



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 5902
SWITCHBOARD 01-212 7676

From the
Minister of State

PS/Norman Lamont MP

Caroline Stephens
10 Downing Street
Whitehall

22 February 1982

Dear Carmie

... I attach briefing for the Prime Minister's meeting with Dan Jones MP tomorrow to discuss the Lucas Aerospace redundancies. Included in the briefing is a background note on the history of the Combine Shop Stewards Committee and past financial assistance for Lucas Aerospace. As Mr Jones was a supporter of the Combine's "Corporate Plan" it is likely it will be raised. Ministers have consistently taken the line that, whilst the initiative shown by the workforce was laudable, the Plan was a subject which had to be resolved by Lucas management and workforce.

Also included is briefing on the Burnley Travel-To-Work-Area and the regional industrial policy implications of the redundancies. The Prime Minister should in particular be aware that another aerospace company, Burnley Engineering Ltd, has told us, in confidence, that it is soon likely to declare 130 redundancies from a total workforce of 615. This is attributable to reduced demand in the industry.

Yours
John Alty

JOHN ALTY
Private Secretary



RECEIVED IN
19 FEB 1982
OFFICE OF THE
MINISTER OF STATE

PRIME MINISTER'S MEETING WITH MR DAN JONES MP
LUCAS AEROSPACE, BURNLEY - REDUNDANCIES

BACKGROUND

1 The Fabrications Division of Lucas Aerospace at Burnley manufactures high precision products, mainly on a sub-contracting basis, for airframe and engine manufacturers. Over recent years, a large portion of the Divisions output has been thrust reversers for the Rolls-Royce RB211 engine. This work reached peak demand in 1980 when 188 sets of equipment were delivered. However, sales of RB211 engines have slowed considerably as sales of Boeing 747 and Lockheed 1011 aircraft have decreased far below expected levels. Orders for thrust reversers for 1985 are now down to less than 30 sets. The closure of the L1011 line and the existence of more than 100 wide bodied aircraft on the second-hand market are clear indications that demand is unlikely to pick up for some years to come.

2 Another major activity of the Division is work on the Rolls-Royce RB199 engine which is used in Tornado. Recent changes in defence programmes have resulted in extending deliveries of Tornado over longer timescales thereby reducing manufacturing programmes.

3 The Division recognised the potential difficulty it was facing some time ago and mounted an aggressive campaign to try to widen its markets and fill the gaps created by decreased sales on RB211 and RB199. Although a number of projects were identified which offered potential for the future, none provided an answer to the immediate problems. Furthermore, the general effect of the recession in the aerospace industry is resulting in fierce international competition for any new contracts.

4 It is likely that Mr Jones will refer to the Corporate Plan put to Lucas Aerospace management in 1976 by the Lucas Aerospace Combine Shop Stewards Committee. This Plan proposed that the company considered manufacture of socially useful products such as kidney machines, heat pumps and telechirics. Lucas Aerospace management, whilst not rejecting the Corporate Plan out of hand, made it clear that they did not consider diversification to be a solution to Lucas Aerospace's problems. Matters came to a head in 1978 when the company announced plans for reorganisation which involved closure of factories in Liverpool and Bradford and concentration of production on Birmingham. As a result of negotiations between Lucas Aerospace, CSEU and the Department of Industry, the company agreed to reorganise its activities at



at Liverpool and Bradford by building smaller, more productive factories which attracted regional assistance amounting to some £10 million. It was also agreed that a Committee would be formed to consider whether the alternative products suggested by the Shop Stewards Committee could be manufactured by Lucas Industries (as opposed to Lucas Aerospace). The work of the Alternative Products Committee was terminated in November 1980 as a result of the withdrawal of the 2 CSEU representatives and without making any firm recommendations which were accepted by the company.

5 Although the Combine Shop Stewards Committee gained considerable publicity in 1976-8, including the support of Mr Dan Jones, it was never recognised as an official body by the official Trade unions. Ministers consistently took the view that the Corporate Plan was a matter to be resolved by management and workforce.

LINE TO TAKE

The Prime Minister may wish to consider the following line.

- 1 The 1050 redundancies declared by Lucas Aerospace, Burnley are the direct result of commercial factors:
 - a general recession in the aerospace industry
 - b reduced sales of B747 and L1011 aircraft with RB211 engines, and
 - c rescheduling of deliveries of military aircraft.

Although the effect these redundancies will have on an area already hard hit by unemployment is deplored, it is not Government policy to intervene in the commercial affairs and decisions of a private company.

- 2 The Secretary of State for Industry has undertaken to consider carefully the case put forward for retention of Assisted Area status for North East Lancashire.
- 3 The Corporate Plan put forward by the Combine Shop Stewards Committee in 1976 was considered by the Alternative Products Committee but no recommendations were made which were acceptable to Lucas management.



1 THE LUCAS AEROSPACE COMBINE SHOP STEWARDS' COMMITTEE

The Lucas Aerospace Combine Shop Stewards' Committee (the Combine) has existed since 1970 to bridge the distances between the scattered geographical locations and the different unions within the company.

Due to the drop in demand for aerospace equipment in the late 1960s and early 1970s, Lucas Aerospace were constantly pruning their workforce and, in an attempt to avoid further redundancies, the Combine produced its Corporate Plan (the Plan), which advocated conversion to the production of socially desirable products for peaceful purposes and listed many such products eg telecheiric devices, kidney machines, power-packs. The Plan was presented to Lucas Aerospace management and the Press in January 1976 and subsequently rejected by management in December 1976 on grounds that the Combine was not an official body representing the Lucas Aerospace workforce. The Confederation of Shipbuilding and Engineering Unions (CSEU) also maintained that the Combine was not an official negotiating body. By showing either its "down-trodden workers" face or its "peaceful and socially desirable products" face as the occasions demanded the Combine built up a substantial body of support including many MPs, constituency parties, Co-operative Societies, Friends of the Earth and religious groups such as the Quakers, the Guildford Council of Churches and individual parish councils.

The official attitude towards the Plan has always been that it was a matter for resolution between management and the official negotiators of the workforce.

Early in 1978 Lucas management announced plans for a re-organisation which involved the closure of factories in Liverpool and Bradford with the consequent loss of many jobs. In June of that year a CSEU working party was established to examine the company's proposals. Following publication of the Working Party's findings a meeting was held between the appropriate Minister of State, DoI, Lucas Aerospace management and the CSEU, the outcome of which was a "Tripartite Agreement". The main heads of this agreement were:-

- 1 The construction of new factories at Huyton and Bradford to compensate for the proposed closures (now going ahead with considerable Government financial assistance).
- 2 An alternative products appraisal group to be set up by Lucas Industries (note: not Lucas Aerospace).

The alternative products appraisal group agreed that one or two products it has researched were worthy of further investigation by Lucas Aerospace. However, as a result of management being unable to meet with CSEU officials and the withdrawal of the CSEU representatives, the work of alternative products group was terminated in November 1980.

2 ASSISTANCE FOR LUCAS AEROSPACE

Assistance for Lucas Aerospace was announced on 12 June 1978 in a Press Notice which read in part as follows:



'Discussions have resulted in Lucas Aerospace deciding to open a new factory at Huyton. This will provide employment for about 500 people and will be ready by the time of the already announced closure of the Victor Works in Liverpool. Department of Industry will be providing substantial help to Lucas Aerospace for this highly desirable project. The assistance will consist of the provision of a modern factory on a new site and the payment of grants towards the cost of equipping the factory and towards the working capital requirements.'

The press notice also mentioned assistance would also be given with a new factory in Bradford.

The cost of the factories has never been publicly announced. In a letter to the company on 25 April 1979 £8.7m was offered on a 125,000 sq ft factory at Huyton and 80,000 sq ft at Bradford. This sum allowed for an increase from 500 to 800 in the workforce at Huyton and about 33% increase for inflation over the construction period. Because of delays (caused mainly by difficulties with the Trade Unions) the Department increased its offer to £10m cash with no further increases for inflation or any other contingencies. (NB It was not expected that the final figure would be exactly £10m, since it would depend on selection of the best tender, but would be within 1% or 2%).

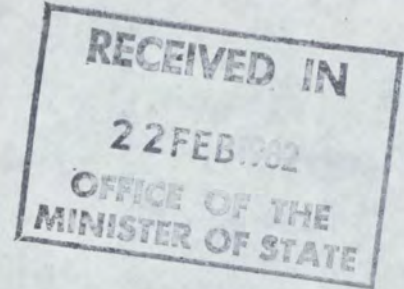
In June 1980 final details of the deal were agreed between Lucas and DoI. The basic specification for the factories was found to cost about £7.75m which with an agreed 30% allowance for inflation during building plus about £300,000 for allowable consultants fees came to around £10.3m. DoI agreed to a maximum of £10.2m which Lucas accepted.

Air Division
Dept of Industry

February 1982

1 Mr Pearcey
2 PS/Mr Lamont

RPDG1 22/2



PRIME MINISTER'S MEETING WITH MR DAN JONES MP
TUESDAY 23 FEBRUARY

You asked for additional briefing on the Burnley Travel-To-Work-Area and regional industrial policy implications.

- 2 The Burnley TTWA is an Intermediate Area and due to become non-Assisted from 1 August.
- 3 While the Government are committed only to review before 1 August 1982 those areas being downgraded by more than one step and becoming non-AAs, Ministers have agreed (in E(EA) in May 1981) that the review will have to consider other areas which have become apparent anomalies. Ministers also agreed that this decision should not be made public because of the risks of (a) encouraging many areas due to become non-AAs to make further representations and (b) giving any impression of a weakening in the Government's regional industrial policy of concentrating on the areas of greatest need such as Merseyside and the North East where there are high rates of unemployment and many thousands of people without work⁷. Concessions - unless demonstrably justified - could lead to the 1979 AA decisions being totally undermined.
- 4 The Government are also publicly committed to maintaining reasonable stability in regional policy and the avoidance of abrupt change, so that industry can take account of the financial incentives available in the AAs with some degree of certainty.
- LINE TO TAKE
- 5 If the Prime Minister is pressed on the effects of the Lucas Aerospace redundancies on unemployment levels in Burnley she is advised to take the line that the Secretary of State for Industry has agreed to meet a deputation from the North East Lancashire Development Association (NELDA) to discuss the problems of North East Lancashire and that she would not like to pre-judge the outcome of these discussions.
- 6 Mr Lamont will note from the table attached that the unemployment rate in Burnley is less than the national average and that on unemployment grounds alone there is no justification for retention of IA status.
- 7 Notes on the Burnley TTWA and Government financial assistance details are also attached.

M J ECCLESHALL
RPDG1a
22 February 1982



UNEMPLOYMENT STATISTICS

Lancashire TTWAs	1981 Average	Nos	January 1982
	%		%
Ormskirk*	20.1	6,710	21.8
Rossendale	15.5	3,461	16.8
Blackburn	13.1	9,560	13.8
Nelson	12.9	3,689	14.0
Accrington	12.6	4,120	14.0
Lancaster	11.8	6,340	13.5
Blackpool	11.7	15,762	14.4
Preston	11.2	18,393	12.4
Burnley	10.9	5,979	11.9
Barnoldswick	8.7	661	9.8
Clitheroe	4.6	648	5.5
All IAs**	13.2	167,632	15.1
All DAs**	14.6	348,150	16.4
All SDAs**	16.5	526,512	18.1
GB	11.1	-	12.5

* Including Skelmersdale New Town which will remain an SDA.

** On post 1982 boundaries.

ASSISTED AREA STATUS - All the above TTWAs are Intermediate Areas due to become non-Assisted from 1 August 1982 with the exception of Lancaster and Blackpool TTWAs which are scheduled to retain IA status.



BURNLEY TTWA

County Lancashire

AA Status Intermediate Area (Non-AA from 1 August 1982)

Unemployment	May 79	Jan 82
Nos	2,046	5,979
Rate %	4.1	11.9
Vacancies		154
Redundancy (confirmed notifications)	1979 1980 1981 1982	194 2,733 883 387 (including 198 at Mullards, Simonstone factory)

Main Industry (1977)
Employees in Employment 47,864

Industry	% of Employees
Mfring	54.3
Vehicles	10.7
Elec. Eng	9.8
Textiles	7.5

Sectoral Notes

Textiles in decline. The post war growth sector, Vehicles, is dependent on Lucas - aerospace and vehicle electrics - and thus vulnerable in unpredictable industries recently depressed.

General

Inner areas have minor housing and environmental problems but overall aspect attractive. Somewhat remote up valley but Calder Valley route will remedy, although in industrial terms towns nearer M6 will benefit more.



GOVERNMENT FINANCIAL ASSISTANCE

Section 7	1/5/79 - 31/3/80			
Burnley TTWA	Offers	Offer Value (£m)	Safeguarded Jobs	New Jobs
	3	0.6	0	300
	1/4/80 - 31/3/81			
	3	0.1	0	93
	1/4/81 - 31/12/81			
	1	-	0	12
TOTAL	7	0.7	0	405

Section 8	1/5/79 - 31/3/80	
Burnley TTWA	Offers	Offer Value (£m)
	8	0.2
	1/4/80 - 31/3/81	
	9	0.1
	1/4/81 - 31/12/81	
	0	0
TOTAL	17	0.3

Regional Development Grants

Payments (Estimated) £m	1/5/79-31/3/80	1/4/80-31/3/81	1/4/81-31/12/81	TOTAL
Burnley TTWA	0.07	0.3	0.3	0.67



CF

10 DOWNING STREET

Can your brief please reach us
by close of play on Monday,
22 February.

With the compliments of

C.S.

Above sent to
Mr. Lamont
c/o Dllnd.



PM

10 DOWNING STREET

Secretary

9 February, 1982

er to our conversation on the telephone
ng I confirm your meeting with the
ster on Tuesday, 23 February to discuss
e of a Lucas factory in your constituency.
g will be at 1530 hrs in the Prime
Room at the House of Commons and Mr
l be present. I have today written
addington to see whether he can attend.

Dan Jones, Esq, MP

file

RM



cc: NA?

10 DOWNING STREET

MR GOW

The attached is self-explanatory. David Waddington does not want to attend the meeting and I told him on the telephone to make his own peace with Mr Jones.

CAROLINE STEPHENS

9 February, 1982



10 DOWNING STREET

GC: IG
NAP

From the Private Secretary

9 February, 1982

I spoke to Dan Jones and the meeting is arranged for Tuesday, 23 February at 1530 at the Prime Minister's Room at the House. As you suspected he was very anxious that you should be present and I made no commitment other than to tell him that I would contact you. I will assume that you are not able to be there unless I hear to the contrary, and perhaps you would be kind enough to tell Mr Jones that I have informed you of the time and that the date is not convenient.

CAROLINE STEPHENS

VB

D Waddington, Esq, QC MP



cc: Mr LAMONT

10 DOWNING STREET

From the Private Secretary

9 February, 1982

Further to our conversation on the telephone this morning I confirm your meeting with the Prime Minister on Tuesday, 23 February to discuss the closure of a Lucas factory in your constituency. The meeting will be at 1530 hrs in the Prime Minister's Room at the House of Commons and Mr Lamont will be present. I have today written to David Waddington to see whether he can attend.

CAROLINE STEPHENS

Dan Jones, Esq, MP

Mr. Leman

Mike Pattison

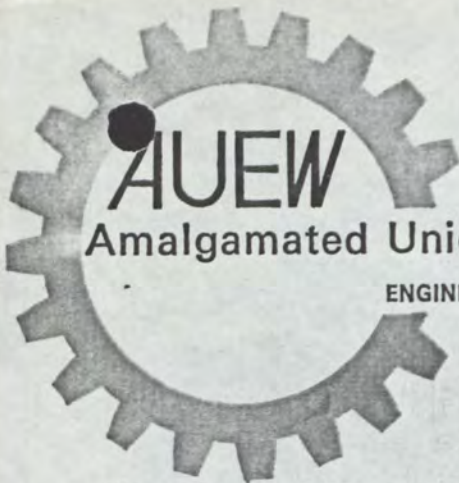
1. Dan Jones, who is charming but dotty, says that a Lucas factory in his constituency is about to close and that this also effects the constituency of David Waddington.
2. Taking advantage of the Prime Minister's undertaking in the House, Dan Jones asks whether he may come to see the Prime Minister accompanied by David Waddington (from whom we have had no such request).
3. I think that you would find it an interesting experience to talk to Mr Jones on the telephone about this, and perhaps you would very kindly do so.

*Tell David Waddington
when meeting is.*

Tessa

5.2.82

M IAN GOW



Amalgamated Union of Engineering Workers

ENGINEERING SECTION

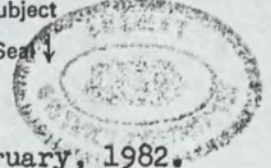
**Burnley
District Secretary**

A F Robinson
to whom all communications
should be addressed

16 Hargreaves Street
Burnley
BB11 1DZ
Telephone 0282 23046

Please confine each letter
to one subject

District Seal



4th February, 1982.

TO: Mr. D. Jones, M.P.,
Mr. J. Lee, M.P.,
Mr. D. Waddington, M.P.,
Mr. J. Watson, M.P.

RETURN TO 124 EN

Dear Sir,

re. Rolls Royce Ltd.

As you are no doubt aware, the above Company have their main Research & Development factory situated at Barnoldswick, which administratively, in so far as this Union is concerned, is within my area. Since 1972 recovery, they are also involved in production assistance for the main plant at Derby.

At a recent meeting, my District Committee were notified of a situation giving rise to concern to the Joint Shop Stewards' Committee on behalf of the workforce, in connection with the company's action in sub-contracting work to foreign engineering companys. Work which, incidentally, they consider could well be done at Barnoldswick or other Rolls Royce establishments in this country. To date they have instanced the following:

- | | |
|------------------------|---|
| Volvo, Sweden | Manufacturing Compressor Blades & Centre Bands |
| Ex-Cello, Ohio, U.S.A. | Fan Blades |
| R.R., Miami, U.S.A. | Fan Discs & Wheels |
| T.R.W., U.S.A. | H.P. Turbines |
| U.A.P., U.S.A. | Engine Section Stators,
Front Bearing Housings for
RB.524 |

Parochially, my District Committee consider this situation to be totally unacceptable, both in the general sense in that the Aero-Engine Industry is in a depressed state. More importantly, this particular part of Lancashire/Yorkshire must have, at a calculated estimate, between 38-45% of its Engineering Industry tied to this company on a sub-contracting basis. The Barnoldswick factory are currently engaged in a gradual recession and over three hundred jobs will vanish during 1982. As recent as today, the Lucas Aerospace Company have publically announced an almost immediate reduction of 1050 jobs, which is 40% of their current total labour force. The "knock-on" effect on smaller companies employed on contracting will be disastrous.

I am required, therefore, to convey the foregoing information to you, since you obviously have a political interest on behalf of your Constituents who will be affected, and to request you to raise this matter through whatever channels are available to avert, or at least improve in so far as it is possible to do so, the undoubted industrial disaster now about to take place.

Yours faithfully,

AMALGAMATED UNION OF ENGINEERING WORKERS (Engineering Section)

JOHN BOYD CBE, General Secretary General Office 110 Peckham Road, London SE15 5EL Telephone 01-703 4231