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LONDON SW1A 2AA

THE PRIME MINISTER

28 February 1990

Monsieur Chirac,

Thank you for your letter of 30 January expressing concern about the continuing industrial dispute at British Aerospace.

I am keeping a close watch on developments, but settlement of the dispute is solely a commercial matter for BAe. BAe is of course aware of the consequences for Airbus and the partner companies including Aerospatiale and is anxious to resolve the dispute quickly, but in a way which will not damage the long term competitive position of either BAe or the Airbus consortium. I am sure you will understand that an unjustified settlement of the dispute by BAe would merely move the pressure to French, German and Spanish Airbus partners. BAe are in fact "holding the line" for the whole consortium. The opportunity for the Unions would be an obvious one for them to seek to exploit, when Airbus seemed to them to be an open conduit to obtain more taxpayers' money for their members. BAe are merely holding the line for the consortium as a whole and in that sense doing Airbus Industry a service as a whole. I understand that BAe are now holding talks with local plant unions which, hopefully, will end the dispute.

Kind regards,

Yours sincerely

Monsieur le Premier Ministre Jacques Chirac.

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the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

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the Prime Minister
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Our ref PB2AHO

Your ref

Date 21 February 1990

Dear Caroline,

Attached is a draft reply for the Prime Minister's signature to the letter from M. Chirac to the Prime Minister on the engineering workers strike at British Aerospace (BAe).

M. Chirac is concerned that the continuing industrial dispute at BAe whilst damaging to both British Aerospace and the British taxpayer is also damaging to the other partners in Airbus Industrie and in particular to the French partner, Aerospatiale.

However damaging the strike may be, and it has come at a particularly inopportune moment with AI poised to take advantage of record orders, Government policy is not to interfere in what is a matter for BAe's commercial judgement. The draft reply makes this clear.

The letter does not specifically call for a reply, but M. Chirac has publicly mentioned the fact that he has written to the Prime Minister (although our Embassy in Paris do not believe the text has been published). There is therefore a strong likelihood that M. Chirac would also make public, in whole or in part, any response that he might receive.

The Secretary of State made clear the Government's attitude to the strike at Airbus ministers meeting in Madrid on 30 January. Although the Prime Ministers' reply may be published and so



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prompt further criticism, it would seem better to place on record with M. Chirac the Government's view that settling the dispute is solely a matter for BAe.

The background to the strike is set out in the attached note.

Yours sincerely
Rosalind Cole

ROSALIND COLE
Private Secretary

CONSERVATION



DRAFT LETTER FOR PRIME MINISTER SIGNATURE TO:

le
Monsieur Premier Ministre Jacques Chirac
Le Maire de Paris
Hotel de Ville
75196 Paris R P
FRANCE

Scawel

Thank you for your letter of 30 January expressing concern about the continuing industrial dispute at British Aerospace.

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CM.

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Background

The Confederation of Shipworking and Engineering Unions (CSEU) targeted the Aerospace sector for its campaign to achieve a reduction in the working week from 39 to 35 hours.

On the 30 October 1989 engineering workers were called out on indefinite strike at BAe plants in Chester and Preston, at Rolls-Royce's Hillington factory in Glasgow, and at Smiths Industries, Cheltenham. Workers at BAe Kingston were also called out from 15 November.

The choice of BAe plants has caused considerable disruption, particularly BAe Chester which manufactures sections of the Airbus wings. Airbus assembly lines have been badly hit and output has come almost to a halt. However, Aerospatiale, who have the main AI assembly line at Toulouse, have so far managed to avoid lay-offs by redeploying workers. The cost to AI has been estimated by BAe at \$180M, but it will be near the middle of the year before accurate figures become available.

In early November, NEI Parsons, a RR subsidiary not directly involved in strike action, reached a local agreement on a reduction to a 37 hour week offset by productivity improvements. This was followed by similar agreements at Smiths on 8 December and Rolls-Royce on 16 December.

Shortly after the failure of national bargaining, BAe offered its unions local talks on a staged reduction to a 37 hour week, conditional on strikers returning to work, BAe refusing to negotiate under pressure. The unions refused to accept a return to work before reaching a settlement. Both sides have softened their positions and talks aimed at securing a settlement are now being held at plant level.

Recent hopes of a resolution at BAe's Preston plant which would have facilitated a settlement at Chester and Preston, have been dashed by rejection on 13 February of the latest BAe offer.

BAe management is now considering what further steps to take, including shutdown of its plants which supply equipment to the strike hit plants. The company is also considering whether communication between corporate management and national engineering leaders, who have hinted that they believe local unions have got the best offer available, would help end the dispute.

