

SUBJECT



cc. Market set

10 DOWNING STREET

From the Private Secretary

7 January, 1982.

Dear Mami

J & P Coats, Paisley

Thank you for the additional briefing provided yesterday for the Prime Minister's meeting with Mr. Allen Adams, M.P. As you know, this took place this afternoon, and Mr. Alex Fletcher attended.

Mr. Adams reminded the Prime Minister of Paisley's traditions as perhaps the major textile centre in Great Britain. The industry had in 1946 employed 16,000 people in the mills and a further 4,000 in finishing, but the numbers had now fallen to 2,500. Shortly before Christmas, Coats' Managing Director had told him that the Ferguslie plant would be closed, to allow the company to concentrate production and further investment at the Anchor mill. The Managing Director envisaged the loss of 1,000 jobs in 18 months to 2 years.

Mr. Adams acknowledged that it was pointless to argue for the retention of the Ferguslie mill. He looked for help in 2 ways. First, he hoped that the Scottish Office would do everything possible to expedite the release of Government finance available to the company, so as to ensure that the remaining 1,500 jobs could be retained. Secondly, he asked that Ministers should look at the possibility of finding just a little more money, in the hope that the number of redundancies could be minimised. The Managing Director had seemed to believe that most of the job savings could be found through natural wastage, but Mr. Adams believed that around 500 would involve redundancies. Much of the workforce was female. There were many women in the 50-60 age group, who would be ready to take redundancy, but there were also quite a number of much younger women who would have no alternative job prospects. If it were possible to save another 200-300 jobs, thus preserving work for these younger women, this would be of great value to the community. The Prime Minister emphasised that Government finance would be tied to investment, and the optimum size of the labour force in the modernised mill must be a matter for the company's commercial judgement. At the end of the present period of economic difficulty, the Government looked to see healthy and competitive industry, and deliberate overmanning would undermine this. She nevertheless recognised Mr. Adams' concerns. Mr. Adams said that the Managing Director had reported enormous differentials between the production costs in Paisley and in developing countries:

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the Philippines had now superseded Hong Kong and Korea as the cheapest competitor. This raised the question of European Community protection for the textile industry. The Prime Minister explained that the UK was pressing for a strong new multi-fibre arrangement to succeed the expiring one.

Mr. Fletcher said that Coats would qualify for assistance with their new investment under the Special Development Area arrangements. There was also a possibility of Selective Financial Assistance. Mr. Adams had reported that the company Managing Director seemed uncertain of his entitlements, or how to apply for them. He would be ready to see the Managing Director to explore the position. He would be in touch with him shortly to arrange a meeting.

The Prime Minister said that she would be content for Mr. Adams to tell the Press that, following his meeting with the Prime Minister, Mr. Fletcher would be seeing the company Managing Director to clarify the possibilities for financial assistance.

Mr. Fletcher's office will no doubt be making contact with the Coats Managing Director shortly. I believe that Mr. Adams passed the name to Mr. Fletcher. I should be grateful if we could have copies of any follow-up correspondence between Mr. Fletcher and Mr. Adams.

I am sending a copy of this letter to Mr. Stephenson (Mr. Fletcher's Office).

Yours ever

Mike Pittson

A. Muir Russell, Esq.,
Scottish Office.