

PRIME MINISTER

*Kay  
CF 15. Please  
return to me  
10/21/4*

These letters from Stan Orme and Bruce Millan enclose very similar letters that they have written to Patrick Jenkin and George Younger about Timex, Dundee. They call on the Government to give a commitment to retaining the maximum possible amount of work in Dundee. They also say that the workforce is still concerned that work is being transferred from Dundee to France and that the company's management has misled the Government on this point.

*we will let you have a reply.*

*WA*

*mb*

20 April 1983



JF3398

Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

*NBPM  
MS 10/5*

5 May 1983

The Rt Hon Stanley Orme MP  
House of Commons  
LONDON  
SW1A 0AA

*Dear Stan,*

In his letter of 29 April George Younger has already replied to the majority of the points you raised with me in your letter of 18 April about Timex. Regarding the European angle I would add that we understand the Commission to have opened a formal procedure under Article 93 (2) of the Treaty of Rome and the French Government now has one month in which to comment and provide additional justification for the aid. Other Member States will also be invited to comment and we shall continue to make our attitudes and concerns clear. Following completion of its considerations it will be for the Commission to decide whether or not the French aid is compatible with the Treaty.

I fully endorse George Younger's point that the objective must be to promote the development of a profitable company in Dundee where as many people as possible enjoy secure employment. We must therefore very much hope for a swift resolution of the present industrial relations problems.

*Your ever*

*D. Thatcher*

PS/No 10  
PS/S of S for Scotland  
PS/Ministers  
PS/Secretary  
Mr Manzie  
Miss Mueller  
Mr Bryant  
Mr Dick  
Mr Jardine  
Mr Major

Mr Macdonald  
Mr Ingram  
Mr Avery - on file

PM: Meeting with Wilson and Fletcher  
about Times " Feb 83.

AM



SCOTTISH OFFICE  
NEW ST. ANDREW'S HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

Ernie Ross Esq MP  
201 Tweed Crescent  
DUNDEE DD4

29 April 1983

*Alan Lewis*

When George Younger and I met you and other local MPs on 29 March, you presented us with material provided by the Trade Union representatives at Timex. We promised to examine this material, to consult the company, and write to you.

We have now completed this process. I must reiterate, however, that it would be entirely inappropriate for us to act as some kind of arbitrator in this matter. In addition we must be careful not to damage the company's competitive position by revealing commercially confidential information.

On the basis of the material provided, the Unions conclude that there is a substantial future for mechanical watch-making within Timex, that Dundee is a major source for the manufacture of watch cases, that Dundee has lost opportunities to expand into the new technology of quartz manufacture as a result of Timex importing Korean watches, that technology has been allowed to drift away from Dundee in the case of both the Nimslo 3-D camera and the Sinclair CRT TV line, and finally that substantial amounts of production have been transferred to France.

I will deal with the last point first, in view of the previous assurances given to us and to the Prime Minister. The company has stated that job loss at Dundee does not result from transfer of work to France, and that, on the watch side, redundancies have been caused by major rationalisation in the face of the dramatic decline in demand for the product. Previously Timex had adopted a policy of dual or joint sourcing, but as part of the rationalisation process, concentration became inevitable to allow the Corporation to remain competitive. On these plans, a good deal of watch manufacture will be concentrated at Besancon, which is, apparently, well tooled-up for low volume runs. Employment in watch-making at the French plant is however also being reduced. On the other hand, Dundee is planned to become the main focus within the Corporation for the manufacture of computer and consumer electronic products.

All 3 of the main Dundee watch-making activities (cases, screw machines and flat parts) were dual or joint sourced within the Corporation. The great majority of the case and screw machine manufacture which is being phased out at Dundee is simply no longer required by Timex. Of the small proportion of product which is still required, the great majority was dual or joint sourced, and will now only be manufactured outside Dundee. The company has, however, now informed us that, within the 3 major categories of watch-making activity, a tiny proportion, previously produced only at Dundee, though not reserved to Dundee and perfectly capable of manufacture elsewhere, will now be manufactured at other locations, including Besancon. The company states that the amount of work "transferred to France" in this way has no significance in job terms, and that even if this proportion had remained at Dundee, no extra jobs would have been retained.

Perhaps I can deal more summarily with the union's other points. On the basis of the Tarhis document, the unions conclude that there is a major role planned for mechanical watches within Timex. The company has, however, pointed to the fact that the objective of achieving technological leadership in the watch industry, stated in the documents, refers to Quartz Analogue and LCD watches rather than mechanical watch products, where there was a prospect of secular market decline and the object is to cut costs. On the other hand, as you know, Timex intend to retain mechanical watch making capacity at Dundee in the form of final assembly, repair and service, and strap, pack and distribution for mechanical and Quartz watches, and flat part manufacture for mechanical watches. According to company plans, sales on the watch making side will continue to account for more than a third of total UK turnover, and some 400 watch making jobs will be retained at Dundee. While the redundancies remain a severe blow, it is clear, therefore, that the watch making industry is not entirely lost to Scotland.

On the basis of the Cuinet schedule, the union claim that Dundee is a major manufacturing facility for watch cases, but the company tells us that Dundee is not a major source for case manufacture, particularly in relation to Quartz Analogue and LCD watches. Of a total of 123 models identified in the case schedule, Dundee is the sole source for only 5. On the question of the opportunity to develop new technology watches given to a Korean manufacturer rather than Dundee, the company claims that Dundee did not have the technical resources to produce these plastic, multi-function, digital watches. In fact I understand that Dundee had been given the opportunity to supply cases for these watches. With reference to the sourcing of cases with a Hong Kong vendor, the company has told us that it is normal practice to source low volume runs with special requirements externally.

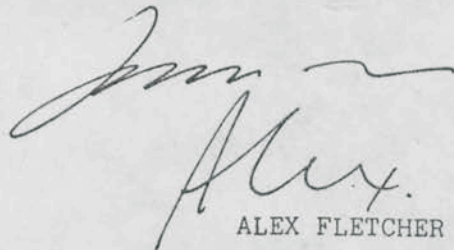
Finally, on the question of the risk of transfer of the CRT line, the company has categorically denied that a set of the CRT drawings has been sent to France or anywhere else.

When you met George Younger and I on 29 March you said that watch repair work had recently been transferred to France with the loss of 50 jobs. We took this matter up with the company and we understand that this was repair work normally done by the French plant for French watches. At a time of heavy workload at Besancon, Dundee had helped out, but ultimately the work simply reverted to France.

I have dealt with this material in some detail, because I know how seriously you are concerned about Timex. Having examined the documents, we are quite satisfied that the company has not set out to mislead the Government. I remain convinced, however, that public discussion of assertions by either management or employees' representatives about the past conduct of the business at Dundee is harmful and will serve no purpose in terms of preserving employment in the area. Our concern in this matter relates not just to Timex, but to the regeneration of Dundee as a whole and to the reputation of Scotland as a location for high technology enterprise. We have, as I think you will accept, carefully investigated the material which you presented on 29 March. Similarly we thought it important to seek to ensure that the French Government in offering assistance to Fralsen company at Besancon observed regional guidelines on investment aids established by the European Community. Whatever the outcome of these investigations, however, I am quite clear that they will not result in a single extra job being created at Dundee.

Meanwhile the sit-in at Milton jeopardises the future of the CRT line, jeopardises the possibility of future vital investment at Dundee by the company, and jeopardises customer confidence, all of which have real and potentially major effects on employment at Dundee. The sit-in could damage not just the future prospects of Timex, but the efforts of Dundee to establish itself as a high technology growth point and the reputation of Scotland as a location which offers flexible, highly-trained workforce, committed not to confrontation, but to the success which co-operation between management and employees can secure. New attitudes are required for new industries.

I quite understand the feelings of those who have been made redundant, but it is vital to take equally seriously the future of the 2,300 employees who will remain at Timex in Dundee. I think it is quite clear that the collapse in the worldwide demand for Timex products has led to major rationalisation within the Corporation. In this context, I am extremely glad that the company has identified its Dundee facility as the lead location for electronics manufacture.

  
ALEX FLETCHER



NEW ST. ANDREWS HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

The Rt Hon Stanley Orme MP  
House of Commons  
London SW1A 0AA

29 April 1983

Patrick Jenkin has passed me a copy of your letter of 18 April about Timex.

I quite understand your concern about the future of Timex in Dundee. I regard the case as of national significance affecting investment of key significance on the computer and electronics side, and not least, affecting the reputation of the UK as a first class location for high technology investment.

When Alex Fletcher and I met local MPs on 29 March, Ernie Ross presented us with material provided by the trade union representatives of Timex. We promised to examine the material, to consult the company, and to reply. A copy of Alex Fletcher's letter to Ernie Ross is attached.

As this reply makes clear, we are quite satisfied that the company has not misled the Government about the transfer of production to France.

I will leave it to Patrick Jenkin to reply on the question of the European Commission investigation into the French Government's offer of assistance to the Fralsen company at Besancon. I may say, however, that clarification of the position on both of these issues will not result in any extra jobs being created at Dundee. My main objective therefore is to ensure that Government support is used constructively to promote the development of a profitable company in Dundee, where as many people as possible enjoy secure employment. I have made it very clear to the company at the highest level that we would be very happy to provide such assistance to secure optimum investment at the Dundee location.

George Younger



SCOTTISH OFFICE  
NEW ST. ANDREW'S HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

James Tinney Esq  
Secretary  
Joint Union Committee  
Timex Corporation  
DUNDEE

29 April 1983

*James Tinney*

Thank you for your letter of 30 March about the transfer of caseback manufacture from Dundee to Besancon.

We have had this material thoroughly investigated, together with the similar documents which were handed over to George Younger and I on behalf of the Timex employees' representatives by Ernie Ross on 29 March. I am quite satisfied that the company has not misled the Government about the effect of its major world wide rationalisation plans on Dundee. It seems clear to me that the loss of this particular caseback schedule - which I understand provides the equivalent of one job - has not been a severe blow to Dundee.

I understand the feelings of Timex employees who have been made redundant, but I believe that there is a very serious risk that a prolonged sit-in will jeopardise the jobs of the 2,300 employees who remain. I am sure that the priority now is for all concerned at Timex to demonstrate their continuing commitment to the future of the company. The immediate resolution of industrial relations differences is bound to reassure vital customers on whom job security at the plant ultimately depends.

*James Tinney*  
*Alex Fletcher*

ALEX FLETCHER





NEW ST. ANDREWS HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

The Rt Hon Bruce Millan MP  
House of Commons  
LONDON  
SW1A 0AA

28 April 1983

*Dear Mr Millan*

Thank you for your letter about Timex Dundee. I quite understand your concern about this case which is significant not just for Timex, but for Dundee, and indeed for the reputation of Scotland as a first class location for high technology investment.

When Alex Fletcher and I met local MPs on 29 March, Ernie Ross presented us with material provided by the Trade Union representatives at Timex. We promised to examine the material, to consult the company and to reply. A copy of Alex Fletcher's letter is now enclosed. You also mentioned the letter which Mr Tinney, the Secretary for Joint Union Committee at Timex, sent to me and I enclose a copy of Alex Fletcher's reply to him too.

On the question of retaining watch making at Dundee, I think it is relevant that a considerable part of the Timex operation in the UK will still be concerned with the watch business, which, according to company plans, will account for over one-third of turnover, with some 400 people employed at Dundee. I think it is important, to establish the right priority. In this instance I believe that it is vital to secure the remaining jobs of the 2,300 employees which the company plans to retain once the redundancies have taken effect. I also consider that the manufacture of computer and consumer electronic parts provides the best prospect for growth in the future. The CRT flat television tube for example involves very advanced technology and is vital to the future success of the company. By contrast, watch making at Dundee was always predominantly on the more traditional mechanical side, and involved only parts rather than the complete product.

As you know, the Government agrees with you that it is important to clarify the position on the French Government's offer of assistance to the Fralsen company at Besancon. We believe that regional guidelines for investment assistance established throughout the Community should be precisely observed by Member State Governments.

The Commission are investigating the aid which the French Government have offered and we understand that a formal procedure was recently opened, under which the French authorities have 1 month in which to comment and provide additional justification for the aid. The company has made it clear, however, that whatever the verdict, it will not result in any extra jobs being created at Dundee.

That is why I believe the priority now is for all concerned at Dundee to rally behind the company's strategy of promoting Timex Dundee as the lead location within the Corporation for computer and electronics development. As I have made perfectly clear to the company at the highest level there is no doubt that Government is prepared to provide substantial support where it is required to maximise investment on this side and to maintain the greatest number possible of jobs in Dundee in a profitable enterprise.

*Yours sincerely,*

*A. M. V. ...*

Approved by the Secretary of  
State and signed in his absence

PM  
Feb 83



NEW ST. ANDREWS HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

Willie Rickett Esq  
Private Secretary  
10 Downing Street

28 April 1983

Dear Willie *Pl type these two letters*  
*GR*  
*3/5*

Thank you for your letter of 20 April about Timex.

I attach copies of the replies which the Secretary of State and Mr Fletcher have sent to Mr Ross, Mr Millan and Mr Orme. I also attach, as requested, draft letters for the Prime Minister to send to Mr Millan and Mr Orme.

For general briefing purposes, you may also like to have the enclosed question and answer brief prepared for Scottish Question Time on 4 May.

I am sending a copy of this to Jonathan Spencer (Department of Industry).

*A Muir*

A MUIR RUSSELL  
Private Secretary

3 MAY 1963



DRAFT FOR PRIME MINISTER

The Rt Hon Stanley Orme MP  
House of Commons  
LONDON SW1A 0AA

Thank you for your letter of 18 April about Timex, enclosing a copy of your letter to Patrick Jenkin.

As you know this is a case in which I have taken personal interest. I have met representatives of the employees at Timex, I have also met local MPs, and I have written to Mr Fred Olsen, owner of Timex and Chairman of the Board. In addition, of course, George Younger and Alex Fletcher have kept me fully aware of developments.

I have been concerned to ensure that the European Commission establishes that the French Government in offering assistance to the Fralsen company at Besancon in France observed European Community guidelines relating to regional aids for investment. I have also been concerned that, where it is in our power, the Government acts to support an investment programme aimed at returning the Timex operation at Dundee to profit, and providing long term secure employment.

I believe that this is a case of very great importance, not just because of its significance for the local economy, or even mainly because of the implications for the watch industry. The really outstanding technological developments at Dundee have been on the computer and consumer electronics side, and I am particularly concerned about the future success of the Sinclair CRT flat television tube production line. I know that Patrick Jenkin and George Younger are replying to you about the detailed matters which you raised. For my part, I very much hope that the present industrial relations problems

at Dundee are swiftly resolved, so that the future of Timex,  
and of Dundee as a first class location for high technology  
investment are not increasingly jeopardised.

DRAFT FOR PRIME MINISTER

The Rt Hon Bruce Millan MP  
House of Commons  
London SW1A 0AA

Thank you for your letter of 18 April about Timex, together with the copy of the letter which you wrote to George Younger.

As you know this is a case in which I have taken a personal interest. I met representatives of the Timex employees in Glasgow, and local MPs in London. In addition I have written to Mr Fred Olsen, owner of Timex and Chairman of the Board, and, of course, George Younger and Alex Fletcher keep me closely in touch with developments.

Like you, I have been concerned from the start that European Commission should establish that the French Government, like other member states, observes European Community ceilings on regional assistance for investment.

Whatever the verdict there, there will, I understand, be no gain in terms of jobs created at Timex, Dundee, so I am also anxious that, where possible, Government support should be directed to securing an investment programme which will return Timex to profit and maintain the maximum number of secure jobs.

I am sure this is a case of more than local significance, not so much because of the implications for the watch industry (I understand that the Timex watch manufacture in Dundee was restricted mainly to parts for the traditional mechanical product), but because of the outstanding potential offered by the company's diversification into high technology electronic products. In particular the CRT flat television tube production line holds out an outstanding prospect.

DRAFT LETTER FOR PM (CONTD)

That is why I very much hope that present industrial relations problems at Dundee can be swiftly resolved to avoid further damage to jobs at Dundee, and the reputation of the area, and indeed of Scotland as a whole, as a first class location for high technology investment.

I know that George Younger has replied to the detailed points you raise.





ACK 20/4

HU

10 DOWNING STREET

*From the Private Secretary*

20 April 1983

I enclose copies of two letters that the Prime Minister has received about Timex, Dundee. One is from Stan Orme, and encloses a letter he has written to Mr. Jenkin. The other is from Bruce Millan, and encloses a letter he has written to your Secretary of State.

I should be grateful for draft replies for the Prime Minister to send to both of these letters by Wednesday 4 May.

I am sending a copy of this letter and enclosures to Steve Nicklen (Department of Industry).

W. F. S. RICKETT

Muir Russell, Esq.,  
Scottish Office.