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PS/Secretary of State for Industry

*u Mr Tanner
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5 October 1979

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

Mr Sec

Dear Tim

As foreshadowed in my letter of 2 October, my Secretary of State today met representatives of the Confederation of Shipbuilding and Engineering Unions (CSEU) at their request. Before the meeting, Sir Michael Edwardes and Sir Leslie Murphy reported to Sir Keith on the current state of the discussions with the unions on the company's proposals.

*TL
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On 4 October, the CSEU Executive had confirmed ^{their} opposition to the BL management's proposals to reduce the workforce by at least 25,000 and to carry out substantial restructuring. Sir Michael clearly felt that further prolonged discussion would be unfruitful and was determined to bring matters to a head. He has told the CSEU representatives that, unless the unions broadly support his Plan, the BL management would recommend to the BL Board not to seek further public funds.

If BL did not ask for additional funds, Sir Michael made it clear that the implication would be for them to go into liquidation, which Sir Leslie emphasises would be extremely costly to the taxpayer. It would be premature to assume that this is how matters will go; but it is obviously necessary to consider the implications of this possibility, and as soon as we have from NEB the information, which my Secretary of State has asked Sir Leslie to provide, about the likely cost of public funds of BL going into liquidation, officials of this Department will bring in those of other interested Departments to prepare an urgent assessment for Ministers. This will also cover a "least cost" option, involving a more gradual run down of the business if this is judged to be feasible.

If BL succeed in bringing the unions into line, then we can expect about the end of the month to receive via NEB, their new Corporate Plan. As soon as this is available, officials will start consultations on it with other interested Departments.

My Secretary of State's meeting with the CSEU representatives led by Mr Ken Baker of the GMWU was relaxed and relatively low key. The main burden of the CSEU's case was to seek (unspecified) bridging finance (over and above the £225m in FESC) to enable BL to accelerate the introduction of new models in a period of rapidly

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changing technology. There was some acknowledgement of the need for the company to slim down.

My Secretary of State emphasised that he did not manage the company and that his job was to represent the taxpayer. He reminded the CSEU that his predecessor had told the House on 2 April that future funds would only be committed on the basis of "performance and future prospects"; this approach had not altered. At present BL had not even submitted its proposals to the NEB, which in turn would reach a view on them before they were forwarded to the Government. It was by no means certain that BL and the NEB would recommend further injections of public money, but even if they did, he personally would have to be convinced that the company would meet its targets.

My Secretary of State did not rule out all possibility of further Government funding, but he would need to be satisfied that the company could count on workforce co-operation in implementing its Plan. He mentioned the problems of 17 separate unions, of the 1% of BL workers who seemed to want to destroy the company, and of the management being free to explain the facts of life directly to the workforce. He made it clear that he expected any plan put forward by BL through NEB to be directed towards the attainment of commercial viability. In passing he specifically ruled out the use of import controls.

We are waiting to hear whether the CSEU representatives have drawn back from the brink and given BL management the hope that their Plan is saleable to the CSEU Executive. If the CSEU Executive are in the event prepared to accept the Plan, then the company is thinking in terms of asking the workforce to approve it in a secret ballot. BL are reluctant to proceed with a secret ballot on a proposal which the CSEU had not endorsed, because they consider that without such support employees would be unduly influenced by shop steward opposition in the plants.

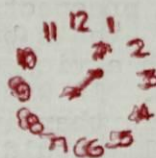
My Secretary of State will naturally keep the Prime Minister and other colleagues informed of developments over the next few days. Copies of this letter (together with copies of my earlier letter) go to Tony Battishill (Treasury), Ian Fair (Employment), Tom Harris (Trade), Godfrey Robson (Scottish Office) and Martin Vile (Cabinet Office).

Yours sincerely
Ian

IAN ELLISON
Private Secretary



- 8 OCT 1979



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