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cc: D/Jud, LFC

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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

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



ma 157.
Superceded

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.

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I can well understand your feelings
at this time.

Yours sincerely

Harold Wilson

W. L. Foden, Esq.



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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 1

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.



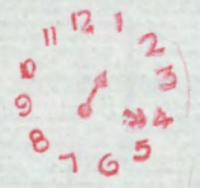
9 I am copying this letter to Geoffrey Howe, Jim Prior, Francis Pym, John Nott (because of current discussions with ECGD about possible cover for an order to supply military vehicles to Tanzania) and to Sir Robert Armstrong.

14

K J
18 July 1980

Department of Industry
Ashdown House
123 Victoria Street

11 JUL 1980



COPIED FROM

1980



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.,

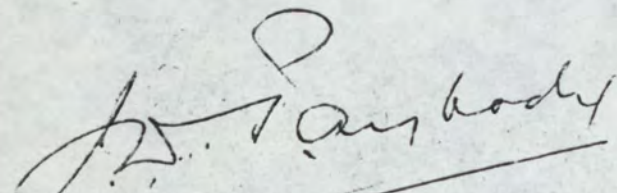
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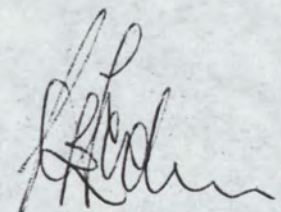
In 1979 we had a redundancy of 300 employees and we had to announce last month, a further redundancy of 630 people. This is a third of our workforce and already a severe shock in this small North Western market town in which we are the main employer. In today's slump conditions these steps were essential 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.

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SANDBACH
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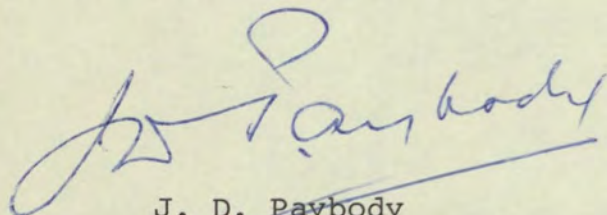
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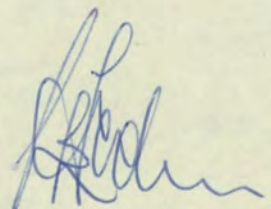
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