

SUBJECT



PM HS
cc Master

10 DOWNING STREET

From the Private Secretary

8 February 1983

Dear Minister

Thank you for your letter to Michael Scholar of 7 February and for the briefing for the Prime Minister's meeting with Mr. Gordon Wilson, M.P. about Timex Dundee. This meeting took place at 1545 this afternoon. Mr. Ernie Ross, M.P. and Mr. Alex Fletcher, M.P. were also present.

Mr. Wilson said that his concern was that the run down of watch making in the Dundee plant would mean that no Timex product was manufactured there. He felt this would leave the plant dangerously exposed to the fortunes of the contract engineering industry. He also felt that it would eliminate Timex's commitment to the plant. He was pleased to see reports in the Financial Times that the European Commission were examining the assistance offered by the French Government to Mr. Olsen, and hoped that this aid would be frozen until the results of that investigation had been completed. He hoped that this would persuade Mr. Olsen to keep some watch making at Dundee. 1,300 employees had already voluntarily accepted redundancy, but a further 600 jobs were at risk. If watch making at Dundee ceased, that would be the end of watch production in the United Kingdom, which would be tragic at a time when 15 million watches were already being imported into the country each year.

Mr. Ross said that the Dundee plant was involved in some assembly work and case making for Quartz watches, as well as conventional watch making. The Company's corporate schedule had envisaged the manufacture of 600,000 watch cases in Dundee to the end of 1983. The threat was that this work would now go to France, America and Mexico, leaving some of the workers redundant at least until work on new products could begin. The workforce had put a plan to Mr. Olsen which included proposals for retraining, and even some investment in a new factory since the existing plant dated from 1947. He hoped that the Government would be willing to make assistance available to implement this plan; it would show the Government's commitment to Dundee, and to developing a high technology park in the City. This rescue plan would save the 500 or so workers still facing redundancy. He acknowledged that Dundee had a reputation for bad industrial relations, but a study of 71 employers in the City by Arthur Young Management Services had shown that wages there were one-third lower than the national average, and that industrial relations were good. The workforce at Timex had been encouraged by their

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meeting with Mr. Olsen. They had not yet resorted to confrontation. But they were determined, and were worried by confidential documents in their possession which revealed that Mr. Olsen took the view that the Dundee plant would not remain in the main stream of Timex's activities if watch making in the City ceased. This work was therefore crucial to the plant's future.

After a short discussion, the Prime Minister agreed that Mr. Fletcher would check on the latest position taken by the European Commission and how this might affect Mr. Olsen's decisions on the future of the Dundee plant. He should also explore further Mr. Olsen's reaction to the plan that had been put to him by the work-force. She recognised Mr. Wilson's and Mr. Ross's concern that the cessation of watch making at the plant might weaken Timex's commitment to its future.

After the meeting, the Prime Minister said that she would like to write to Mr. Olsen explaining the Government's position on assistance, and expressing her concern that decisions on the future of the Dundee plant should not be rushed. I should be grateful if you could provide a suitable draft as soon as possible.

I think the Prime Minister will also wish to write to Mr. Wilson and Mr. Ross reporting on the outcome of Mr. Fletcher's investigations, and I should be grateful for a suitable draft letter in due course.

Yours ever

William Rickett

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Scottish Office.