



Industrial Policy cc LB
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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



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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.

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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

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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.

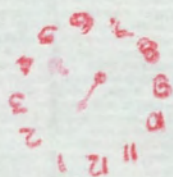
Reducing inflation implies keeping a firm hand on money supply growth and it was necessary last year to raise interest rates in order to bring money supply under control. I know that these high interest rates are an unwelcome burden for many companies but to reduce them prematurely would risk a resurgence 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 ...

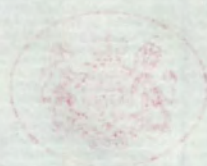


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I know this explanation will be of small comfort to you, but the harsh facts of life are that if this country does not get to grips with inflation, we must abandon all hope of attaining the levels of prosperity enjoyed by our competitors abroad. I 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

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

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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, ^{Simultaneously,} 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