had already gone over the issues with Mr. Fletcher, in that he had no new points to make to the Prime Minister. He emphasised that, at best, the Receiver could save a re-structured company employing around half of the original workforce. The most urgent need was for a cash injection to enable the company to keep trading whilst the Receiver looked for a buyer. The company had long-standing good customer relationships, but these were threatened when customers could be given no guarantee that orders placed now would be met.

Mr. Fletcher emphasised that the Scottish Office and the Scottish Development Agency were in regular contact with the company. He understood that the Receiver had two potential buyers interested. At present, the Receiver appeared confident that the company could continue trading for long enough to see whether a purchase could be negotiated. He had seen the Receiver on 30 October. The Receiver knew that if a situation arose in which there was a viable buyer but a cash shortage making it impossible to continue trading for long enough to complete negotiations, then the Scottish Office would be ready to discuss the possibility of some financial bridging arrangement. But it was only in these circumstances that any further financial assistance to the company could be contemplated.

/Mr. McKelvey

Mr. McKelvey then moved to a broader discussion of the situation in Kilmarnock. There had been problems in several industries. Only the whisky industry, which was far from labour intensive, seemed to be surviving without major cut-backs. Another large employer, Glacier Metals, was locked into the car industry. There was no industry of the future in the town, and there was an urgent need for some kind of task force approach to the question of how to secure the industrial future of the area. Mr. Fletcher said that the Scottish Office had something on the cards at the moment. He hoped that the Secretary of State for Scotland would be able to make an announcement at the end of the week, about a study to be undertaken by Job Creation Limited.

At the end of the meeting, Mr. McKelvey said that the Press were aware of the meeting. He wanted to clear the line that he could take with them. The Prime Minister said that he could express the hope that Job Creation Limited would be engaged to undertake the study which had been discussed. In respect of BMK, he could confirm that the Receiver had not asked the Scottish Office for financial assistance at present, and that Mr. Fletcher stood ready to discuss the situation with him if he reached the brink of a sale but needed bridging finance to keep the company going in order to accept some positive and firm commitment to buy it.

*Yours ever*

*Mike Paterson*

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