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DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

PS/ Secretary of State for Industry

24 November 1981

Michael Scholar Esq
Private Secretary to
Prime Minister
10 Downing Street
London SW1

Dear Michael

BL: LONGBRIDGE DISPUTE

... I enclose a letter of 23 November which Sir Michael Edwardes has sent to my Secretary of State about the dispute at Longbridge. Sir Michael is seeking an urgent assurance that, if the BL Board decided on 25 November that letters should be sent to strikers threatening dismissal, the Government would not intervene.

2 My Secretary of State thinks that BL would appear to be in the right in this dispute. There is a clause in their recent Pay and Conditions Agreement with the unions for 1981/82, which states that "the sections of the 1979 EEF/CSEU Agreement for the Engineering Industry in respect of the increase in holidays and the reduction in the working week, including the requirement in that Agreement that productivity be raised to offset the cost of these improvements, will be applied by the Company [BL]". My Secretary of State detected signs at a recent meeting which he had with the BL Board of a determination that industrial relations in the cars business should be improved. The current dispute at Longbridge has arisen, however, before there was any chance of this happening.

3 My Secretary of State does not think there is any alternative choice at this stage to giving Sir Michael the backing which he is seeking. He proposes to reply to Sir Michael's letter on the lines that, if the Board decided to support the initiatives planned by BL Cars' management, the Government would not intervene. He would, however, expect the Chairman to keep him closely informed and to consult him again during the succeeding stages before any irrevocable action was taken leading to closure of the volume cars business, or large parts of it.

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4 BL will not be reactivating the contingency arrangements which I explained in my letter of 30 October until 27 November, the day on which the strikers would be sent warning letters, and are not at this stage asking the Government to review the arrangements for the issue of guarantees and/or assurances to creditors. They take the view that the threatened dismissal of part of the workforce at Longbridge would not have the same effect on confidence in the company as the dismissals over a much wider front which were threatened in the recent pay dispute. BL have every intention, however, of following up the warning letters to strikers with whatever further action the situation requires, including actual dismissals.

5 Although Sir Michael has asked for a response by the morning of 26 November, his office have asked whether it will be possible to have a first indication of the Government's views before the BL Board's meeting at 3.00pm on 25 November. My Secretary of State would therefore be glad to know as soon as possible whether the Prime Minister and other colleagues are content with the line which he proposes to take in replying to Sir Michael's letter.

6 I am copying this letter and enclosure to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Trade and Employment and to Sir Robert Armstrong and to Mr Robin Ibbs.

Yours ever

Ian Ellison

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35-38 PORTMAN SQUARE

LONDON W1H 0HQ

TELEPHONE
01-486 6000

RECEIVED IN
S.O. FOR
INDUSTRIAL OFFICE

FROM SIR MICHAEL EDWARDES

NOV 23 10:28

The Rt Hon Patrick Jenkin, MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
London
SW1E 6RB

23 November 1981

Dear Secretary of State,

<i>Mr. Edwards</i>	TO
FOR ADVISOR (AND	PS/NL
DRAFT REPLY IF	PS/JW
APPROPRIATE)	PS/Sec
... BY:	<i>Mr. Mawjee</i>
<i>Noon</i>	<i>Mr. Mountford</i>
<i>24/11/81</i>	

LONGBRIDGE DISPUTE

As you know, workers on the Mini, Metro and Allegro assembly tracks at Longbridge have been on strike for over a fortnight in protest against management's proposed method of funding the one-hour reduction in the working week.... as the EEF/CSEU agreement of 1979 and our own pay agreements in 1980 and 1981 entitle BL Cars to do. Our chosen method is to do so by a reduction in the rest and relaxation allowance from 12% to 9% of the working day - this solution is not acceptable to those on strike, and they have no alternative solution to offer.

Two thirds of BL Cars plants have accepted and implemented this proposal, which brings our relaxation allowance down to the same level as Ford in the UK and leaves it above prevailing levels in Europe and in Japan.

Several meetings at local level have failed to resolve the issue, with the Longbridge shop stewards continuing to insist that the current relaxation allowance should be sacrosanct. It is not surprising that they have offered no effective means of funding the move to a 39 hour week, since in management's view there is no effective alternative. While some other companies in the engineering industry have simply absorbed the impact of the one-hour cut in the

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The Rt Hon Patrick Jenkin, MP

23 November 1981

working week, BL Cars is in no position to accept an additional 2.5% increase in its labour costs, having fought so hard to keep down the increase in basic rates to 3.8%.

Now that the strikers have voted (yesterday) to stay out for a further indefinite period, Cars management consider that it is essential for two main reasons to bring the dispute rapidly to a head. Firstly, our stocks of finished vehicles are now depleted, and in a few days we shall begin to lose market share because of supply shortages, quite apart from the damage already being done by customer reaction to the strike.

Secondly, if the dispute is allowed to continue for much longer, the attitudes of the strikers are likely to harden, so that Longbridge would be out of action for longer than our volume cars business could possibly stand.

Cars management are therefore undertaking a number of initiatives this week. A private meeting was held earlier today with Moss Evans and Terry Duffy, at which management's position (including our willingness to discuss a more extended phasing of the cut in the relaxation allowance, our commitment to refrain from declaring redundancies in consequence of the time saved by the reduced allowance, and our suggestion that the status quo including the 40 hour week should be restored to enable work to resume and discussions to continue) was fully explained and the likely consequences of a continuation of the strike were indicated. These would include the "constructive" dismissal of the strikers which could result in large scale closures within the Cars business, if those in default refused to comply and return to work.

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The Rt Hon Patrick Jenkin, MP

23 November 1981

The national union leaders were unwilling to involve themselves in trying to settle the dispute, but at their suggestion a further meeting is being set up at local level, probably for tomorrow morning when the points put to the union leaders will be reiterated. Press leakages cannot be ruled out.

If this local meeting ends in deadlock, we have two further initiatives in hand. The first is to announce on Wednesday that Longbridge will be open on Thursday for normal working on the basis of a status quo proposal - i.e. that employees who report for work accept a 40 hour week until such time as agreement is reached on a method of funding the one hour reduction. The second, if this failed, would be to issue warning letters on Thursday stating that the strikers would be "constructively" dismissed if they did not report for work on the following Monday 30 November.

The BL Board has not yet been asked to approve these initiatives; it would of course be necessary for the Board to approve the latter course of action because, even though Cars management believe it would be likely to succeed in ending the strike, it would carry the risk of provoking strong reaction from the unions and precipitating similar consequences for the volume cars business as we faced for the whole of the BL Cars bargaining unit a few weeks ago.

In view of the necessarily tight timetable of events this week, I am writing to you before the Board has reached a decision so that you have time to consult your colleagues before we reach the point of sending letters threatening dismissal. What I am therefore seeking from you is an

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+ or perhaps in accordance with.....
our latest offer. U.

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The Rt Hon Patrick Jenkin, MP

23 November 1981

assurance that, if the Board decides to support the initiatives planned by Cars management, Government will not intervene.

I should be grateful for your response by Thursday morning, 26 November.

Yours sincerely,
Michael Fineman.

++ Thursday may not be the deadline for the letter, in the event. However it would be prudent to base the decision procedure on Thursday, for target purposes.

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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

25 November 1981

I. Ellison, Esq.,
Private Secretary,
Department of Industry

Dear Ian,

BL: LONGBRIDGE DISPUTE

I have drawn the attention of the Chancellor of the Exchequer to your letter and attachment of 24 November about this dispute, and the tactics which Sir Michael Edwardes proposes to adopt.

The Chancellor takes the view that it is quite appalling that the workforce at Longbridge should be prepared to set the company back in this manner, just at the moment when, as the workforce are aware, management have submitted the 1982 Corporate Plan to Government to justify further large tranches of taxpayers money. Even if the dispute is quickly settled now the Chancellor suspects that customer confidence in Longbridge, which appeared to be showing signs of revival, will have been undermined by these events. The Chancellor notes that the Secretary of State will be kept informed about developments and will be consulted before any irrevocable action is taken. While the Chancellor believes it important that the Ministers should be kept up to date in this way he also believes that there should be no question of the Government intervening if the BL Board decides to follow the tactics described by Sir Michael Edwardes in his letter of 23 November to your Secretary of State.

I am copying this to the Private Secretary to the Prime Minister and to the Secretaries of State for Trade, Employment and to Sir Robert Armstrong and to Mr. Robin Ibbs.

Yours ever,

Peter

P.S. JENKINS

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From the Private Secretary

25 November 1981

BL: LONGBRIDGE DISPUTE

The Prime Minister has seen your letter to me of 24 November, about Sir Michael Edwardes' request for an urgent assurance that, if the BL Board decided today that letters should be sent to strikers threatening dismissal, the Government would not intervene.

The Prime Minister is content with the line which your Secretary of State proposes to take in replying to Sir Michael's letter.

I am sending copies of this letter to John Kerr (HM Treasury), John Rhodes (Department of Trade), Richard Dykes (Department of Employment), David Wright (Cabinet Office) and Gerry Spence (CPRS).

M. C. SCHOLAR

Ian Ellison, Esq.,
Department of Industry.



10 DOWNING STREET

PRIME MINISTER

Do you agree to the course
of action proposed by
Mr. Jenkin?

Yes
Mr.

MCS

24 November 1981

Michael

Jan Ellison rang to ask what the
PM's answer was. I told him that she
had agreed action proposed by Mr Jenkin.
Could you please confirm this by letter.
You may be interested to know Chancellor agreed p/fo

this actor aswell

Steve

25/11/81