



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Miss Caroline Stevens  
10 Downing Street  
LONDON

5 June 1981

*Dear Caroline*

I attach briefing notes for the Prime Minister's meeting on 9 June with George Foulkes MP about the proposed closure of A F Stoddard's Comnock factory. In addition to the specific problem of A F Stoddard, the note covers wider issues which may be raised by Mr Foulkes at the meeting.

Mr Alex Fletcher will also attend the meeting.

*Sincerely*

*Michael Ewart.*

MICHAEL EWART  
Private Secretary

THE PRIME MINISTER'S MEETING WITH MR GEORGE FOULKES MP ABOUT THE CLOSURE OF THE CUMNOCK PLANT OF A F STODDARD AND COMPANY LIMITED

1 The closure of the Cumnock plant with the loss of over 80 jobs was the result of the recent merger between Stoddard Holdings Limited and British Carpets (formerly a subsidiary of the Guthrie Corporation) in the light of recession of both the UK and world markets for woven and tufted carpets. The closure is part of a rationalisation programme being undertaken by the new Group. Details on the background to the merger and the rationalisation programme are at Annex A. Job losses in other plants in the new Group will be over 300.

2 A F Stoddard and Company Limited is the main manufacturing subsidiary of Stoddard Holdings Limited. The Stoddard Group's main production comprises good quality Axminster and Wilton carpets and the Group controls around 8% of the UK sales in this sector, which has been declining over the past few years. The company employs over 800 people at Elderslie in Renfrewshire. British Carpets plants are based at Glasgow and Cumnock and are a mixture of quality Axminster production and lower grade tufted carpets.

3 Assistance to the Carpet Industry in Scotland

Both Stoddard Holdings and British Carpets as well as BMK Kilmarnock have received substantial injections of public money over the last few years under the Industry Act towards expansion of production and/or re-equipping. Additionally the Guthrie Corporation negotiated the loan of £2m from the Scottish Development Agency for its investment programme to modernise plant and equipment in its British Carpet subsidiary.

4 Prior to acquisition of British carpets Stoddard Holdings had re-entered the tufted carpet sector through the acquisition and expansion of the tufted carpet manufacturing operations of John Lyle Carpets Limited at Cumbernauld (in receivership since 1975) along with consequential expansion of yarn spinning at the Group's Kilmarnock factory and administration and warehousing activities at Elderslie. An Interest Relief Grant of £198,000 under Section 7 of the Industry Act was offered towards this project.

TSTWCS

5 The company received assistance under the Temporary Short Time Working Compensation Scheme between May-December 1980 for a number of its factories but not in respect of the Cumnock plant.

6 Prior to the commencement of the rationalisation programme, A F Stoddard reduced its workforce at its Elderslie plant by 111 people in July 1980 due to reduced demand for the company's products and increased competition.

#### Imports of Nylon Fibre and Tufted Carpets from USA

7 The UK carpet industry as a whole has been badly affected by imports of nylon yarn and nylon yarn-based tufted carpets from the USA in recent years. The new US administration has deregulated oil prices and are urgently considering rapid deregulation of gas prices. At the same time, the recent strengthening of the dollar against the £ has reduced the competitive edge which US exports recently had. In December 1980 Ministers considered the possibility of unilateral action to restrain imports from the USA of certain sensitive textile products including carpets which concluded that it would not be justified particularly in view of the virtual certainty of US retaliation against UK exports on a number of fronts including high quality woollen textiles manufactured in the Borders. The existing quotas for 1980 negotiated through the EEC on nylon carpet yarns and polyester yarns proved to be ineffective and were not renewed for 1981.

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#### 8 Line to Take

The merger between Stoddards and British Carpets arose from substantial over-capacity in the industry coupled with a continuing decline in market demand for woven carpets. The subsequent rationalisation measures are a natural consequence of the situation exacerbated by continuing decline in demand, particularly for Axminster grades.

9 Failure to act promptly in these circumstances would be to risk a greater degree of contraction at a later date. It could even jeopardise the whole future of the new group which is currently fighting for survival. The level of capacity which can be realistically sustained in the immediate future and the manner in which this can best be provided are ultimately matters for the commercial judgement of the Group management.

10 The closure - while clearly justified on commercial grounds - is unfortunate since that it exacerbates the high level of unemployment in the Cumnock area. Cumnock, as a Special Development Area, benefits from the maximum rates of assistance under regional policy to attract incoming industry. Projects due to create over 200 new jobs in the Cumnock area have been assisted since May 1979 under the Industry Act.

COMMERCIAL IN CONFIDENCE

## STODDARD HOLDINGS LIMITED - CUMNOCK SPINNING FACILITY

The impetus for the recent merger between Stoddard Holdings Limited and British Carpets Ltd arose primarily from a recognition that there was a serious over-capacity in the industry, coupled with a continuing downward trend in the pattern of demand, particularly for woven carpets. It was always recognised that some measure of rationalisation and reduction in capacity would be necessary and, to this end, independent consultants were appointed to survey the capacity available in the various plants operated by both organisations and report on the alternatives available to achieve an orderly reduction to a level consistent with forecast future demand. In so doing, the consultants identified and considered the comparative production costs of the various units as well as their respective capacities.

A reduction in weaving capacity has been achieved by the closure of the ex-British Carpets plant in the east-end of Glasgow with the loss of some 300 jobs. Certain items of plant and a limited number of employees are scheduled to be transferred to the Stoddard main weaving unit at Elderslie, Renfrewshire. The main purpose of the exercise, however, is to consolidate the new Group's weaving capacity at an appropriate level with the minimum number of separate sites.

The reduction in weaving capacity, coupled with a continuing fall in the level of demand for Axminster in particular, led on to a review of dyeing and spinning capacity. The new Group has three spinning mills at Kilmarnock, Glasgow and Cumnock; all three are currently running well below capacity with the reduced throughput leading to higher costs and uneconomic operation. It has therefore been decided to rationalise the two ex-British Carpets units (Glasgow and Cumnock) into a single unit which, together with the ex-Stoddard unit at Kilmarnock, will have the capacity to meet the foreseeable demand for spun yarn. Dyeing capacity also now exceeds foreseeable demand as a result of both the reduced yarn requirement and increased interest in Berber yarns which do not require dyeing. The ex-British Carpets dyehouse in Glasgow is therefore also scheduled for closure although certain facilities may be incorporated in the nearby spinning mill, thus retaining part of the associated employment.

The relative capacities and facilities of all three spinning mills were reviewed in the course of considering how the reduction in capacity could best be achieved. In the end, Cumnock was selected for closure because its size and equipment most closely matched the reduction required and because it lacks blending and dyeing facilities. These operations are currently undertaken at Glasgow or Kilmarnock before the material is sent to Cumnock for spinning and subsequent return to its point of origin. This leads to significantly higher costs when compared with the other units which have the necessary facilities in-house or adjacent. The space required to install these facilities at Cumnock is not readily available even if this could be economically justified, which is very doubtful.

The implementation of these two measures, assuming that some dyeing capacity is retained in Glasgow, will lead to the loss of about 110 jobs. Approximately 80 of these will be at Cumnock with the balance in Glasgow.

#### FINANCIAL ASSISTANCE

No selective financial assistance under the Industry Act was offered towards the actual merger. Discussions are in progress with the new Group to determine the possible scope for assistance towards certain aspects of the rationalisation plans.

OTHER SENSITIVE ISSUES ETC IN MR FOULKES' CONSTITUENCY1 Falmer Manufacturing Company Limited

The Prime Minister and Mr Fletcher met Mr Foulkes on 11 March to discuss the threatened closure of Falmer Manufacturing Company Limited's factory in Patna. However due to a sudden upturn in the market the closure decision was withdrawn, although the company is still receiving assistance under the Temporary Short Time Working Compensation Scheme in respect of the Patna factory. (A copy of the Prime Minister's follow-up letter to Mr Foulkes' letter is attached.) <sup>on folder</sup> Further discussions on assistance to Falmer's exporting activities and investment plans are continuing.

2 Gomba/Stonefield Vehicles

Following the purchase of the assets of Stonefield Vehicles Limited, previously a subsidiary of the Scottish Development Agency, which went into receivership in 1980, by Gomba Motors, there has been some concern as to the continuing viability of the operation. This prompted Mr Foulkes to table a number of questions about the case and about the prospects of financial assistance for the new company. (Copies of the proposed answers and background notes are attached for information.) If the payment of instalments of grant under Section 7 of the Industry Act is raised, the Prime Minister will wish to emphasise that if Gomba comply with the conditions of offer of grant payment will be made.

3 Unemployment

Since January 1980 about 1,281 people have been made redundant in the Cumnock area. The Cumnock Local Office has a current unemployment rate of 16.5%, which is above the Strathclyde average of 15.1% and markedly above the Scottish average of 12.7%.

4 Selective Financial Assistance for the Area

Since May 1979 there have been two offers of Selective Financial Assistance under Section 7 of the Industry Act 1972 for investment projects in the Cumnock Local Office involving 206 new jobs. The total investment associated with these projects amount to £3.6 million.

THURSDAY 4 JUNE 1981

WRITTEN

HOUSE OF COMMONS

MR GEORGE FOULKES: To ask the Secretary of State for Scotland, pursuant to his reply of 8th April, Official Report, column 295 to the honourable Member for South Ayrshire on Stonefield Vehicles, if the conditional offer of selective financial assistance has now been accepted by Gomba.

MR ALEXANDER FLETCHER:

The offer of selective assistance made to the Gomba UK Group has not yet been accepted by the Company. Such offers of assistance remain open for 3 months from the date of offer.

THURSDAY 4 JUNE 1981

WRITTEN

HOUSE OF COMMONS

MR GEORGE FOULKES: To ask the Secretary of State for Scotland, pursuant to his reply of 8th April, Official Report, column 295, to the honourable Member for South Ayrshire, if he will give the reason why details of the allocation of public money under section 7 of the Industry Act are not made publicly available but is treated as confidential.

MR ALEXANDER FLETCHER:

The procedure for disclosure of such information was established by the previous administration following an announcement by the then Secretary of State for Industry on 19 July 1974. The arrangements draw a balance between the need to protect firms from the disclosure of information which may be harmful to their commercial interests and the responsibility of Government to provide the public with reasonably detailed information about Government financial assistance. I see no need to alter these arrangements.



## BACKGROUND NOTE

- 1 An offer of selective assistance totalling £285,000 was made on 25 March 1981 to the Gomba UK Group Limited to enable it to acquire the assets of Stonefield Vehicles to continue the manufacture of trucks at Curnock in Ayrshire. Gomba has not accepted this offer formally although it remains open for 3 months from the date of offer.
  
- 2 Ministers are aware that the offer was conditional on Gomba producing satisfactory audited accounts to demonstrate its financial standing. Gomba has since indicated that it is unable to comply with this condition in time for it to receive first instalment of grant of £125,000 to which it would otherwise be entitled. Ministers have agreed that the condition regarding production of satisfactory accounts should not be waived unless Gomba can provide alternative satisfactory guarantees on its financial standing.
  
- 3 The arrangements for publication of information on offers of assistance were announced by the then Secretary of State for Industry in 1974. These arrangements are designed to protect the commercial confidentiality of the information provided to us by companies seeking selective assistance while preserving public accountability to Parliament for the granting of that assistance.

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pm

CF hlee

2 June 1981

I hope it will be convenient if your meeting with the Prime Minister on Tuesday 9 June in the House of Commons commences at 1540 instead of 1530.

CAROLINE STEPHENS

Alex Fletcher, Esq., M.P.

JS

File

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5/6

CF

22 May 1981

You wrote enquiring whether it would be possible for you to have a meeting with the Prime Minister to discuss a factory closure in your constituency. Would 1530 hours on Tuesday 9 June in the Prime Minister's Room at the House be convenient? Mr. Alex Fletcher will be present at the meeting.

I would be grateful if you could confirm this time and date.

CAROLINE STEPHENS

George Foulkes, Esq., M.P.

AC

FILE

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CF to hle

2 June 1981

I hope it will be convenient if your meeting with the Prime Minister on Tuesday 9 June in the House of Commons commences at 1540 instead of 1530.

CAROLINE STEPHENS

George Foulkes, Esq., M.P.

JS

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5/6  
MR G. FOULKES MP

21 May 1981

Further to our telephone conversation I am writing to confirm that Mr. Fletcher will be present when the Prime Minister sees George Foulkes, MP, on Tuesday 9 June at 1530 in her room at the House. I enclose a copy of Mr. Foulkes' relevant letter and I would be grateful for a full brief to reach this office by close of play on Friday 5 June.

CS

B.R. Morgan, Esq.,  
Scottish Office.

Key

FILE

VLB

cc Caroline

20 May 1981

George Foulkes MP has asked for a meeting with the Prime Minister about the expected closure of Stoddart Holdings' Cumnock yarn factory.

The Prime Minister is likely to agree to this request, and she will wish to have a Scottish Office Minister present. Caroline Stephens will be getting in touch with you to arrange a suitable time, which will be after the Recess.

M A PATTISON

Godfrey Robson, Esq.,  
Scottish Office.

LB

FILE

VLB

20 May 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 19 May, about the proposed closure of Stoddart Holdings Limited.

I will place this before the Prime Minister at once, and we will be in touch with you as soon as possible.

M A PATTISON

George Foulkes, Esq., M.P.

VLB



10 DOWNING STREET

PRIME MINISTER

George Foulkes wants another closure meeting, prior to his meeting representatives of the company concerned on 15 June.

Assuming you are ready to see him over a second closure, we will arrange a suitable time after the Recess, with a Scottish Office Minister present.

*Agreed  
me MAF*

C.S.

20 May 1981

*over to you*

*MAF*



From: George Foulkes, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

19 May 1981

R20

Rt.Hon. Mrs. Margaret Thatcher, MP.,  
Prime Minister,  
10 Downing St,  
London. SW1.

Dear Prime Minister,

With reference to your offer to meet Members who have a factory about to close in their constituency, I regret to say that I once again fall into this category.

Stoddard Holdings Ltd, Carpet Manufacturers, Elderslie, Renfrewshire, are proposing to close their Cumnock yarn spinning factory on 31 July. I met with the Managing Director and Trade Union representatives on Monday and we are meeting again on 15th June.

I would be grateful if I could meet with you prior to this further meeting and look forward to hearing from your office.

Yours sincerely,

A handwritten signature in blue ink, which appears to read "George Foulkes".