



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

3 February 1982

The Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Dear Geoffrey,

BL: STRIKE AT LEYLAND AND BATHGATE

... I attach a copy of a letter sent to me by Michael Edwardes on 29 January reporting on the strike. You will see he proposes that we should activate the long-standing contingency arrangements between BL and the Government for the issue of guarantees in the event that BL have to proceed within the next two weeks with dismissals and the closure of Leyland Trucks.

2 As we faced a similar situation last November in the context of the BL Cars dispute, and as the Government's policy on the issue of guarantees in such circumstances is clearly defined, I do not think it is necessary this time to go into the background. I would simply ask for your early agreement that I should tell Michael Edwardes that I agree it would be sensible to activate the contingency arrangements between BL and the Government, and also that BL staff should get together with officials to prepare the ground for a formal request for guarantees if this should prove necessary.

3 I am copying this letter and enclosure to the Prime Minister, the Secretaries of State for Trade and Employment and to Sir Robert Armstrong and Robin Ibbs.

You are
Patil

CONFIDENTIAL

FROM SIR MICHAEL EDWARDES

29th January 1982

The Rt.Hon. Patrick Jenkin, MP,
Secretary of State for Industry,
Ashdown House,
123 Victoria Street,
London SW1.

JMB

Mr Jenkin	PS/NL
SECRETARY OF STATE (IF APPROPRIATE)	PS/SA
REPLY BY:	PS/SEC
NOON	Zur Manger
8/2/82	W. Mountford

Dear Secretary of State,

STRIKE AT LEYLAND AND BATHGATE

As you know, the entire workforce at the Leyland and Bathgate plants (including not only Leyland Truck plants but also the Leyland Bus facilities at Leyland and the Leyland Parts operations at Chorley) have been on strike since the second half of last week. Although the occasion for the strike was the exercise of disciplinary action against an employee who refused to carry out work connected with a product programme, the strike is clearly directed against the whole restructuring strategy for the Leyland Group announced on 20th November 1981, which is now at various stages of implementation in the different plants.

Other Leyland Group plants are working normally at present. Indeed, the only plant designated for complete closure - Guy at Wolverhampton - has accepted the closure terms. However, the strike at Leyland and Bathgate is bound to cause lay-offs at the remaining Truck and Bus plants in the near future because of supply interruptions.

In addition, the strike is preventing the shipment of spare parts, inhibiting Leyland Truck's ability to quote for new business and damaging customer confidence.

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Continued

The Rt.Hon. Patrick Jenkin, MP,
Secretary of State for Industry.

29th January 1982

2.

You will realise that the Leyland Group will not be able to deliver its Corporate Plan if it has to withstand a long strike. If, therefore, the strike does not end soon, we shall have to force the issue by asking its employees to choose between a return to normal working and dismissal, thus making it clear that the only alternative to the restructuring plan is the total closure of Leyland Trucks.

On the other hand, we have to recognise that in the local communities centred around (and heavily dependent on) Leyland and Bathgate, the heavy redundancies required by the Plan have aroused strong feelings, and we need as much time as possible to convince employees that there is no viable alternative to the restructuring route and that the strike is therefore futile. Heavy use is being made of the local and regional media for this purpose. In addition discussions have taken place this week between Leyland Group management and the representatives of both hourly-paid and staff employees, and we are, of course, doing everything possible to bring about further discussions.

At this stage Leyland Group management have taken no final decision on the timing of any letter warning of dismissal. It is likely, however, that the financial position of the Leyland Group will require this action to be taken within the next two weeks, unless the dispute has been resolved.

Clearly we must prepare contingency plans in the event that we have to proceed with dismissals and the closure of Leyland Trucks. As Leyland Vehicles Ltd. is a guaranteeing subsidiary under the Trust Deeds governing the BLMC loan stocks, we are advised that closure, or unconditional threat of closure, of all or a large part of the business of that subsidiary would trigger repayment of the loan stocks. Cross default clauses in other loan agreements could then put much of our bank finance in jeopardy.

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Continued

The Rt.Hon. Patrick Jenkin, MP,
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29th January 1982

3.

To hold on to the loans under the loan agreements and thus protect the rest of BL's business, we may require Government guarantees to be provided to our lenders at any time after widespread dismissals have taken effect. Guarantees would, of course, be used only if there were no other means of dissuading banks from calling in their loans.

I therefore propose that we should activate the long-standing contingency arrangements between BL and the Government, whereby BL staff will be in touch with your officials over the next few days to prepare the ground for a formal request for guarantees, if the BL Board should judge this necessary.

We hope this situation will not in the event arise, but I trust you will agree that it is proper to take sensible precautions.

Yours sincerely,
Richard Lawson.

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Prime Minister

①

4 February 1982

Agree to my writing as proposed?

cc Mr Hoshyans

MR SCHOLAR

MCS 5/2

BL: POSSIBLE CLOSURE OF LEYLAND TRUCKS

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1. It appears from the Secretary of State for Industry's letter of 3 February that the possible closure of Leyland Trucks is under active consideration by the BL Board. When the last review took place, Treasury officials were very uncertain about the prospects of eventual viability for the Leyland Group. The Chancellor subsequently minuted the Prime Minister on 31 December 1981 expressing his misgivings about BL's future, and strongly endorsing the reservations which Treasury officials had expressed about the Leyland Group. He described the increases in productivity and market share upon which the plan was based as, "If not impossible of achievement, very ambitious. It can hardly be claimed that the prospects for the Trucks division offer anything like a commercial proposition."
2. It is arguable that a prolonged strike at Leyland Trucks may provide an opportunity for major closures which could begin to cut down the size of the BL problem to more manageable proportions. Of course there would be a serious loss of jobs. But a pessimistic view of Leyland Trucks' prospects leads one to think that the alternative is that the jobs are lost anyway, but at greater cost of continued support in the meantime.
3. I suggest that whatever happens the Prime Minister ought to have available the latest estimates of the cost of closure, including, if it is relevant, the reduced costs of closure in the circumstances of a strike. I suggest therefore, that, if the Prime Minister agrees, you should send a letter along the lines of the attached draft to Patrick Jenkin's office.

ANDREW DUGUID

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keeping it - joint attorney
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Pl type asap -

4 February 1982

DRAFT PRIVATE SECRETARY LETTER

to Jonathan Spence -

BL: LEYLAND TRUCKS CLOSURE

1. The Prime Minister has seen your Secretary of State's letter of 3 February to the Chancellor proposing that contingency arrangements should be activated for the issue of guarantees in the event that BL have to proceed within the next 2 weeks with dismissals and the closure of Leyland Trucks. She agrees that these precautions should be taken.

2. Your Secretary of State's minute of 11 December 1981, covering a report by the official group on BL, recommended continued support for BL. The recommendation contained in the official report on the Leyland Group plan (paragraph 75(i)) was that the Leyland Group plan should be approved on the basis that:

"The benchmarks against which the plan says the progress of Leyland Trucks will be measured, and on the achievement of which decisions will be made on continuing, modifying or abandoning the plan, should be declared to the Government; and progress against them should be included in the monthly monitoring arrangements for BL as a whole."

3. The Prime Minister would like to know whether these benchmarks have been declared to the Government.

4. Annex C of the official report provided estimates of the effects of closure of Leyland Trucks. The Prime Minister would like to know whether the estimates contained in paragraph 15 of that note represent an up-to-date assessment. She understands that the redundancy costs (which averaged £5,850 per individual) would be substantially less if closure took place during a strike.

And the cost of keeping the plant going - assuming the strike ends?

5. I should be grateful if you could supply this information by close of play on Monday, ^{Tuesday 9} 8 February. I am copying this

letter to Tony, D/Em, Robin Hobs, Sir R.A.

She would also like to know the cost of keeping the ^{business} plant going on the assumption that the strike ends can be brought to an end ^{Satisfactorily}

Handwritten initials: "L.P.", "L.V.", "C.V."

(2)

Prime Minister
rec 8/2
cc AD



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 February 1982

The Rt. Hon. Patrick Jenkin, MP
Secretary of State for Industry

Handwritten initials in blue ink: "M"

Dear Patrick

BL: STRIKE AT LEYLAND AND BATHGATE

Thank you for your letter of 3 February. I am content for you to tell Michael Edwardes that the contingency arrangements should be activated. I believe my officials are in touch with yours. Events this week have not been encouraging for the future of Leyland Vehicles.

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

Handwritten signature of Geoffrey Howe in black ink.

GEOFFREY HOWE

8 FEB 1982





Ind P.A. JP
cc itmt
D/M
CPRS
CO

10 DOWNING STREET

From the Private Secretary

8 February 1982

BL: LEYLAND TRUCKS CLOSURE

The Prime Minister has seen your Secretary of State's letter of 3 February to the Chancellor proposing that contingency arrangements should be activated for the issue of guarantees in the event that BL have to proceed within the next two weeks with dismissals and the closure of Leyland Trucks. She agrees that these precautions should be taken.

Your Secretary of State's minute of 11 December 1981, covering a report by the official group on BL, recommended continued support for BL. The recommendation contained in the official report on the Leyland Group plan (paragraph 75(i)) was that the Leyland Group plan should be approved on the basis that:

"The benchmarks against which the plan says the progress of Leyland Trucks will be measured, and on the achievement of which decisions will be made on continuing, modifying or abandoning the plan, should be declared to the Government; and progress against them should be included in the monthly monitoring arrangements for BL as a whole."

The Prime Minister would like to know whether these benchmarks have been declared to the Government.

Annex C of the official report provided estimates of the effects of closure of Leyland Trucks. The Prime Minister would like to know whether the estimates contained in paragraph 15 of that note represent an up-to-date assessment. She understands that the redundancy costs (which averaged £5,850 per individual) would be substantially less if closure took place during a strike. She would also like to know the cost of keeping the business going on the assumption that the strike can be satisfactorily brought to an end.

I should be grateful if you could supply this information by close of play on Tuesday 9 February.

/ I am copying

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- 2 -

I am copying this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), Gerry Spence (CPRS) and David Wright (Cabinet Office).

M. C. SCHOLAR

Jonathan Spencer, Esq.,
Department of Industry.