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PS/Secretary of State for Industry

30 October 1981

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
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Prime Minister

I will keep you in touch
with any developments
over the weekend.

Dear Michael

BL PAY DISPUTE

Ms 30/10

My Secretary of State thinks that the Prime Minister and his other colleagues will wish to have a report on the BL dispute as it reaches its most critical stage this weekend.

2 On the evening of 29 October talks between BL and the unions at the Headquarters of the Advisory Conciliation and Arbitration Service (ACAS) broke down but another meeting has been fixed for 11.00am on Saturday 31 October at which Sir Michael Edwardes will be meeting the General Secretaries of all the unions involved in the dispute. Sir Michael has told my Secretary of State that he intends to seek to defuse the situation by seeing whether the unions would be prepared to withdraw their strike threat in return for BL withdrawing their public letter threatening dismissals and closures if the strike proceeds.

3 On the substance of the dispute Sir Michael does not envisage offering any more than marginal concessions, which would help the unions with the presentation of their position if they wished to call off the strike. He is firmly resolved not to put forward to the Government a 1982 Corporate Plan which would require more than the £990 million agreed for 1981-82 and 1982-83. Nor would he be willing to put forward a Plan, which he knew could not be fulfilled because BL had granted wage increases which they could not afford.

4 Sir Michael has also told my Secretary of State that he has met the Leader of the Opposition at the latter's request and that he impressed upon him that the BL Board had not in any way been influenced by the Government either in making its 3.8% pay offer or subsequently. My Secretary of State thinks that, if Mr Foot genuinely accepts the point, this is a helpful development.

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5 My Secretary of State has been asked by Mr Kitson of the TGWU to meet him to discuss the dispute. He had previously spoken to the Chancellor and the Secretary of State for Employment about this possibility and Mr Jenkin therefore told Mr Kitson that he would be ready to hear the views of the unions. He stressed to him, however, that the Government could not become involved in the negotiations and, after discussion with Sir Michael, said that the meeting should take place before, not after, the meeting at ACAS Headquarters. This timing seeks to avoid the unions attempting to treat the Government as a court of appeal from the ACAS negotiations and thereby undermining the chances of ACAS succeeding in bringing about an agreement. After some hesitation and an attempt to persuade him to change his mind, Mr Kitson accepted my Secretary of State's views on timing. He readily accepted that the Government should not intervene in the negotiations; he personally was not a member of the union negotiating team. The upshot is that Mr Kitson accompanied by Mr Hawley (both TGWU), Sir John Boyd and Mr Cure (both AUEW) are calling on my Secretary of State at 9.15am on Saturday 31 October. My Secretary of State intends to follow the line taken by the Prime Minister in her Questions but will add that he would be unwilling to see the unions if the ACAS negotiations fail to reach agreement.

6 The Prime Minister may wish to know that the following contingency planning is in hand against the eventuality of a serious strike starting on 2 November:

- a Ministers have agreed that Government guarantees should, if necessary, be provided to secure BL's existing borrowings and short term facilities. Some reaffirmation will be necessary early next week of Government assurances to BL's other creditors. My Secretary of State will shortly let the Chancellor know what he proposes to say;
- b BL staff have prepared for their Board a detailed contingency plan covering key issues such as how businesses like Land Rover, Unipart and Jaguar could be kept going or sold if the workers there were not on strike. The Leyland Group is already a separate legal entity;
- c the Bank of England have undertaken a confidential exercise with the general managements of the four London Clearing Banks to obtain their assessment of the likely impact of a BL liquidation on BL's component suppliers;

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- d the Treasury, in consultation with ~~My~~ Department and the Department of Employment, has prepared a note on the economic and financial consequences of a BL liquidation;
- e my Secretary of State has kept in touch with the Secretary of State for Employment about the progress of the negotiations between BL and the unions, and officials of the two Departments have consulted about questions of employment law arising from the dispute;
- f officials have been in touch with the Home Office about the scale and location of possible dismissals and redundancies which might arise if the strike proceeded. The Home Office has, in turn, warned in strict confidence the Chief Constables of the West Midlands and Thames Valley forces so that they might gauge the scale of preparations they ought to make;
- g the Department of Trade is reviewing some studies carried out last year on what might be done to ensure that the closure of BL Cars would not lead to a surge in imports of cars, especially from third countries. There is little doubt that the Japanese, in particular, would be able greatly to increase their exports of cars to this country at short notice.

7 My Secretary of State will be seeing Michael Edwardes again on Tuesday, 3 November, by when the gravity of the strike, if it takes place, should be apparent. The BL Board's next meeting is on 4 November. My Secretary of State will keep the Prime Minister and other colleagues informed of the position.

8 I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Trade and Employment and to Sir Robert Armstrong and Mr Robin Ibbs.

Yours ever

I K C Ellison

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Private Secretary

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