



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Nick Sanders Esq
Private Secretary
No 10 Downing Street
LONDON SW1

11 March 1981

Dear Nick,

Further to my letter of yesterday I attach additional background briefing for the Prime Minister's meetings with George Foulkes MP, Jim Craigen MP, and Gavin Strang MP.

Note 1 is a brief summary of the Scottish Development Agency activity in the constituencies of the three members concerned.

Notes 2, 3 and 4 replace the notes I sent to you yesterday on Falmers, Bryant and May and Bruntons. These revised notes provide a fuller background on the companies and also cover the local industrial scenes as regards redundancies, unemployment rates and the prospects for investment.

I have nothing to add to the note already provided on Stonefield vehicles for the George Foulkes meeting.

I am sorry if these notes are not exactly in the form requested but it is all we have been able to put together in the time available.

Yours sincerely
John Wilson

JOHN S WILSON
Private Secretary

SCOTTISH DEVELOPMENT AGENCY ACTIVITY
AYRSHIRE SOUTH (MR FOULKES)

The Agency is well aware of the problems of the Cumnock and Doon Valley: it is responsible for some 14 factory units located at Cumnock, Ayr, Dalmellington, Muirkirk and Catrine: a further 4 advance factory units are in the pipeline for 1981/82. Derelict land clearance and environmental improvement schemes have also been undertaken.

EDINBURGH EAST (MR STRANG)

The Agency has built 2 advance factories in Mr Strang's constituency and is presently engaged with Lothian Region and East Lothian District Council in preparing the former Inveresk Paper Mills site for the establishment of an industrial estate. The Agency has also taken out substantial investments in two firms in the constituency - Inveresk Research International Ltd (235 employees) and R L Munro (unfortunately now in receivership). A number of loans by the Agency's Small Business Division have been made to companies in Mr Strang's constituency.

In addition the area has benefitted from several land renewal and environmental improvement schemes.

GLASGOW MARYHILL (MR CRAIGEN)

Glasgow in general has benefitted greatly from the Agency's activities which have been concentrated mainly on the Glasgow Eastern Area Renewal Project and Clydebank areas. Only one Agency factory is planned for Maryhill and may be funded by a joint Agency/Private Sector venture - discussions are fairly well advanced. Maryhill has benefitted from 5 land renewal projects and a number of others are planned. Small companies in Mr Craigen's constituency have also received loans from the Agency.

FALMER MANUFACTURING (SCOTLAND) CO LTD

BACKGROUND

1. Falmer Manufacturing (Scotland) Co Ltd was established in 1966 and operates from four factories in Ayrshire - two at Cumnock, one at Patna and one at Lugar (due to close in May 1981). The Company employs about 800 people in the manufacture of jeans, shorts and jackets made from denim, corduroy and cotton.
 2. On 17 February 1978 the Company was offered an Interest Relief Grant of £270,000 to aid a project to purchase plant and machinery to increase the manufacture of jeans at Cumnock and Patna. Two instalments totalling £162,000 have been paid to date.
 3. On 21 April 1980 the Company was offered an interest relief grant of £293,600 to aid a composite project to transfer the production of denim jackets from New Cumnock to Cumnock, to manufacture skirts and other casual wear at New Cumnock, and to build and equip an 11,000 sq ft extension to the Patna factory. One instalment of £36,000 has been paid to date but substantial changes in the nature and scale of the latest project have recently taken place. Due to rapid changes in the market for denim skirts and jackets, the Company recently decided to close its premises in New Cumnock with the loss of 57 jobs and to concentrate on the manufacture of jeans. Discussions are continuing with SEPD about a reassessment of the grant.
 4. The Patna factory is currently on a 3-day week and is receiving assistance under the TSTWCS. The Company recently issued 90-day notices to their 123 employees there. The MSC understand that a final decision about the future of the Patna factory will be made on 20 March.
 5. Mr Foulkes wrote to the Secretary of State on 4 February about the matter. Mr Alex Fletcher's response is attached.
 6. The Cumnock TTW area has a current unemployment rate of 16.8% (above the Strathclyde average of 15.1% and markedly above the Scottish average of 12.7%).
 7. The area has traditionally depended on coal-mining, though NCB operations have been contracting over the years, thereby reducing employment opportunities. The area has over the years become more dependent on employment in the Ayr/Prestwick area.
 8. In the past year there have been just over 1,500 redundancies in the area. The main contributors were:

NCB	550
Kingmead Carpets	350.
- Uncertainty over the future of Stonefield Vehicles (now in receivership) involves a further 100 jobs.

9. No development projects have come forward for assistance under Section 7 of the Industry Act since January 1980 (other than from Falmers - paragraph 3 above).

LINE TO TAKE

10. Mr Foulkes has made representations to SEPD to put pressure on Falmers to maintain its plant at Patna, hinting at the attachment of conditions to the offer of Industry Act assistance. The Company has had to respond to a rapid market change and it would be quite counter to the Government's policy of using assistance to suggest viable investment projects to seek to influence the Company's commercial judgement on how best to organise its manufacturing operations. The main priority must be to ensure that Falmers stay in business and maintain a strong manufacturing presence in Ayrshire. The grant offer will be reassessed in that light.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU
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George Foulkes Esq MP
House of Commons
LONDON
SW1A OAA

2 March 1981

Thank you for your letter of 4 February to George Younger about the proposed closure of Falmer's factory at Patna.

I understand that a final decision about closure will not be made by the Company until mid-March. I hope that they will not find it necessary to close but the decision must be for their commercial judgement. In the meantime officials of my Department have already been in contact with Falmer to discuss their present situation but assistance to the Company would be dependent on a viable investment project being presented. As you know, the Doon Valley and Patna areas benefit from special development area status which enables manufacturing companies located in the area to obtain maximum Government assistance for investment projects designed to create new jobs or safeguard existing ones. The Glasgow office of the Scottish Economic Planning Department will assist potential development in the area in any way they can.

Frequent demands are made for import controls to be introduced but I think they would be short-sighted and ultimately harmful. As you know, we are obliged to work within our international obligations and unilateral import controls would be counter productive to our trading position in general. It would risk retaliation from our international trading partners to the detriment of the many Scottish industries which are dependent on export trade. What we must look to is an improvement in our own competitiveness and this is the intention of the investment incentives available under the Industry Act and other schemes of assistance administered by the Government.

ALEX FLETCHER

PRIME MINISTER'S MEETING WITH MR FOULKES - 11 MARCH

STONEFIELD VEHICLES LTD

Mr Foulkes complained to the Prime Minister last September and October about the failure of Scottish Ministers to rescue the Stonefield Vehicle Company and a copy of her substantive reply is attached. The situation at Stonefield has not materially altered since then except that the Receiver has given a time limit of 9 March by which those who had expressed an interest in buying the company - now including Sir Hugh Fraser - should submit offers. The Prime Minister can say that if a viable proposition from a suitable private sector interest which would maintain production in Scotland is put to the Receiver the Government will be glad to consider its eligibility for the normal range of financial support.

Background note attached.

STONEFIELD VEHICLES LTD

- 1 Stonefield Vehicles was a company set up privately to develop a new four wheel drive cross country vehicle. The Scottish Development Agency first invested in the company in February 1977 and subsequently increased its stake until it is now, for all practical purposes, a wholly owned subsidiary of the Agency. The total funds provided to the company by the Agency amount to about £5m.

- 2 Despite a promising technical performance and development culminating in satisfactory testing by the MOD, the company has been bedevilled by a number of problems, not least the premature death of the original entrepreneur in August 1977. The time required to obtain MOD's Certificate inevitably inhibited the marketing effort and sales of the vehicle have never been close to the original expectations. There has been a number of potential orders for the vehicle, including interest from Malaysia, New Zealand and Kenya, but none of these ever developed beyond the stage of an expression of interest. MOD itself has no substantial requirement for a vehicle of this type until at least the mid-1980s.

- 3 The Agency had discussions with possible co-investors in May 1979 but none of these had resulted in a firm agreement by September 1979 when the Agency requested approval from the Secretary of State to take a further investment of £2m in the company, to enable it to mount an energetic marketing exercise. The Secretary of State judged that the main weakness in the project was the lack of an established marketing organisation and that neither the Agency nor the company could provide this without a suitable private sector partner with the necessary outlets and expertise. In December 1979, he therefore refused to approve the advance of £2m requested but permitted the Agency to invest a further £600,000 to provide the Agency with time to find a suitable private sector partner. This sum, plus smaller sums to ease the cash position, enabled the company to continue until July 1980 when the most likely private sector partner Tozer, Kemsley and Millbourn Ltd intimated that it did not propose to exercise a purchase option which it had acquired for £120,000.

- 4 Since no prospects of either obtaining a private sector partner or a firm order of a substantial size appeared imminent, the Agency decided to appoint a Receiver as the cash position had become critical. The Receiver is understood to have had a number of approaches from private buyers, some wishing to transfer production out of Scotland. Scottish Ministers would naturally prefer to see the project revived successfully in Cumnock and have indicated a willingness to consider support for any viable proposal with that end in view.



10 DOWNING STREET

THE PRIME MINISTER

29 September 1980

Dear Mr. Joubert,

Thank you for your letter of 13 September about Stonefield Vehicles Limited.

I share your regret that a product as highly regarded technically as the Stonefield Vehicle should have failed to achieve the commercial success which was hoped for and expected of it. But I must make it clear that there was no lack of interest or concern on the part of Scottish Office Ministers. On the contrary they were most anxious to see it succeed, and a great deal of effort and considerable sums of taxpayers' money were invested to help it realise its potential.

By mid-1979 it was clear that, although there had been some interested enquiries, these were not leading to the volume of firm orders necessary to sustain the project. The Secretary of State for Scotland recognised that there was a major need for a partner with the necessary marketing organisation and experience, to complement the production facilities at Cumnock. He therefore approved the advance of £600,000 to the company in December 1979 to provide the Agency with time to find a suitable private sector partner. Further finance was approved to meet urgent cash requirements and to match the price of the purchase option acquired by the potential private sector partner, Tozer Kemsley Millbourn. This enabled the firm to continue in operation until the end of July 1980 by which

/time,

me, despite the knowledge that further sums from the Agency would be available if the purchase option was taken up, Tozer Kemsley Millbourn decided not to exercise their option. A number of other potential partners made detailed enquiries but none followed these up with firm proposals.

Unhappily the incontrovertible fact in this case is that, despite various expressions of interest, the actual sales achieved were well below expectations; and there were no firm prospects of substantial sales. In these circumstances, while the Government remained deeply concerned about the difficult employment position in the area, Ministers could not continue to support the company for an indefinite time and at an indefinite cost to public funds. In the light of these factors, I see no grounds which would justify my personal intervention in the matter.

Yours sincerely
Margaret Thatcher

George Foulkes, Esq., M.P.

STONEFIELD VEHICLES

1. Since Stonefield went into receivership last August, the Receiver (Mr Brownlee), the Scottish Development Agency and the Scottish Office have had discussions with many potential bidders (including a Land Rover/private sector consortium) and numerous visits have been made to the factory at Cumnock. While for political reasons the most satisfactory outcome would be a Cumnock based takeover by a company with an international capability, Mr Alex Fletcher, the Industry Minister, has made it clear that the Receiver is obliged to accept the most favourable offer and if that means taking the operation elsewhere in the UK then such a consequence has to be faced.
2. As reported in today's "Scotsman", Shelvoke and Drewry, the Letchworth based engineering firm, have had protracted discussions with the Receiver. The firm has considered retaining the operation at Cumnock but despite the possibility of generous selective financial assistance has concluded that it would have to transfer the project to Letchworth and have tabled a formal offer to the Receiver to this effect.
3. In addition to the Shelvoke and Drewry bid, the Receiver has also received an offer which would envisage continuing production at Cumnock. The position is highly delicate and the Receiver will make no public statements, even to the extent of stating the number of bids, in the meantime in fear of prejudicing the outcome.
4. Two new potential bidders have also recently appeared in the form of Sir Hugh Fraser apparently acting for a Scottish based consortium and Mr Stewart Melrose, Managing Director of a small Bathgate truck company.

Stonefield offer 'embarrassing'

By ANGUS MACLEOD

An English engineering firm's ambitions to acquire Stonefield Vehicles of Ayrshire have so far foundered on the rock of political embarrassment.

The company, Shelvoke & Drewry, of Letchworth, Hertfordshire, have been negotiating with the Stonefield receiver for several months.

According to their chairman, in an exclusive interview with *The Scotsman* yesterday, they could have done a deal with the receiver long ago "if they had dropped their stipulation that Stonefield would be removed to England.

"I think we could have been embarrassing the receiver for the past few months because of the political situation," said the company chairman, Mr Stanley Quinn, yesterday.

But Shelvoke and Drewry are not out of the race to take Stonefield over. Mr Quinn confirmed that his company had submitted a formal offer for Stonefield to the receiver, Mr Bill Brownlie, and added: "We like to think we will be successful."

Mr Quinn said: "We think the Stonefield product is a good one with the right potential. We did study for some time the possibility of taking over Stonefield Vehicles — before it went into receivership."

The receiver was appointed for

Stonefield in July after the Government withdrew financial support. The axe fell at a time when there were many reports that the highly-praised Stonefield advanced cross-country vehicle was about to realise major orders from overseas.

Shelvoke and Drewry are part of the Butterfield Harvey group and have an annual turnover of £25 million. They manufacture a wide range of specialised chassis, including chassis for refuse collection vehicles and fire tenders. They are one of the leading specialist vehicle manufacturers in the UK and, the Stonefield truck would be compatible with their present product range.

But Mr Quinn said that any company producing the truck at Cumnock would be starting off with "a nil order book and no organisation".

The Stonefield truck was designed in Scotland and has attracted financial support from both the Scottish Development Agency and the Scottish Economic Planning Department. Thus, any move to take it out of Scotland would provoke a furious political storm.

The two other front-runners who have declared themselves are a Bathgate truck company and Sir Hugh Fraser. Mr Stewart Melrose, managing director of the Bathgate firm, was out of the country yesterday on business and it is still not known if he has



A Stonefield vehicle demonstrates its capability

made a formal offer: Sir Hugh was unavailable at his Glasgow office yesterday.

Mr Quinn, who refused to disclose the size of his company's offer for Stonefield, said that both Mr Melrose and Sir Hugh were unrealistic options because neither could guarantee the required engineering expertise.

A spokesman for the receiver would only say yesterday that a statement on Stonefield could be expected "at a later date" and the SDA would not shed light on probable buyers either.

But it is understood that there

are other runners in the field, including a consortium of Scottish businessmen. According to one parliamentary source "there have been a lot of people floating around looking at Stonefield."

Meanwhile, last night, the Labour MP for South Ayrshire, Mr George Foulkes, said there had been strong pressure on the receiver to keep Stonefield at Cumnock. He added that he had received an unequivocal statement from Mr Alex Fletcher, Scottish Office Minister responsible for industry, that it was Government policy to keep the plant at Cumnock.

The Scotsman, Wednesday, March 11, 1981.



Mr. G. FOULKES
10/3

10 DOWNING STREET

From the Private Secretary

4 March 1981

The Prime Minister has received the attached letters from George Foulkes, MP, Jim Craigen, MP, and Gavin Strang, MP. All of them ask for meetings to discuss closures in their constituencies. As you will know, we have arranged all three of these meetings for the next few days and Mr. Fletcher has been invited to attend each of them. The Prime Minister is due to see Mr. Foulkes at 1700 on Wednesday 11 March and Mr. Craigen at 2100 on the same day; She is due to see Dr. Strang at 1530 on Tuesday 17 March.

I should be grateful if you could arrange for us to have short briefs for each of these meetings to arrive in each case by 1800 the night before the meeting.

Please let me know if there are any problems.

NJS

Godfrey Robson, Esq.,
Scottish Office.

4 March 1981

I am writing to confirm that you will be seeing the Prime Minister at 1700 hours on Wednesday 11 March in her room at the House. Mr. Alex Fletcher will also be present.

CAROLINE STEPHENS

George Foulkes, Esq., M.P.

HS

MR. SANDERS

Here is the up to date list of the Labour Members of Parliament coming to see the Prime Minister:-

Wednesday 11 March

1700 Mr. George Foulkes and Mr. Alex Fletcher

1930 Mr. David Watkins and Mr. Norman Tebbit

21000 Mr Jim Craigen and Mr Alex Fletcher

Thursday 12 March

1630 The Right Honourable Denzil Davies and
Mr. Norman Tebbit

Tuesday 17 March

1530 Dr. Gavin Strang and Mr. Alex Fletcher

All these meetings will take place in the House of Commons.

es.

4 March 1981



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10 DOWNING STREET

PRIME MINISTER

This letter from
George Foulkes is the fourth
asking for a meeting to dis-
cuss a factory closure.
We will fit him in, but it
will have to be after your
American trip.

Mjs

and

18 February 1981

File

889

18 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 16 February about the Patna factory of Falmers International's threatened closure.

I will of course place your letter before the Prime Minister at once.

NJS

George Foulkes, Esq., M.P.

889

From: George Foulkes, M.P.

CCDG



HOUSE OF COMMONS
LONDON SW1A 0AA

ms

16 February 1981

The Rt.Hon. Mrs. Margaret Thatcher, MP.,
Prime Minister,
10 Downing St,
London. SW1.

R17/2

Dear Prime Minister,

I am writing to take up your offer made at Question Time in the House last Thursday. You kindly agreed to see any Member who has an impending factory closure in his constituency.

The Patna factory of Falmers International is threatened with closure because of the recession, coupled with a flood of cheap imports. I have already written to John Biffen, MP and George Younger, MP about it and I am sure that both departments would be able to provide you with the background information.

I shall contact your office later in the week to arrange a mutually convenient date to discuss this matter.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "George Foulkes".