

CONFIDENTIAL



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Miss Caroline Stephens
Private Secretary
10 Downing Street
LONDON

9 July 1982

Dear Caroline,

FALMER MANUFACTURING (SCOTLAND) LTD:
MR GEORGE FOULKES MP

I attach a brief for the Prime Minister's meeting on Tuesday 13 July with Mr George Foulkes MP. Mr Alex Fletcher will also be present.

Record attach. ||
A similar meeting took place on 11 March 1981 when the company announced its intention to close the same factory. As a result of improvements in its trading position Falmers subsequently abandoned their proposal. The Prime Minister visited Falmers at Cumnock on 3 September 1981

*Yours sincerely
John Wilson.*

JOHN S WILSON
Private Secretary

FALMER MANUFACTURING (SCOTLAND) COMPANY LTD

BRIEF FOR PRIME MINISTER'S MEETING WITH MR GEORGE FOULKES MP:
13 JULY 1982

Background Note

1. Falmer Manufacturing (Scotland) Co Ltd, established in 1966, operates from 5 units in Ayrshire, 4 of which are located at Cumnock and one at Patna. Its principal activity is the manufacture of denim jeans and jackets and related casual wear. Employment is provided for about 780 persons made up of 640 at Cumnock and 140 at Patna making the company the largest single employer in the Cumnock and Doon Valley area.
2. On 17 June, the company announced that up to 600 production workers in Cumnock and Patna would be laid off for two weeks from Monday June 28 (immediately prior to the 3 week summer vacation). The company claimed that this action was necessary in view of a downturn in demand in the home market. On 22 June, the firm announced that it was to close its Patna factory this autumn.
3. We understand that Mr Landon, the Managing Director, has also written to the Minister for Trade blaming the Multi Fibre Arrangement (see note at Annex A) in part for the company's position. The Minister will be replying drawing attention to the EEC quota arrangements in connection with the import of trousers.
4. Rapid fluctuations in the Company's market are indicated by its failure to take up various offers of Interest Relief Grant and, most recently in April 1972, selective grant of £270,000 to assist with an increase in productive capacity and introduction of new machinery at Patna (see Annex B).
5. Other than Falmers, no development projects have come forward from the Cumnock TTW Area for selective financial assistance under Section 7 of the Industry Act since January 1980. However, 18 companies in Ayrshire have taken advantage of SFA involving £6m of assistance towards investment costs of £60m and 2,000 jobs protected, created or planned (Ayrshire Good News at Annex C).

6. The TTW area has a current unemployment rate of 18.5% compared with Strathclyde average of 17.7% and Scottish average of 15.3%. Since April 1980 there have been over 1,500 redundancies in area of which NCB accounted for almost 800. In a small town like Patna the loss of 140 jobs will considerably increase the unemployment rate.

LINE TO TAKE

1. The loss of these jobs is particularly regrettable in a small town with limited employment opportunities.
2. Considerable financial help has been offered to Falmers by the Government (IRG up to £290,000 in April 1980 and selective grant of £270,000 in April 1982) to help company remain competitive. Difficult market conditions have prevented the company taking up money offered.
3. Artificial Government help for company is not an option. At the end of the day there must be a demand for the product. Getting the economy right is the first step in helping to create viable enterprise and sustained demand.
4. The Government and the EEC is deeply aware of the problem of cheap imports of trousers from places like Hong Kong and Taiwan. The Government is doing all it can to ensure that the Commission fulfils its mandate to negotiate a more restrictive regime as part of the extension to 1986 of the MFA. Cuts of 10-12% are to be negotiated in the quota for trouser imports from major Far East suppliers.
5. A good deal of Government effort has gone into assisting Ayrshire companies to reinvest to protect jobs and expand. SFA offered to 18 companies in last year involving £6m assistance towards £60m investment. Over 2,000 jobs associated with these projects.
6. SEPD officials remain in close touch with the company and are ready to discuss assistance to secure or create viable jobs at the company's plant.
7. Mr Fletcher might offer to meet the company's management to see if Government assistance for investment or innovation might assist its position.

MULTI-FIBRE ARRANGEMENT

1. In February this year, the Council of Ministers approved a Protocol extending the MFA to mid 1986, which will allow the European Community to introduce a more restrictive regime. This approval is subject to the negotiation of satisfactory bilateral agreements, failing which the Community will give notice of withdrawal from the MFA at the end of this year.

2. If the Commission fulfils its mandate - and the British Government is devoting a great deal of effort to ensuring that it will - the new arrangements will result in substantial cut-backs in the most sensitive clothing quotas for our largest suppliers; the annual growth will be considerably lower overall, and improved procedures for introducing new quotas on previously unrestrained products will be introduced.

The voluntary restraint arrangements with our preferential trading partners are also being renegotiated.

3. The European Communities' decision to re-negotiate cuts of 10-12% on the quotas on imports of trousers from the 4 major Far East suppliers (Hong Kong, Macau, Taiwan and South Korea, which together account for three-quarters of our total imports from the low cost countries) is extremely restrictive. Indeed it is one which is greatly at variance with the Communities' general support for a free trade environment and one which was only taken reluctantly, because of the particular problems facing the clothing industry.

OFFERS OF GOVERNMENT ASSISTANCE TO FALMER MANUFACTURING (SCOTLAND)
COMPANY LTD

1. In May 1978, an Interest Relief Grant not exceeding £270,000 was offered to and accepted by Falmers to help them to purchase plant and machinery to increase the manufacturing capacity for jeans at Cumnock and Patna. The capital expenditure on this project has been incurred, the amount paid on the IRG to date is £198,000 and the balance is payable in two annual instalments of £36,000.

2. In April 1980, a second IRG not exceeding £293,625 was authorised 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. However, this project was substantially changed and in September 1981 a revised IRG not exceeding £169,650 was offered and accepted to assist with the financing of the projects involving (a) relocation of the Group laundry at Cumnock; (b) adaptation of buildings at Cumnock; and (c) the leasing and equipping of an extension to the Patna factory. In the light of further expansion plans by the company, this offer was withdrawn in April 1982, and a selective grant of £270,000 offered to assist with an increase in productive capacity and the introduction of new technology and automation in certain areas. Because of adverse trading conditions this offer was not accepted.

AYRSHIRE GOOD NEWS

1. The Scottish Development Agency has announced that Ayrshire's Garnock Valley is to get a £9m boost over the next 3 years in a bid to create 650 jobs.
2. BMK at Kilmarnock in Ayrshire has been bought over by English businessman, Mr John Logue, in a multi-million pound deal. Mr Logue has stated that 400 jobs would be secured, with plans for creating more jobs over the next 2 years.
3. Caberboard, the Stirling-based manufacturers of wood particle boards and fibreboard, has announced that it is to re-open the Scotboard factory in Irvine, Ayrshire, creating 70 new jobs which may eventually rise to 90. The company plan to produce high-quality chipboard for the furniture industry.
4. 850 new jobs are to be created in North Ayrshire due to an experimental enterprise trust scheme (ASSET) in which local industry combined with Government agencies and district authorities. To date 42 businesses have been helped to set up and expand with a jobs potential of 450 in the next two years. Eighty more projects are in the pipeline, and an estimated 400 jobs will be provided.
5. In addition to an £1.5m order already won, Future Technology Systems at Beith in Ayrshire, have received a commitment (which will bring orders valued at £5m) from the Association of British Travel Agents to supply FTS' Computer Systems to agencies through Britain. Possible 150 new jobs in two years.
6. Robert Wilson & Sons, Kilwinning, have recently won a £0.5m contract to supply the Sainsbury chain with frozen hamburgers.
7. Rockware Glass Ltd has recently reopened a furnace last used in 1980 thereby creating 80 new jobs at the Irvine plant since January.
8. Volvo at Irvine recently won a £10m contract to supply double-deck buses to Indonesia.

9. Caledonian Airmotive of Prestwick who has recently signed its biggest-ever export order. The company has won a £25m, 5-year contract from the Canadian airline "Wardair". As a result the company (currently employing 160 people) hopes to increase its workforce by 90 during the next year and has plans to raise it to 400 by 1985.

10. Digital Equipment Scotland Ltd hopes, as a result of increasing its factory space at Ayr by 130,000 sq ft, to increase its labour force by 240 people by December 1982.

11. British Aerospace having created 200 jobs during 1981, expect to take on a further 300 workers at Prestwick on the Jetstream 31 project.



RH

cc SO.

10 DOWNING STREET

THE PRIME MINISTER

25 March 1981

Dear Mr. Foulkes,

When I wrote to you last week about Falmer's plant at Patna, the outlook was anything but bright for its future. I have just heard, however, that the company has received new orders and has withdrawn the redundancy notices which it issued to its workforce at Patna.

This is very good news indeed and is a tribute to Falmer's whole operation and products for which I have a very high regard.

Yours sincerely
Margaret Thatcher

G Foulkes, Esq, MP

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10 DOWNING STREET

THE PRIME MINISTER

19 March 1981

Dear Mr. Zulker,

At our meeting on 11 March Alex Fletcher promised to investigate the possibility of assistance being given to Falmer's Jeans which would give them the six months' breathing space you indicated was necessary, so as to prevent their Patna plant being closed.

It is for Falmer to make their own commercial judgement as to any rationalisation of plant which may be required if there is over-capacity in the market. If, however, you are correct in assuming that the Company feel that the markets will pick up in about six months' time, one possibility would be to pursue with the Scottish Development Agency, as landlords, a proposal simply to mothball the Patna factory for that time. I understand that the SDA have already made this offer informally to the Company and it may have certain advantages to them in avoiding clawback of the benefit of a rent free period and of regional development grants - though this latter question would have to be looked at carefully by the local Regional Development Grants Office in Glasgow.

Alex Fletcher mentioned that the SDA had under consideration a project to help in the marketing of worsted textiles to Germany. This project would be undertaken with the National Association of Scottish Woollen Manufacturers in connection with high quality

/worsted

RH

file

cc SO
DM
DOT

17/3/81
24/3

worsted cloth. It seems unlikely that a jean manufacturing company could fit into this arrangement. Alternatively, however, Falmer's can benefit from the full range of services available from the British Overseas Trade Board, including the resources of the Consulates in Europe and elsewhere if this would help.

Alex has also looked again at the possibility of selective assistance under Section 7 of the Industry Act. This scheme, however, is related to capital investment aimed at securing existing jobs or creating new ones and the Company do not have in mind a capital investment project for Patna. The Scottish Economic Planning Department officials are discussing separately with Falmer's their investment programme at the Cumnock plants.

As I said at our meeting, I am greatly impressed by Falmer's products, the general efficiency of their operations and the quality of their management. Unfortunately there seems to be limited scope for further assistance from Government which can directly benefit the Patna plant. I do hope, however, that the Company are able to continue with their Patna operations, which provides valuable employment for people in the area.

Yours sincerely

Raymond Miller

SUBJECT

FILE

cc Master, RH
+ Craigen, MP
file

cc J/nd
J. King



PM

10 DOWNING STREET

From the Private Secretary

13 March, 1981

Dear Godfrey

Jim Craigen, MP, and George Foulkes: Meetings
with the Prime Minister

The Prime Minister met Jim Craigen and George Foulkes at 2100 hrs and 2120 hrs on 11 March. Mr Alex Fletcher and Ian Gow were also present.

Mr Craigen said that he wished to discuss the proposed closure of the Bryant and May match factory in Glasgow at Maryhill. He said that the company employed 161 people at present, which was a significant number in the area, and had been established since the First World War. He said that his first complaint was that the announcement of the closure had been made in a wholly arbitrary way. Letters had been issued by the management giving the statutory 90 days notice, and this had come as a bolt from the blue. Last year there had been 85 redundancies and the workforce had thought that the situation had been stabilised. Industrial relations at the factory had been very good and there had been ready co-operation from the trade unions in adopting working practices. He believed that the factory was profit making, and had been greatly surprised when Wilkinson Match had told him that they were unable to say what profits the factory was making. He thought that was evidence of poor management. He hoped that No.10 could raise with the company the arbitrary way in which the announcement had been made.

The second point he wished to raise was the general question of imports and distribution of matches. At present, 50% of the Scottish market was taken by imported matches, and Wilkinson Match actually imported matches through a Swedish connection. He accepted that demand for matches had fallen, but it was his impression that the company was now interested more in distribution rather than production. He hoped that the Department of Trade would be prepared to look into this matter. He thought that it was not good for Britain in the long term that there should be a shift from production in this country to imports.

/Thirdly,

Thirdly, he said that he gathered that there had been negligible investment in the company and no approach to the SDA about alternative products, such as for example, disposable lighters, which the group already imported.

The Prime Minister said she understood that the factory was being closed as part of rationalisation, and that production would now be concentrated on Liverpool. In such circumstances it was always her hope that the company concerned would find an alternative use for the production facilities involved. This did not appear to have happened in this case. She was, however, worried to hear that the workforce had not been consulted about the impending closure. She said that loyalty between management and workforce had to work in both directions.

She said that she would be prepared to sign a letter to the company following up the meeting, and asked Mr Fletcher to have a draft prepared for her. I should be grateful if the draft could reach us very quickly, and would be very ready to have a word on the telephone with those preparing it if that would help. I hope that we may be able to have something from you by close of play on Wednesday, 18 March.

ANNEX
D -
E
- subsequent letter
George Foulkes, MP

The Prime Minister told Mr Foulkes that she was well aware of the reputation of Falmers Jeans, not least because she had a strong constituency connection with them. She had always been greatly impressed by the quality of management of the company.

Mr Foulkes said that the Chairman of the company had told him that the Patna plant needed 6 months breathing space, after which he had hoped that he would have been able to keep on going by increasing sales. The problem facing the company was that retailers had been reducing their stocks over the past few months. He said that the SDA and SEPD had been in discussion with Falmers about the possibility of financial help. He understood that it would be difficult to find more money to support the factory itself, but hoped that it might be possible to find something to help their marketing drive in Europe.

Mr Fletcher said that the SDA had recently run a project concerned with selling up-market textiles in Germany, which might be relevant. He said that the company had been offered interest relief grants and had had help through the temporary short-time working compensation scheme. He was not clear what more could now be done.

Mr Fletcher said that he would look into the possibility of giving assistance to the company for their European marketing operation, and would also see whether any further grant could be made to them to help safeguard the jobs concerned.

The Prime Minister repeated that she was greatly impressed by the products made by the company and by the general efficiency of their operations. She said that in due course she would wish to write to Mr Foulkes reporting on the progress of Mr Fletcher's

work. I should be grateful if you could arrange for a suitable draft to be prepared in due course. I hope this could reach us by the end of this month.

I am copying this letter for information to Ian Ellison (Department of Industry) and Richard Dykes (Department of Employment).

Yours ever

Nick Sanders

cc:- Alex Fletcher, MP, S.O.
Brief to reach us by 9 July

1 July, 1982

Further to our conversation on the telephone this morning, I am writing to confirm that the Prime Minister will be happy to see you in her room at the House of Commons at 1700 hrs on Tuesday, 13 July. Mr Alex Fletcher will be present at the meeting.

CAROLINE STEPHENS

George Foulkes, Esq, M.P.

RM.

PRIME MINISTER

George Foulkes, M.P. reports that Falmers are once again planning to close their Patna factory, and have issued 140 redundancy notices. He asks for a meeting with you. Assuming you are ready to see him again on this case, we will arrange a suitable time before the recess, with a Scottish Office Minister present.

Content?

WM

Yes - there is
nothing I can do -
large subsidies have
I believe already

28 June, 1982

Very yours

and
Mr Fletcher.

From: George Foulkes, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

R26
Copied to: Mr. G. PPS
28/6.

24 June 1982

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

Dear Prime Minister

You will recall that we met in March of last year to discuss the proposed closure of the Falmers Patna factory, and after improvements in trading the redundancy notices were withdrawn.

I have now heard that Falmers have issued 140 redundancy notices and are once more planning to close the Patna factory.

As I said to you when we met, this will be absolutely disastrous in an area of already high unemployment and is apparently due to a downturn in the home market, which would seem to contradict the assertions that you and others have made that the recession is at an end.

As you will be aware, I am deeply concerned at this latest development and have asked to see Alan Landau next week.

Since you kindly took an interest in this matter last time, since the Headquarters of the Company are in your constituency and you have paid a visit to the Cumnock factory, I would be grateful if I could meet with you to discuss this matter to see if there is anything that can be done to help the Company to maintain these jobs.

I look forward to hearing from you.

Yours sincerely,

George Foulkes