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PS/ Secretary of State for Industry

31 October 1981

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

Prime Minister to see.

N.P.G. Mitchell

Duty Clerk

31/10/81

Mufaced to Chagness 1445

Dear Michael

BL PAY DISPUTE

My Secretary of State and Mr Lamont met Mr Alex Kitson, Mr Greville Hawley, Sir John Boyd and Mr Ken Cure at the Department of Industry at 9.30am on Saturday 31 October shortly before the union and management teams were due to meet again under ACAS auspices.

Mr Kitson said that he had approached the Government as the biggest shareholder in BL, both because of the unions' concern about the future of BL itself and because of the spin-off effect on a wide range of other interests, including, for example, small shop-keepers etc. In his view it would not take much to secure a settlement; all that was needed was some movement by the BL management away from their firm stand on no new money being available. If Sir Michael stood by this line in the ACAS discussions, they would break down and, if that happened, Mr Kitson and the other union leaders intended to come to the Government to ask for additional money. The union leadership had gone a long way to seek to secure a settlement but Sir Michael Edwardes had adopted a "brutal line" in the negotiations. The union side could not understand why, if Sir Michael was confident about the success of the Corporate Plan, he could not consolidate some of the bonus payments into basic rates which would be a way of providing new money.

My Secretary of State explained that the Government would not make additional money available to BL. Large sums had been spent already and more money was available subject to the submission of BL's next Corporate Plan. The Government wanted BL to succeed but it was up to the BL Board to decide whether to submit their Corporate Plan which depended on their view on BL's viability. If the Board decided that they could not submit the Corporate Plan, they would have to consider alternatives and it had always been on the cards that either external factors or an internal

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strike would make it necessary for the Board to consult the Government about liquidation. The Government had appointed the Board to run BL and it was up to them to decide how to use the money which had been made available; the Government could not attempt to run BL. If the Board came to the conclusion, having lived with BL's problems for three and a half years, that the Company was not viable, the Government would not step in again. He was disturbed by the reports, particularly in the "Sun" newspaper, that the workforce did not believe that BL might close. The position was that, if the workforce went on strike and the factories closed, there was a real prospect of liquidation.

In discussion, both Mr Hawley and Mr Cure suggested that Sir Michael Edwardes wished to close down BL. They placed great emphasis on the lack of flexibility in BL's negotiating position and described what they saw as the deterioration in the industrial relations situation at BL over the previous years. In their view the workforce did understand that there was a real prospect of closure; the foremen were issuing the crudest possible threats to the workforce and white collar staff had been told to clear their lockers.

My Secretary of State dismissed the idea that Sir Michael Edwardes or the BL Board wished to close down BL. Sir Michael had been in close touch with the Government and his Board clearly wanted to see the Company through to viability. The unions were gravely mistaken if they saw the current events as a plot to close BL.

As the meeting closed, my Secretary of State referred back to Mr Kitson's suggestion that the union side could come back to the Government if the ACAS negotiations broke down. This was simply not on; he could not sit as a court of appeal against ACAS. Mr Kitson appeared to accept this conclusion.

I am copying 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 to Mr Robin Ibbs.

Yours ever
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I K C ELLISON
Private Secretary

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