

cc Mrs ZM

6/10



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Willie

Michael Scholar Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

12 April 1983

*Ben Acker*

TIMEX

As promised I enclose a background note and notes for supplementaries for the Prime Minister's use this afternoon. I fear there is a little more material than we would normally provide, but the issues involved are rather complex and a good deal has been happening.

*A Muir Russell*

A MUIR RUSSELL  
Private Secretary

12.4.83/19/4

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BRIEF FOR PRIME MINISTERS QUESTIONS  
12 APRIL 1983

TIMEX

Background Note

1. The Prime Minister is familiar with the position at Timex, Dundee immediately following the announcement in January this year of 700 redundancies as a result of the withdrawal of Nimslo camera production to Japan, and a further 1,200 redundancies as a result of a run-down in mechanical watch manufacture in response to falling demand world-wide. The Prime Minister met with representatives of the employees on 28 January and local MPs on 8 February. In addition, she has written to Mr Fred Olsen, owner of Timex and Chairman of the Board, to recommend that commitment of additional investment and research and development to Dundee.

The French Connection

2. From the beginning the unions have alleged that the Company planned to transfer watch production to the Fralsen company at Besançon in France because of massive subsidies offered by the French Government. The Company maintained (at a meeting between Mr Olsen and the Secretary of State) that no production had been transferred to France from Dundee, and openly stated that the French Government's assistance package amounted to £12 million (approx) in grant and £33 million in loans. Fralsen had been assured that the French offer was in accordance with EEC rules. Nevertheless, the Government was concerned that the legality of the French offer should be established, and accordingly the European Commission was asked to look into the matter. The Commission has received an initial response from the French Government, is not yet satisfied that the offer was within EEC regional aid ceilings, and has asked for more information. We think it unlikely, however, that the Commission will establish beyond doubt that rules were broken and we are convinced that, even with a "guilty" verdict, no material benefit to Dundee would result in terms of extra jobs or investment.

3. At a meeting between the Secretary of State and Mr Fletcher and local MPs, Mr Ernie Ross presented a pack of material, provided by the Timex employees' representatives, which purports to show that, despite the Company's assertions, work has been transferred to France. This material has been given to the Press, amid allegations that Timex management deliberately misled the Prime Minister and Scottish Office Ministers. The Company's preliminary response is to stand by its original contention that the run-down in watchmaking at Dundee results from an absolute decline in the world market, rather than a transfer of work to Besançon. However, in the course of a major rationalisation we cannot rule out the possibility of limited plant and product relocation, although the Company maintains that the effect on Dundee has been minimal. Once we have a formal response from the Company, the Secretary of State will reply to Mr Ross, although he has made it clear that he cannot act as arbitrator in the matter.



## Industrial Relations

4. Of the 1,900 redundancies originally announced, 1,700 have been secured voluntarily. The remaining 200 employees will be made redundant on 20 April following expiry of their statutory 90 day period of notice. The union's response to these "compulsory" redundancies, supported by the Labour Party in Scotland, has been to sit in at the Milton of Craigie plant. They have already given assurances that the two other Dundee plants, Camperdown and Block 5 (where the vital subcontract work for IBM (VDUs and substrates) and Sinclair (computers and printers) is undertaken), will not be affected by any industrial action in the course of this dispute. The perhaps still more crucial Sinclair flat television tube pilot production line is, however, in a discrete building which is part of the Milton of Craigie complex and that is currently affected by the sit-in. As the factory is in any case on holiday this week and no production is being lost, the company is taking no action pending the expiry of the 90 day redundancy notices on 20 April. Timex could stand a sit-in at the Milton watchmaking complex for some time - the unions have given assurances that the occupation will be peaceful - but significant delay in production of the cathode ray tube will not be tolerated. There must be a risk that a prolonged dispute will lead to the withdrawal of IBM and Sinclair work and ultimate closure. We believe that the company will have to face up to this problem very soon if its future is to be secured.

## Government action

5. Following detailed discussions with officials, the Company has put forward a programme of investment and retraining aimed at establishing the Timex operation as a first-class electronics facility on a par with other plants world-wide. This programme involving fixed capital spend of over £1.6 million and training costs of around £1.2 million will do much to safeguard many of the 2,300 jobs which will be left at Dundee once the 1,900 redundancies have taken effect and will receive substantial selective assistance from the Government provided the Company achieves the manning levels and working practices required to become viable. This offer is not yet public, but may be announced shortly by the Company as part of a move to convince employees both of Timex commitment to Dundee and of the need to secure comparable commitment from the workforce if the Company is to succeed.

Scottish Economic Planning Department  
12 April 1983



