

Outsourcing: Scottish Icon heads for the hills

If you are a golfer, there's a good chance you have a Pringle sweater, or sleeveless pullover, somewhere in your past. Unfortunately for Pringle, that's where too many of its products repose.

In an interesting reversal of fortunes, Scottish knitware company Pringle is owned by a Hong Kong company. It's an interesting reversal because for a very long time, most of Hong Kong was effectively run by three companies - two of which were Scottish led - the Hong Kong and Shanghai Bank and Jardine Matheson.

Fang Brothers bought Pringle shortly after it made its move to go from classic icon to brash wear for those who like big logos on their clothes. As it alienated its traditional markets, fashion moved on with "chav-wear" going to, amongst others, Japanese owned Burberry. Malaysian-owned Laura Ashley never fell into the Chav-wear stakes - and its profits have increased year on year for the past five years.

But now Fang Brothers is to move production from Scotland. The market for its speciality products including "course cashmere" has dropped away. And the UK is quite simply too expensive for products produced there to compete on the international market, says Fang. Although it will officially remain a Scottish company with administration done in the Borders, soon the machinery will fall quiet.

Production, interestingly, may not move far : it is said that it may move only as far as Italy. That's a blow for the UK which tries to argue that its business environment is one of the best in Europe, and argues that non-EU countries compete largely because they don't have EU consumer and worker protection laws to contend with.

Although intra-EU outsourcing is not new, it is largely done to the low wage economies of the new entrants.

Italy suffers from high taxes, poor industrial relations and other non-business-friendly issues.

If it is indeed still cheaper to produce product there than in the UK, the UK government has better start thinking very hard about its policies which appear to be driving more and more businesses

overseas.