

SUBJECT



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## 10 DOWNING STREET

*From the Private Secretary*

10 November, 1983

Mr. Gordon Brown, M.P. saw the Prime Minister today to discuss the decision of Fisher Controls to close their factory at Cowdenbeath in his constituency. Your Minister was also present.

Mr. Brown said that he was opposed to closure of Fisher Controls on two grounds: first because Cowdenbeath already had 30 per cent unemployment and the closure of Fisher Controls would merely add to that already excessive figure; and second because the closure was short-sighted given the likely expansion in demand for valves due to North Sea operations. The proposed closure of the factory was entirely unrelated to industrial relations problems or wage levels. It was due to a misguided commercial judgement by the company together with the attractions of concentrating their operation in the Medway Enterprise Zone. They would have preferred to maintain two factories in the United Kingdom but the Scottish Office had been unable either to persuade them that there would be sufficient demand for their products or to underwrite future investment. He had produced several plans under which Fisher Controls might have stayed open at Cowdenbeath but none had been accepted. What was needed now was a new Government approach. For example to the parent company Monsanto which was beginning a world-wide investment plan to persuade them to change their minds.

Mr. Stewart said that Fisher Controls had already been offered an attractive package. For example approximately £1 million of regional selective assistance under Section 7 of the Industrial Development Act might have been available had Fisher Controls consolidated its operation at Cowdenbeath rather than in Kent. Moreover they had been offered a rent free period. The fact was however that the company had considerable excess capacity and it made economic sense for them to concentrate operations in the Medway where an increase of staff of only 27 per cent would be required rather than at Cowdenbeath where 128 per cent would be required. The Scottish Office had enquired of Fisher Controls

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what would be required to make them stay open at Cowdenbeath. The answer had been an annual operating subsidy of £500,000 for five years. Such a subsidy was impossible. The Prime Minister said that it was clear that considerable efforts had been made both by Mr. Brown and the Scottish Office to persuade Fisher Controls to retain their Cowdenbeath operation. Ultimately therefore this had to be a question for the commercial judgement of the company. In this context it made sense for them to move to the Medway where most of their workforce was already located. It was doubtful whether the designation of Medway as an enterprise zone had anything to do with their decision. What mattered now was to ensure that Fisher Controls continued to manufacture in the United Kingdom. Without the move to Medway it was possible that production would be shifted to the Continent and even more jobs lost. She recognised that this would cause enormous difficulty for Cowdenbeath but there seemed no alternative.

More generally Mr. Brown said that he was worried about the operation of the enterprise zones. He recognised that they were intended to help areas in which there was very high unemployment. There was however no regional dimension to the system. Thus although there were three enterprise zones in Scotland those in the South of England such as in Medway would inevitably prove more attractive with the consequence of a flow of companies away from Scotland. That was surely the opposite of the purpose of regional policy. He hoped that this point would be considered as part of the current review of regional policy. He hoped too that the particular difficulties of a town like Cowdenbeath would be considered. Regional policy was largely based on the concept of the Travel to Work Area. The Cowdenbeath Travel to Work Area had relatively low unemployment whereas the town of Cowdenbeath itself had very high unemployment. The Prime Minister said that she recognised the force of Mr. Brown's argument. Nevertheless it was a constant difficulty that when areas were designated for special assistance other areas complained. A particular example was that of the North of England whose representatives drew unfavourable comparisons with the amount of assistance given to Scotland. Moreover, the Medway towns had a particular claim for assistance given the closure of the Chatham Dockyard. The Government would be announcing its conclusions of its review of regional policy in the reasonably near future.

Timothy Flesher

A. Chisholm, Esq.,  
Scottish Office.

COMMERCIAL IN CONFIDENCE

BRIEF FOR THE PRIME MINISTER AND MR STEWART

MEETING WITH DR BROWN MP: THURSDAY, 10 NOVEMBER IN THE PRIME MINISTER'S ROOM  
AT THE HOUSE OF COMMONS

1 The meeting was requested by Dr Gordon Brown MP to discuss the decision by Fisher Controls to close their factory at Cowdenbeath in Fife.

2 Fisher Controls Ltd (FC) is a wholly owned subsidiary of Fisher Controls International (FCI) and in turn of Monsanto. The decision to close the Cowdenbeath plant was taken because of falling markets and excess capacity, not only in the UK, but in the whole of the Fisher European operation, which is managed from the UK under guidance from the Parent Company in the United States. It became known to officials of the Scottish Office in the Spring of this year that the company were seriously considering consolidating their manufacturing operations either at the existing factory in Cowdenbeath in Fife or in two adjacent, empty factories at Strood in the Medway Enterprise Zone, near their other, existing, larger factory at Rochester, the lease of which expires at the end of 1984.

3 The Scottish Office and the Scottish Development Agency then informed the company in writing that approximately £1 million of Regional Selective Assistance in the form of grant aid under Section 7 of the Industrial Development Act 1982 might be available towards the cost of carrying out the consolidation at Cowdenbeath. Notwithstanding this, the company decided to proceed with the closure of Cowdenbeath, primarily because an increase of staff of only 27% would be required in the Medway compared with an increase of 128% at Cowdenbeath. This decision aroused considerable opposition in the Fife area and Mr Stewart intervened personally with UK management and management of the Parent Company in the United States. However, on 7 September Fisher Controls announced their decision to close the Cowdenbeath factory and move to the Medway Enterprise Zone.

L.R.

4 Subsequently, at a meeting on 30 September with Mr Stewart, the Convener of Fife Region and representatives of the workforce, Dr Brown suggested that, following a meeting he had had with Fisher UK and Europe management on Tuesday, 27 September, three other options might be considered which would maintain a manufacturing presence at Cowdenbeath, while the main consolidation took place in the Medway Enterprise Zone. Mr Stewart agreed that he would consider detailed proposals for these three options when they were submitted to the company and to the Scottish Office. Nevertheless, he emphasised that he saw no grounds for any optimism that the decision to close Cowdenbeath might be reversed. Since then while Dr Brown has not produced details of these proposals to the company the Scottish Office have received them from Fife Regional Council. Details of the three options are attached. Scottish Officials and the management of the company have concluded they are not viable. The two options requiring a continuing Fishers presence at Cowdenbeath would mean an annual operating subsidy of £0.5m plus from Central Government. The third option required a sub-licensing arrangement by Teledyne through Fishers of the Farris Valve production to a third party and this Teledyne have refused to countenance. None of the three options is, therefore, practicable.

5 The withdrawal by Rochester Council from a sale and lease back arrangement on favourable terms for the premises at Strood and disappointing orders in the last three months, which led the company to revise future sales downwards, reinforced Fishers' resolve to seek assistance from the Department of Industry under Section 8 of the Industrial Development Act 1982. This would help them establish the case with the European Board and Parent Company for retaining manufacturing capacity in the UK. The fear was that, without assistance, which has been the subject of general discussion for some time, consolidation in the Medway Enterprise Zone might be restricted merely to assembly and not manufacturing operations. This would have meant a further reduction in UK jobs from 580 to 110. There was a possibility the company would decide to retain some manufacturing together with assembly, but the industrial logic of such a move is not strong.

B. R.

6 Following the recent intervention of Dr Brown and representatives of Fife Region with the Parent Company in the United States, the Parent Company sent a Product Line Management Team from the US to investigate Fisher's European operation in their main business, control valves and regulators. The investigation increased the concern of the UK management of FC and the DTI that the US Parent might well decide to cease manufacturing, if not assembling, in the UK and concentrate it in existing excess capacity in its factories at Cernay, France, and the US, where half the production capacity is lying unused. This was a serious threat and remains so until FC formally accept the conditions tied to Section 8 Assistance from the DTI, particularly as the investigation by Fishers UK has established that the French factory could not, under French law, be closed in less than 2 years and only then with French Government approval. The most recent discussions between the Department of Industry and Fisher UK indicate that the American Parent will support retention of a full UK manufacturing operation, including certification facilities for Farris Safety Relief Valves, provided financial assistance, in the form of a Section 8 grant of £250,000 is offered for the Medway Project. Department of Trade and Industry officials are persuaded of the need for this and an indicative offer of grant has just been accepted. The Industrial Development Advisory Board is likely to recommend to DTI Ministers that formal offer of this grant should be made. However, the deal cannot yet be regarded as clinched.

#### SUGGESTED LINE TO BE TAKEN

7 Officials of Department of Trade and Industry and the Scottish Office believe that there is a real risk that Fisher Controls will cease to manufacture in the UK. The only prospect for retaining manufacturing involves consolidation in the Medway. Adverse factors were already clear before FC decided to close Cowdenbeath. The situation facing FC has become worse since. In the circumstances it is suggested that:-

(1) Dr Brown is told that officials have ascertained from FC's UK Managing Director, Mr Parkings, that the company do not consider the two options involving their continued presence at Cowdenbeath are practicable without an annual subsidy of £0.5 million plus, that this is not acceptable to the Government on grounds of principle and practicality; that the third option

involving a third party operating under sub-licence from Teledyne through Fisher's carrying on production of Farris Valves is unacceptable to Teledyne; that the workforce and the Trade Unions have concluded an agreement on the terms and conditions of redundancy and closure; and that in all of these circumstances there is now no prospect of retaining any form of the existing operation at Cowdenbeath.

(2) The point is made to Dr Brown that the company is deeply concerned that the US Parent has been considering moving some, if not all, of the UK manufacturing capacity to France or the United States, where half the Parent's manufacturing capacity is unused. Continued agitation over the Cowdenbeath closure could be positively harmful in these circumstances.

(3) It, therefore, would be helpful if Dr Brown could now recognise that the campaign to save Cowdenbeath cannot succeed, and that any further representation can only increase the likelihood that Fisher Controls will withdraw all manufacturing, as opposed to assembly, operations from the UK, with the loss of nearly 500 further jobs. It is now the Government's wish that all efforts should be directed to ensuring this does not happen.

(4) Officials of the Industry Department for Scotland and the Locate in Scotland office are in touch with officials of Fife Region in order to determine how best to attract new manufacturing investment into the Cowdenbeath facility.

To be used only if the question of government assistance at Strodd is raised by Dr Brown:

(5) We are prepared to consider the use of Industrial Development Act assistance in such circumstances, especially if it is the only way of retaining Fisher's manufacturing activities in the UK. No decisions have been taken, but the amounts required would be considerably smaller than at Cowdenbeath. We would have preferred Fisher Controls to have continued operations in Scotland and the South East of England. Sadly that is no longer a realistic aim. We appreciate the circumstances around Cowdenbeath. Unemployment around the Medway is also high and rising, particularly because of the naval cuts we have been obliged to seek.



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10 DOWNING STREET

*From the Private Secretary*

10 October, 1983

I am writing to confirm that we have arranged a meeting with Mr. Gordon Brown, M.P.\* to discuss Fisher Controls on Thursday, 27 October at 4 pm in the Prime Minister's Office at the House of Commons.

I should be grateful if Mr. Stewart could attend this meeting, and if you could arrange for the Prime Minister to have a brief to reach us by Friday, 21 October.

DB

Ms J.E. Morgan,  
Scottish Office

\* tel: 031-447-7726.



10 DOWNING STREET

MR. ALISON

As discussed, I have arranged a meeting between the Prime Minister and Mr. Gordon Brown, MP to discuss Fisher Controls, on 27 October at 4 pm at the House of Commons. I have invited Mr. Allan Stewart, and the Scottish Office will be providing a brief.

DB

10 October, 1983



MJ

cc MA

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16 September 1983

You wrote to the Prime Minister on 11 September requesting a meeting to discuss the future of Fisher Controls.

BU | Mrs. Thatcher has agreed to meet you and I should be grateful if you would ring our office so that we can arrange a date.

M. C. SCHOLAN

Gordon Brown, Esq., M.P.

no 930 4433



10 DOWNING STREET

PRIME MINISTER

Attached is a letter from  
Gordon Brown, M.P. for  
Dunfermline, asking if you  
would meet him to discuss  
the future of a company  
closing a factory in his  
constituency.

Agree?

Yes

TJ. ms

TIM FLESHER

13 September, 1983