



10 DOWNING STREET

THE PRIME MINISTER

16 February 1983

Mr. M. Olsen,

I am writing to you personally about the future of the Timex operation at Dundee because I believe that this is a case of great importance to the UK economy.

Until a few months ago we regularly pointed to Timex in Dundee as a model example of a company which, faced with the common problem of a declining market for its products, embarked upon a radical programme of diversification into new, high technology products. We were proud that the Government had been able to help your company put this programme into operation.

You can imagine therefore the concern when, in addition to the 1,200 redundancies announced as a result of phasing out the manufacture of traditional mechanical watches in Dundee, the 3-D camera contract was terminated mutually by Timex and Nimslo, with the loss of 700 jobs. While the scale of redundancies on the watch side was clearly very severe, the loss of Nimslo was a serious blow to Dundee's reputation.

I believe that a good deal of this damage has been repaired by the satisfaction with Timex performance expressed publicly by major customers such as Sinclair and IBM, and by the assurances which you were able to provide when you met George Younger and Alex Fletcher recently about the future development of the business, particularly on the electronics side. But the workforce, as you know, are concerned that the loss of watch making at Dundee may put the entire future of the plant in jeopardy. I know that they have submitted proposals

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to you which argue for the retention and expansion of watch making, along with the development of other areas of the Timex (Dundee) business.

I understand that the company's decisions on the watch making side result from the decline in the world market for mechanical watches. But I want to assure you that the steps which you are currently taking to secure the electronics business, together with any further moves which you might be considering to establish a platform for future growth in Dundee, will have our full support.

I was pleased to learn that your management team in Dundee is currently discussing with Scottish Office officials scope for assistance for a substantial programme of investment and retraining primarily related to the Sinclair sub-contract work. I know that you and local management in Dundee are anxious to develop and produce more own-brand high technology products in the health care field as well as electronics. I would find it extremely encouraging for the future of the electronics industry in the UK (and for Timex in Dundee) if you decided to locate additional research and development functions in Dundee, in support of the manufacturing operation.

I think it would be most helpful if Alex Fletcher were to meet you again in the near future to discuss developments along these lines, and wider questions such as the role of Timex and Sinclair in the development of Dundee as a major centre for technological innovation and expertise. I appreciate that this is a difficult and challenging time for the Timex Corporation. It is, of course, also a very anxious time for the Timex workforce and for many other people in Dundee. I very much hope that the outcome of your discussions will offer hope to the people of Dundee as well as success to the Timex Corporation.

Yours sincerely

T.F. Olsen, Esq.,

Margaret Thatcher



(A)

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

February 1983

Dear Mike,

TIMEX

I refer to our discussion earlier today and, as requested, attach a re-draft of a letter from the Prime Minister to Mr Fred Olsen.

You said you did not think the Prime Minister would wish to raise in her letter the question of additional functions (research and development, sales and marketing) being placed in Dundee in support of the manufacturing operation. We firmly believe however that it would be quite reasonable for the Prime Minister to register this point since this is likely to be the key to the future autonomy and growth of the plant, and since it chimes with discussions currently taking place within the company.

Local management in Dundee are actively considering both with Mr Olsen and the main Timex Board in Connecticut the future deployment of research and development and sales and marketing within the Group. Mr Olsen is known to be sympathetic to the development of Timex own-brand products on the consumer electronics side, compatible with the Sinclair range (such products might include computer peripherals, printers, disc drives, modems and video games). In addition he is also considering the possibility of identifying Dundee as the centre for product development, investment, market development and distribution for a family of health care products, building on the range of electronic thermometers, blood-pressure gauges, and weigh scales already test-marketed in the Far East within the Timex Group. Timex has also approached Clive Sinclair with a view to encouraging him to establish a research and development facility in the Technology Park at Dundee.

We believe that the Prime Minister's intervention could provide additional momentum to these proposals, and it seems to us that Mr Olsen (to judge by experience in France and Portugal) can be influenced by approaches from the highest level in Government.

You said the Prime Minister considered seriously the suggestion that she meet Mr Olsen but had decided against given the possibility of raising false expectations in Dundee. We think however it would be worthwhile for her to suggest that these proposals might be taken forward in another meeting with Mr Fletcher.

Yours sincerely

John Wilson

JOHN S WILSON
Private Secretary

*Pl type for PM
MCS.*

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DRAFT FOR PRIME MINISTER

T F Olsen Esq
Fred Olsen & Co
Blackfriars House
19 New Bridge Street
LONDON
EC4 6DV

I am writing to you personally about the future of the Timex operation at Dundee because I believe that this is a case of great importance to the UK economy.

Until a few months ago we regularly pointed to Timex in Dundee as a model example of a company which, faced with the common problem of a declining market for its products, embarked upon a radical programme of diversification into new, high technology products. We were proud that Government had been able to help your company put this programme into operation.

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I believe that a good deal of this damage has been repaired by the satisfaction with Timex performance expressed publicly by major customers such as Sinclair and IBM, and by the assurances which you were able to provide when you met George Younger and Alex Fletcher recently about the future development of the business, particularly on the electronics side. But the Unions, as you know, are concerned that the loss

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of watch making at Dundee may put the entire future of the plant in jeopardy. I know that they have submitted proposals to you which argue for the retention and expansion of watch making, along with the development of other areas of the Timex (Dundee) business.

I understand that the company's decisions on the watch making side result from the decline in the world market for mechanical watches. But I want to assure you that the steps which you are currently taking to secure the electronics business, together with any further moves which you might be considering to establish a platform for future growth in Dundee, will have our full support.

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I think it would be most helpful if Alex Fletcher were to meet you again in the near future to discuss developments along these lines, and wider questions such as the role of Timex and Sinclair in the development of Dundee as a major centre for technological innovation and expertise.

I appreciate that this is a difficult and challenging time for the Timex Corporation. I very much hope that we can continue to assist your chosen strategy of rapid diversification into electronics.

15 JAN 1963



DRAFT FOR PRIME MINISTER

T F Olsen Esq
Fred Olsen & Company
Blackfriars House
19 New Bridge Street
LONDON
EC4 6DV

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I am writing to you personally about the future of the Timex operation at Dundee because I believe this is a case of outstanding importance to the UK economy. *(condensable)*

Until a few months ago we regularly pointed to Timex in Dundee as a model example of a company which, faced with the common problem of a declining market for its products, embarked upon a radical programme of diversification into new, high technology products. We were proud that Government had been able to help your company put this programme into operation.

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I believe that a good deal of this damage has been repaired by the satisfaction with Timex performance expressed publicly by major customers such as Sinclair and IBM, and by the assurances which you were able to provide when you met George Younger and Alex Fletcher last week about the future development of the business, particularly on the electronics side. But the Unions, ^{workforce} as you know, are concerned that the loss of watchmaking at Dundee may put the entire future of the plant in jeopardy. I know that ^{the unions} they have submitted proposals to you which argue for the retention and expansion of watchmaking, along with the development of other areas of the Timex (Dundee) business.

I have two points that I particularly want to press with you. First I think it essential that everything possible should be done to secure on a competitive basis the future of Timex in Dundee and the jobs of the 2,300 employees who will remain once the 1,900 redundancies have taken effect. In this connection I think it is very good news that your management team in Dundee is currently discussing with Scottish Office officials scope for assistance for a substantial programme of investment and retraining primarily related to the Sinclair subcontract work. I very much hope that the main Timex Board will approve this programme, and that it can be implemented as soon as possible, thereby giving your customers and the local community much greater confidence in the future.

The second, related point concerns the establishment of a much expanded research and development facility in Timex (Dundee). I know that you and local management in Dundee are anxious to develop and produce more own-brand high technology products in the field of consumer electronics and health care. It may be that, as far as watch manufacture is concerned, Dundee has been very much a branch factory, concentrating on the declining mechanical product, while other Timex plants develop and manufacture the more advanced quartz and digital watches. ^{It would be} I want ^{a great pity if} ^{were to become} at all cost to avoid Dundee becoming a branch factory of Timex on the electronics side, when Dundee has established a clear lead in the manufacture of computers and related products, and the flat television tube. I ask you therefore to give consideration to establishing Dundee now as the flag ship of the Timex electronics business, and to do this by giving Dundee key responsibility world-wide for research and development in this field. I believe that such a decision would clearly demonstrate the commitment of the company to Dundee, and would reinforce your chosen strategy of diversifying into electronics.

I leave Alex Fletcher to pursue with you developments which may be just a little further away, such as the major expansion in flat tube production, and wider questions such as the role of Timex and Sinclair in the development of Dundee as a major centre for technological innovation and expertise. ^{gland} I would however, be pleased to have an opportunity to meet you to discuss these matters next time you are in London. ⁷

DRAFT FOR MR FLETCHER

T F Olsen Esq
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Following our very helpful meeting last week, George Younger and I met representatives of the Timex employees (together with local MPs) on 3 February.

The unions presented us with a document which they had already put forward to you, "The Future for Timex, Dundee". We promised to contact you to establish whether the company saw the proposals as a basis for putting forward a viable investment programme against which we might provide assistance.

As you know, the unions' paper argues for the retention of watch manufacturing. You have, of course, already explained to us your view first that the 1,900 redundancies already announced must stand, and secondly that the electronics side of the business provides the best prospect for investment and expansion at Dundee. There are, however, a number of themes in the unions' paper (the prospect for investment and expansion provided by the Sinclair and IBM electronics business; the desirability of Timex developing own-brand products, and the importance of research and development and training) which seem to us to reflect broadly similar objectives to those of local management.

There is, for example, some common ground between these elements in the proposals and the substantial investment programme which Barry Lawson and David Dolan are currently discussing with my officials. I am delighted at the progress made in these discussions towards securing a programme aimed at re-arranging

and re-equipping the Sinclair computer facility at Camperdown, re-training and investing for the introduction of Micro-drive and Microvision, and expanding the R & D capability at Dundee which may well be the key to future growth.

We are anxious to ensure that this project really does secure the 2,300 jobs which will remain once the 1,900 redundancies have taken effect. We will be looking to see, for example, that the re-training programme provides the workforce with the skills which they will need to play a vital role in the development of Timex electronics business over many years. We will also be trying to persuade you to undertake fixed investment at this stage in research and development facilities; you can come to us later for support for the ongoing costs of developing particular new products or processes. I know of Timex's efforts to interest Sinclair in a research and development facility in the Technology Park, and also of your interest in developing Timex's own products, particularly in the health-care field where there is expertise in the university and the hospital at Dundee.

I am grateful to you for making contact with the Dundee Management Team so soon after we met last week, and I hope that their plans will swiftly be brought to fruition. They will provide clear evidence of Timex's commitment to Dundee, which will in turn provide a great boost for the confidence both of customers and of the local community.

I would like to emphasise that we were most grateful for the openness with which you and Jim Davidson provided us with information about the financial package offered Besancon. Our request to the Commission to investigate the offer was prompted solely by the need to establish once and for all - and in the face of a great deal of public concern and comment - that, as you were advised, the incentives provided were in accordance with European Community regulations. Needless to say, for our part, we remain committed to providing substantial assistance ourselves where it is required to encourage you to bring forward viable investment proposals.

I very much enjoyed our evening in the House, and the wider discussion we had there about the likely turn of events in the longer term. I would like to keep in touch with you about the prospect of a major expansion on the CRT, and about the potential in Tayside for providing the right education support for a highly technological society, dependent for much of its employment and prosperity on information technology.

ppm: Wilson v P. Tennesse

10 FEB 1983



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10 DOWNING STREET

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Prime Minister

Timex

See Alex Fletcher's minute (flag A).

This is quite an interventionist
letter, but I cannot see that
you have much to lose.

Please note that Alex Fletcher is
suggesting - and the draft incorporates
the suggestion - you meet Mr
Olsen.

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SCOTTISH OFFICE
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PRIME MINISTER

10 February 1983

TIMEX

Following our meeting with Gordon Wilson and Ernie Ross it was agreed that you would write to Fred Olsen, owner of Timex and Chairman of the Board, and that I would investigate whether the company's investment plans for Dundee were likely to change in the light of either the unions' proposals presented last week, or the European Commission's decision to investigate the French Government's offer of assistance to the Fralsen Company at Beasoncon in France.

We very much appreciate your intervention in a case which we regard as vital, not so much because of the effect on watchmaking, but because of the need to ensure that electronics business is not lost to the UK. This is particularly important in respect of the involvement of Mr Clive Sinclair.

I believe that it would be mistaken for your approach to Mr Olsen to concentrate on the retention of watch manufacture, and the level of French Government assistance to Fralsen. In the first place, I believe that the company's decision to phase out mechanical watch manufacture is final, and that there is no possibility of reducing the number of planned redundancies below 1900. In any case something like 1500 voluntary redundancies have already been accepted. While the unions claim that it is necessary to continue watchmaking in order to preserve relevant skills at Dundee for the next generation of mini-microcomputers (a wrist instrument with radio/telephone and computing functions for which Mr Olsen sees vast market potential long term), the management maintains that the skills required for typical electronics assembly work are very different (and significantly lower paid). At yesterday's meeting between Dundee management and employees to discuss the unions' proposals (which is

not expected to be the final meeting on the subject), the management concluded that proposals to retain watchmaking were not viable. On the other hand some of the proposals, generalised though they may be, achieve common ground with management on the need to develop the electronics side of the business, and to expand research and development and training provision.

Similarly, although we were clearly right to ask the European Commission to establish the facts of the matter, and so ensure that French Government support for Fralsen is within regional aid ceilings, a decision by the European Commission that the French offer contravenes European Community rules would be unlikely to yield positive advantage to Dundee.

We believe that the most important objectives are to secure the viability of the rest of the Timex operation (which will employ 2,300 people once the 1,900 redundancies have taken effect), and to establish the framework for potential major expansion in the future.

On the first issue, officials are currently discussing detailed proposals for investment and retraining, predominantly in the Sinclair sub-contracting business. In addition local Dundee management would like to secure more research and development for Dundee and believe that Mr Olsen may support them in competition against the company's HQ at Waterbury, Connecticut, to obtain a transfer of research and development work from the Timex laboratory at Cupertino in the US.

Securing significant expansion of research and development may be just what is required to elevate Timex (Dundee) from the lowly branch factory status it has enjoyed on the watch side to a lead location within the corporation for electronic development.

In this way a major research and development facility might provide the basis for achieving the second objective of securing the framework for major expansion. Much of this is already in place, given that Dundee enjoys a combination of Special Development Area and Enterprise Zone status, together with additional substantial provision for a Technology Park. Within Timex itself, major expansion is most likely to take the form of a quantum leap in production of the cathode ray tube, which - if

Performance in mass producing the first runs is satisfactory, and if market potential is as great as Mr Sinclair himself anticipates - could provide another 1,000 jobs. Understandably the company wishes to get through the present crisis before contemplating so major an expansion programme.

I attach a draft letter for you to send to Mr Olsen, and a copy of the draft which I intend to send. In view of the importance of this matter I suggest that if it might be appropriate for you to meet Mr Olsen for discussions when he is next in London. The draft letter to Mr Olsen includes an optional passage which proposes such a meeting in the event that you can accommodate it in your programme.

I am copying this minute to Kenneth Baker.



ALEX FLETCHER