

cc Master



10 DOWNING STREET

From the Private Secretary

14 July 1982

George Foulkes, M.P.

The Prime Minister met George Foulkes at 1700 hours yesterday, 13 July. Mr. Alex Fletcher was present.

Mr. Foulkes said that from his earlier discussions with the Prime Minister and with the Chairman of Falmers Jeans, he had got the impression that the company were over their difficulties. He had seen the Prime Minister's visit to the Cumnock factory as an indication of her belief in the company's future. However, Mr. Landau had now told him that the company were in greater difficulties than they were a year ago. He was annoyed that Mr. Landau had given no earlier warning of the situation. The company had announced 140 redundancies in an area where unemployment was running at 18.5%. They had quite rightly organised these redundancies on a "last in, first out" basis, but this meant that most of those made redundant would be young girls. There would be redundancies in both the Patna and Cumnock factories. Those of the Patna workforce who would still be employed would be bussed to Cumnock in future.

Mr. Foulkes acknowledged that Falmers were doing very well in exporting to Europe, but he said that he had two main concerns about the company's future:

- (a) Despite the Prime Minister's optimism about the economy, he saw no end to the recession. If anything, he felt the slump would get worse, and the UK market for jeans was already very depressed. He acknowledged that Levis were still employing over 1,000 people, but he understood that 500 of these would shortly be put on short-time working.
- (b) Although people in this country were still buying jeans, they were increasingly turning to imports from the Far East, and Hong Kong in particular. The Multi Fibre Arrangement had provided little protection; the UK was still taking the bulk of Hong Kong imports. Mr. Landau had said that he, and other jeans manufacturers, needed a cut of 10% in permitted imports to secure their future, and needed it urgently.

/ The Prime Minister

The Prime Minister said that she recognised the problems facing the company. Their market varied with the whims of fashion. But she had been impressed by Mr. Landau's plans to diversify, and to introduce new technology. As far as imports from the Far East were concerned, the Prime Minister said that she could assure Mr. Foulkes that the Government was doing all it could to ensure that the European Commission fulfilled its mandate to negotiate a more restrictive regime as part of the extension to 1986 of the MFA. She understood that cuts of 10-12% were to be negotiated in the quota for trouser imports from major Far East suppliers and she hoped that this would be of some comfort to Mr. Landau. She said that she would check whether the 10-12% cuts to be negotiated were cuts in the overall quota for Europe, or whether this figure referred to cuts in the UK quota. In her view, a 10-12% cut in the UK quota was desirable.

Mr. Foulkes then raised two other points:

(a) Mr. Landau had told him that he foresaw no upturn in the market for 18 months, and that he therefore had no plans to introduce short-time working, and to claim compensation under the Short-time Working Compensation Scheme. Mr. Foulkes wondered whether this assessment was really correct, and asked whether he should specifically encourage Mr. Landau to introduce short-time working. The Prime Minister said she felt that this must be a decision for Mr. Landau and his management.

(b) Mr. Foulkes pointed out that Falmers held their Patna factory on a long lease from the SDA, who were not willing to release the company from this contract. The company therefore needed urgently to find a tenant for the factory. Mr. Landau had said that he would use commercial agents to help him in this task. Mr. Foulkes expressed the hope that an electronics company could be found to take the lease, since two other electronics companies, Digital and Prestwick Circuits, were also established in the area.

Finally, it was agreed that it would be useful if Mr. Fletcher could meet Mr. Landau to discuss the problems facing his company, and whether Government assistance for investment or innovation might be of assistance.

The Prime Minister will wish to write to Mr. Foulkes setting out precisely what cuts are to be negotiated in the quota for trouser imports from the Far East and explaining which quota these cuts will apply to (e.g. the "UK quota" or the "EC quota").

BEI I should be grateful if Nicholas McInnes (Peter Rees' office) to whom I am copying this letter, could let me have a suitable draft as soon as possible.

W. F. S. RICKETT