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EMPLOYMENT SECURITY IN THE AFTERMATH OF THE BREAK-UP OF
ROVER GROUP

BY

Joy Batchelor

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Employment Security in the Aftermath of the Break-up of Rover Group

Joy Batchelor

Operations Management Group, Warwick Business School

Abstract

The scale and the speed with which Rover Group was broken up by BMW in March 2000 was unprecedented in the context of British industrial relations. This working paper covers the last eighteen months of BMW's ownership of Rover Group and details: the key phases leading to the break-up of the company; the subsequent collapse of the bid by Alchemy Partners; the emergence of the Phoenix consortium bid, and the role of the trade unions in securing the future of Longbridge. Six months after the immediate future of Longbridge was secured and the sale of Land Rover was completed, the consequences of BMW's actions for employment and industrial relations can begin to be assessed. In all, the three surviving companies of the former Rover Group sought up to 2,500 voluntary redundancies by the end of 2000.

The European Foundation for the Improvement of Living and Working Conditions funded the research presented within this working paper as a part of their ongoing research into pacts of employment and competitiveness. In the light of the factors underlying BMW's withdrawal from Rover the value of employment security agreements is reviewed. This account is based upon secondary literature sources and ten interviews conducted between May and August 2000 with representatives from Rover's unions, management, and local politicians¹.

Key Words: Employment security agreements; Rover Group; Longbridge; Land Rover and BMW.

Introduction

It is generally recognised that the Rover Tomorrow – The New Deal² employment security agreement, signed in 1992, was a significant landmark, which fuelled the spread of similar agreements within the UK (see Appendix One for a summary of the main terms and conditions of the agreement). During the 1990s the flexibility offered by this agreement contributed towards Rover's ability to restructure its manufacturing operations. This included two occasions (1992-3 and 1998-99) when substantial reductions in employment levels were executed by voluntary means in line with the 'no compulsory redundancy' policy of the agreement. A third phase of voluntary job cuts was to be initiated in 2000 as a part of BMW's ongoing efforts to turn round Rover Group. However, BMW's shock announcement to sell off most of its UK operations in March 2000 not only caused significant political fallout but

¹ For the purposes of this working paper additional material has been added to the original European Foundation report.

threatened the jobs of many thousands of employees within Rover Group and its extended enterprise in the West Midlands and beyond.

The scale and the speed with which Rover Group was broken up by BMW was unprecedented in the context of British industrial relations and presented a major threat to the stability of the West Midlands' manufacturing base. The interim report of the government-initiated Rover Task Force, issued on 25 April 2000, confirmed the importance of Rover Group as a whole to the West Midlands economy³. The five Rover Group sites, including Longbridge and Solihull, located within the West Midlands region accounted for 22,000 employees. Rover Group employment levels by site are listed in Table One.

Table One. Rover Group employment levels by site in March 2000

Direct jobs at Rover Group		
Site	Activity	Employment (as of March 2000)
Longbridge	Production of small and medium cars (Rover 25 and 45 models, MGF and classic Mini).	5,130
	Powertrain (production of engines and gearboxes for Rover, Mini, MG and some Land Rover models).	2,360
	Admin, design and engineering	1,570
		Total 9,060
Gaydon	R&D facility for the whole of Rover Group	2,330
Bickenhill	Sales and marketing Rover and Land Rover	340
Warwick	HQ of Rover and Land Rover	340
Solihull	Production of Land Rover	c. 10,000
Total Jobs in the West Midlands		22,070
Cowley	Production of Rover 75	c. 3,500
Swindon	Production of body panels	c. 2,700
Total employment in Rover Group in the UK		28,270
Rover employment abroad		2000

Source: Rover Task Force Report, April 2000

The Task Force estimated that in total vehicle manufacture at Rover and Land Rover supported up to 50,000 jobs or 8% of all manufacturing jobs in the region. Of this figure around 24,000 jobs were

² To be referred to in this document as Rover Tomorrow.

³ Rover Task Force, (2000), 'Interim report to the Secretary of State for Trade and Industry', April.

directly dependent upon the production of Rover and MG products at the Longbridge plant. These products supported an extended enterprise of suppliers and dealers in the UK and abroad comprising:

- around 400 UK based suppliers;
- around 100 suppliers based outside the UK;
- 300 UK dealers employing around 15,000; and
- 1,500 dealers outside the UK.

The course of events covering the introduction of Rover's employment security agreement in 1992 through to the UK Government's offer of Regional Selective Assistance to BMW in May 1999 was covered in a preceding paper prepared by Mark Hall, of the Industrial Relations Research Unit at Warwick Business School for the European Foundation. This first report is reproduced in Appendix Two.

BMW's 'change of heart' over their commitment to Rover Group

At the public launch of the Rover 75 at the Birmingham International Motor Show in October 1998 the BMW chairman, Bernd Pischetsrieder, issued his ultimatum over the future of Longbridge. All investment at Longbridge was to be suspended including the new Mini as well as the medium car replacement the R30. BMW wanted cost savings of £450million over the following three years and an increase in productivity of 30%. In addition to this BMW were to seek Government support for the development of the Longbridge site to enable the introduction of the R30 model. Agreement with the unions on the terms of the 1998 flexibility agreement⁴ were linked to securing the production of the Mini at Longbridge, but 2,500 voluntary redundancies would also be required over and above the 1,500 redundancies sought earlier in the year. Hourly paid employees at Rover's plants voted to accept the flexibility agreement in December 1998, however, uncertainty remained over whether BMW would release the additional £1.7 billion investment needed to ensure that the R30 would also be built at Longbridge.

Over the coming months a game of brinkmanship was played out between BMW and the Government over whether funding would be released by either side in support of Longbridge. The political turmoil within the BMW Board, caused by disagreements over the strategy to adopt in respect of Rover, came to a head on 5th February 1999 with the resignation of both Bernd Pischetsrieder, who was supportive of Rover, and Wolfgang Reitzle, who advocated getting rid of Rover. The incoming chairman, Professor Joachim Milberg, inherited the decision on the future of Rover. He chose to initiate a restructuring process whereby all functions were to be merged into one corporate entity, thereby dispensing with the approach of "Rover runs Rover and BMW runs BMW".

The formal application for Regional Selective Assistance (RSA) was made by BMW on 3rd March 1999 and the Government made an initial offer to BMW by the end of the month. However, this first

⁴ See Appendix two for details on the 1998 flexibility agreement which introduced German style working patterns into Rover.

offer of £118 million was significantly lower than BMW were expecting and was a serious miscalculation on the part of the Government⁵. Further negotiations on terms and conditions and the level of aid quickly followed and the Government at the end of April made a revised offer. In June 1999 it was announced that the BMW Board had accepted an offer of grants totalling £152m thereby concluding eight months of uncertainty during which time the future of Longbridge and its 9,000 employees was in the balance.

Speculation over Rover's future was re-kindled at the beginning of 2000, fuelled by the announcement at the end of December 1999 that it was the intention of Commissioner Monti to open a formal investigation into the RSA grant for Longbridge. Over the next three months BMW denied that they were considering a change in strategy. Rumours emerged in January that BMW were considering an offer for Rover from an un-named group of venture capitalists. At the Detroit Motor Show in early January, BMW board member Henrich Heitmann, told the German newspaper Sud Deutsche Zeitung that he feared "*that we don't have the time we need*" to re-establish the Rover brand and that whilst BMW were not considering Rover's closure he added that: "*Nobody can completely rule out this ultimate solution*". BMW vigorously denied that they were considering a change in strategy in respect of Rover. Professor Milberg, in the shareholders' letter issued in late January 2000, concluded, "*the Rover restructuring programme will continue to be vigorously pursued*" thereby reaffirming BMW's commitment to its subsidiary⁶. A statement issued by BMW prior to the publication of the shareholders' letter stated: "*We are not in talks and there are no plans existing for a sale of our British brands*"⁷. On 1st February 2000 the EU Commission formally opened the investigation into the Longbridge grant (see box for further details).

The R30 Grant Investigation

In total £129 million was to be offered as RSA⁸. A further £12 million was to be provided as rates relief by Birmingham City Council, £10 million aid with training from the local Training and Enterprise Council and £1 million from the Skills Development Fund of the Regional Development Agency, Advantage West Midlands. The Commission questioned whether Tatabanya in Hungary was a real alternative in comparison to the option of Longbridge⁹. The Commission's attention was drawn to the fact that Tatabanya was not identified as an alternative site until 13th April 1999, whilst the final grant offer issued to BMW was made by the Government on 26th April 1999. For this reason, the Commission questioned whether Hungary was a serious alternative. The mobility of the project was further brought into doubt by BMW's stated policy to produce models in the main market for which they are intended. The Commission concluded that Rover's image was strongly based upon being British and that with 35% of potential sales occurring in the UK that this was its main market.

Throughout February BMW again issued a number of statements denying a change in strategy. Letters sent to Rover employees dated 14th February insisted that: "*BMW's commitment to Rover and to Birmingham remains total and we are pressing for an early decision on state aid so that the new*

⁵ See 'The battle for Rover', T&G Record, June 1999.

⁶ Milberg, J. (2000), 'BMW Group Shareholders' Letter for the 1999 Fiscal Year', January, Munich.

⁷ Financial Times, 27.01.00, 'BMW stresses Rover support'.

⁸ The £129 million RSA was to be provided in six instalments between 2000 to 2004.

⁹ Official Journal of the European Communities (2000), 'Invitation to submit comments pursuant to Article 88(2) of the EC Treaty concerning aid insert C79/99 (ex n481/99) - Rover Longbridge'.

medium car programme can be implemented and the £1.5 billion transformation of the plant can get under way". At a sales conference on the 23rd February, dealers were assured that: "BMW are not negotiating the sale of all or any part of the business to anyone...Rover has and will continue to have a crucial role within the BMW Group portfolio". At the Geneva Motor Show at the end of February both Professor Milberg and the head of manufacturing, Carl-Peter Forster, pledged that the future of Longbridge was secure. Asked about the implications of the aid package for the R30, Carl Peter Forster said: "This project will go ahead irrespective of Brussels. Rover will have a car in that segment"¹⁰.

Timetable of events surrounding the R30 grant application	
22 October 1998	BMW Chairman Bernd Pischetsrieder announced BMW's intention of approaching the Government to secure funding for the future R30 model.
5 February 1999	Bernd Pischetsrieder and Wolfgang Reitzle resign from the BMW board.
3 March 1999	The application for Regional Selective Assistance was made to the British Government by BMW.
31 March 1999	The Government makes an initial offer to BMW.
13 April 1999	Tatabanya, in Hungary, is identified at the alternative site for R30 production.
26 April 1999	The Government makes a revised grant offer to BMW.
23 June 1999	The Government announces BMW's acceptance of the revised offer.
19 August 1999	European Commission notified of regional investment aid to be granted to Rover Group Ltd for the transformation of Longbridge and the introduction of the R30 model.
27 October 1999	Commission staff visit Longbridge.
8 December 1999	Stephen Byers contacted Commissioner Monti to ascertain his intentions over the proposed grant.
11 December 1999	Professor Milberg warned over the likelihood of an official inquiry.
22 December 1999	Professor Milberg informed by Stephen Byers that the Commission would launch a formal investigation.
1 February 2000	Formal investigation launched by the Commission.
16 March 2000	Supervisory Board of BMW met to discuss the future of Rover Group.

On 14th March it emerged that the German newspaper Sud Deutshe Zeitung was to break the story the following day that the BMW supervisory board would consider the future of Rover at their meeting on the 16th March. This revelation caught the Government, unions and Rover's employees by surprise. But the scale of BMW's divestment plans was underestimated. The supervisory board not only announced that it had signed a memorandum of understanding with the UK based venture capitalists Alchemy Partners over the sale of Longbridge but that Land Rover too was for sale and that a memorandum of understanding had been signed with the Ford Motor Company. It was proposed that the Longbridge plant would pass into the ownership of Alchemy Partners who were to operate the business as the MG Car Company. Alchemy were to pay BMW a maximum of £50 million for the MG sports car brand and the licence to manufacture and operate the Rover brand for at least seven years with production of the Rover 75 continuing at Cowley under licence to Alchemy. Under the terms of the deal with Ford, Land Rover's production facilities and the research and development facilities, based at Gaydon in Warwickshire, were to be sold for £1.85 billion.

¹⁰ Automotive Engineer (2000), 'Rover illness pledge', April, p. 13.

It seems to be generally accepted that the decision to review BMW's commitment to Rover was made at some point in the first two weeks of March when it became clear that Rover could not establish a viable business plan for the year ahead. However, BMW had informally approached other manufacturers at the end of 1999 to test their interests in Rover Group. The confusion surrounding the announcement of BMW's intention to sell Longbridge to Alchemy and the surprise sale of Land Rover appears to confirm the lack of a coherent disengagement strategy on the part of BMW.

BMW's accounts, published on 28th March 2000, confirmed that Rover's losses had increased to £750 million in 1999, in comparison to £642 million in 1998, despite significant re-structuring within Rover which saw employment fall 19% in 1999 to 29,884 employees; (see Table Two for Rover Group leavers by reason in 1999-2000). BMW's net income (before extra-ordinary provisions) amounted to 663 million Euros, but the need to make substantial provisions to cover restructuring and other costs associated with Rover resulted in an overall deficit for the year of 2.49 billion Euros¹¹. Whilst Rover's total vehicle sales fell by 25% to 227,743 vehicles in 1999, UK sales in the last quarter of 1999 were recovering and were up by 11% in comparison to the previous year (see Appendix Three for Rover Group sales and production figures between 1994-1999). Figures released for the first five months of 2000 reported a 14.3% increase in sales of Rover, MG and Classic Mini models up to 9th May 2000, which amounted to 100,029 units¹². Land Rover achieved record sales levels in 1999, increasing by 16% to 178,000 vehicles. However, upon announcing Land Rover's sale to Ford, BMW reported that Land Rover was operating at a loss, much to the surprise of industry observers.

Table Two: Rover Group leavers by reason 1999-2000

1999 Leavers		2000 Leavers ¹³	
Voluntary redundancy	6246	Voluntary redundancy	153
Transferred to BMW overseas	21	Transferred to BMW overseas	4
Early retirement co-consent	60	Early retirement co-consent	6
Retirement	42	Retirement	1
Deceased	35	Deceased	5
Dismissed	72	Dismissed	7
Contract end	599	Contract end	39
Own request	912	Own request	130
Career break	9	Career break	2
Other	1	Other	0
Total Leavers	7997	Total Leavers	347

Source: Rover Group

BMW lay the blame for their decision to sell squarely upon the strength of sterling against the Euro and the continuing weakness of Rover sales, particularly within the UK market. In defence of BMW's decision Professor Milberg stressed they had warned the Government over the strength of the pound: *"We pointed out that due to currency developments alone the BMW Group was losing more than £1 million with Rover every day, a loss clearly not acceptable and economically viable any more"*. The

¹¹ EIU Motor Business Europe (2000), 'A strategic profile of BMW: life after Rover', pp. 53-65.

¹² BMW Group, (2000), 'Interim Report as of 30 June 2000, Munich.

¹³ Figures until March 2000.

Government reacted strongly to BMW's claims that they had been warned of the seriousness of Rover's situation. The Trade and Industry Secretary, Stephen Byers, openly criticised BMW, and in reference to the deal struck with BMW in April 1999, he said that *"there was a clear understanding between the Government, the workforce at Rover and BMW that the business strategy which was entered into accepted that break-even would not occur before 2002"*¹⁴.

An acrimonious exchange of differing interpretations over the course of events and the content of conversations between December 1999 to March 2000 developed between the Trade and Industry Secretary and BMW. The difference of opinion centred upon whether BMW had in fact warned the Government of their intention to re-assess its commitment to its loss making operations as a whole or only to the R30 project. When asked in an interview when he first suspected that BMW might have to relinquish Rover, Professor Milberg replied: *"By the end of November, beginning of December, I was extremely doubtful. Later, around the 20th, I called Byers and told him that Rover was in critical survival mode - in serious trouble"*¹⁵. He went on to say: *"The Government, as well as the unions, should have known - how could they not have known - the true situation of Rover cars. We had given them regular figures of what was happening that left them in no doubt we were in a critical situation and had to find a solution. If we had kept on, we would have damaged BMW"*.

Attention also focused on a critical meeting between the Secretary of State and the Rover Group Chairman, Werner Sämman, on the 10th March. During this meeting it was claimed that BMW had warned the Secretary of State of a change in strategy, a claim strongly rejected by Mr Byers. In an unprecedented move, the DTI released notes taken at the meeting between Stephen Byers and Professor Sämman. It was confirmed that four possible courses of action were outlined to address the serious problems of Rover Group. Professor Sämman confirmed that Rover Group was incurring losses of £2m per day. Of this figure £1m was attributed to the exchange rate whilst a further £1m was due to the poor market situation facing Rover in the UK. Four options outlined were:

- to increase Rover's productivity;
- to reduce the level of UK-sourced components to around 50% over the next two years;
- to concentrate on the 'core business' of final assembly and to outsource parts sourced from Rover's own pressing plant, gearbox facility and foundry;
- to switch production away from the Rover 25 and 75 models towards lower volume models such as the MGF and Range Rover.

In giving evidence to the Trade and Industry Select Committee, Stephen Byers said: *"One of the reasons I was so angry is the [BMW] failure six days before their supervisory board meeting to give any indication that the break up of Rover Group and the sale of Land Rover was even being considered"*¹⁶. The Select Committee later absolved the Trade and Industry Secretary of misleading parliament over the situation at Rover. Whilst the findings of the committee recognised that some

¹⁴ DTI press release 16.03.00.

¹⁵ Sunday Times, 02.04.00, 'New BMW charges put angry Byers on the rack'.

notice was given on the 10th March of a change in strategy it was noted: "*...the plans of which they were given notice bore no relation to what the BMW board decided on 16th March*". The report went on to say: "*There was no suggestion that Longbridge and Cowley were for sale, let alone Land Rover, nor that BMW had begun hawking them around the world's principal car makers*".

Regardless of the exact wording used by Professor Milberg in December 1999 over the implications of the potential refusal of the grant application, the outcome was the same. Without the R30 there was no long-term future for Longbridge. Concerns were voiced by informed parties to the Government that a delay in a decision on the European funding might give BMW the excuse that they needed to extricate themselves from their loss making subsidiary. For the BMW board the R30 grant became a matter of principle and a sign of the government's support of the company after similar awards had been made to competitors such as Jaguar. If EU approval of the grant had been confirmed quickly, then it would have become more difficult for BMW to withdraw in the way that they eventually did.

The immediate reaction of the trade unions

The unproven track record of Alchemy within automotive manufacture and the threat of thousands of job losses at Longbridge and within the West Midlands supply base was the major concern to the trade unions. "*Any owner of Rover must demonstrate financial strength, a clear understanding of the car industry and a demonstrable track record in good employee relations*" said Bill Morris, general secretary of the Transport and General Workers Union. Union concerns were not allayed by the announcement made by Jon Moulton of Alchemy that significant job losses at Longbridge were inevitable as the company in future would not compete in the mass market, focusing instead upon becoming a mid-volume producer of up to 50,000 niche market sports saloons per year. Anything up to half of the 9,000 employees at Longbridge were under immediate threat of redundancy, with serious knock-on effects for the component supply base with such a drastic reduction in yearly production proposed.

Trade union representatives and the Government initially tried to persuade BMW to reconsider its position on Alchemy and to look for alternative offers. However, it appeared unlikely that such offers would be forthcoming from established automotive manufactures. At the end of March, Professor Sämman, the Rover chairman, told the Select Committee on Trade and Industry that talks had been held with General Motors and Ford but that they were "not interested" in buying Rover cars on its own or with Land Rover. Professor Sämman said: "*We don't expect another offer. There is no one else in town*".

From the perspective of the unions it was clear that there could only be one strategy and that was to find an alternative to Alchemy. At this point in time Rover's unions were in contact with the fledgling Phoenix consortium. Union leaders accused BMW of withholding crucial information from potential bidders for Rover. Tony Woodley, the TGWU chief negotiator for the car industry, told the committee that there was a desperate need for BMW to divulge information that would help potential buyers to

¹⁶ Financial Times, 05.04.00, 'Byers say BMW gave no warning about Rover'.

reach a decision on Rover¹⁷. Upon being pressed by the committee, Professor Sämman confirmed that BMW would consider alternative bids if they were forthcoming¹⁸. On 30th March, at a meeting between Tony Woodley, Duncan Simpson from the AEEU, Manfred Schoch, chair of the BMW works council, and Professor Milberg, an important concession was elicited from BMW. It was agreed that BMW would offer £500 million of finance to both Alchemy, with whom BMW were exclusively negotiating, as well as the yet to be announced Phoenix consortium if a bid were forthcoming¹⁹.

The sale of Land Rover was completely unexpected and BMW attributed their decision to sell to the successful launch of their own 4x4 model the X5. The reaction to the sale and integration of Land Rover into the Ford Premier Automotive Group was received more positively. Bill Morris welcomed the: "*bold decision by the Ford Motor Company to buy the Land Rover operation*". However there were fears about job losses at Rover's design centre in Gaydon, which formed a part of the deal with Ford. Whilst Ford would continue to require those engineers working directly upon Land Rover programmes it became clear that as Alchemy revealed their plans for the future that a significant engineering function would not be required, thereby putting hundreds of Rover car's related engineering jobs under threat.

The emergence of the Phoenix consortium

The first sign that a rival offer for Rover might be forthcoming emerged on 5th April when it was reported that Rover ex-Chief Executive, John Towers, and ex-engineering director Nick Stephenson were pulling together a consortium of interested parties to bid for the company. However, the day after BMW's announcement, discussions on finding an alternative solution to that of Alchemy were initiated between John Towers and Richard Burden, the MP whose constituency includes Longbridge. Initially few rated the chances of the consortium to put forward a successful bid for Rover, but a complex set of factors ultimately lay behind the withdrawal of Alchemy from negotiations with BMW thereby giving the consortium the chance that it needed to put forward its plan for the future of Longbridge.

On the evening of the 27th April it appeared that the sale of Longbridge to Alchemy was a formality to be concluded in a matter of days in line with the tight six-week deadline imposed by BMW when they announced the sale. BMW had dismissed the alternative bid mounted by the Phoenix consortium on the grounds that the bid had insufficient financial backing. However, the consortium brought together a powerful alliance of interested parties who wanted Rover to continue as a volume producer, namely the employees, backed by their unions, the dealer network, suppliers and local politicians²⁰. Key groups within the consortium exerted their influence to put a strain upon the negotiations between BMW and

¹⁷ Select Committee on Trade and Industry Minutes of Evidence, examination of witnesses (questions 140-159), 29 March 2000, Mr Tony Woodley, Mr John Edmonds, Mr Roger Lyons and Mr Duncan Simpson.

¹⁸ Select Committee on Trade and Industry Minutes of Evidence (questions 200-219), 29 March 2000, Professor Werner Sämman, Mr Christian John Von Freyend, Mr Bernard Carey and Mr Harry Dunlevy.

¹⁹ Mitbestimmung (2000), 'The meeting that saved Rover', August, pp.12-15.

²⁰ The Phoenix Consortium team were: John Towers; Nick Stephenson; John Edwards; Peter Beale; Terry Whitmore; David Bowes; Brian Parker and Richard Ames.

Alchemy, most notably the unions, Rover's management and the dealers who all threatened legal action against BMW.

Timetable of events leading to the sale of Rover to the Phoenix consortium

16 March 2000	BMW announce the sale of Rover Group to Alchemy Partners.
17 March 2000	Birmingham Northfield MP Richard Burden and John Towers meet to discuss the situation at Rover, a meeting pre-arranged before the announcement by BMW.
17 March 2000	John Towers and Stephen Byers meet at the press conference to launch the Rover Task Force and discuss whether there was a better way forward for Rover than Alchemy.
18 March 2000	First meeting of the Rover Task Force.
31 March 2000	The Phoenix consortium formed.
1 April 2000	A public rally in support of Rover, attended by 80,000, is held in Birmingham City Centre.
6 April 2000	The existence of the Phoenix consortium formally confirmed.
10 April 2000	Stephen Byers hosts a meeting between BMW, Phoenix and trade union representatives to review the Phoenix proposal and secure BMW's commitment to consider a full proposal despite BMW's exclusivity deal with Alchemy ²¹ .
14 April 2000	The Phoenix business plan finalised and presented to BMW.
27 April 2000	Phoenix's bid is rejected by BMW who claimed that the group could not prove its financial backing.
28 April 2000	Alchemy suddenly withdraws from negotiations with BMW.
2 May 2000	Phoenix formally entered into negotiations with BMW.
5 May 2000	Phoenix seek to re-assure the DTI of the viability of their bid.
9 May 2000	Phoenix buys Rover for a nominal £10.

BMW and Alchemy issued brief statements referring to "conditions of contract" as the reason for the eleventh-hour breakdown in negotiations on 28th April. Professor Milberg later elaborated upon the reason for the breakdown in talks with Alchemy in his speech to the BMW Annual General meeting whereby he accused Alchemy of: "*departing from the overall financial conditions for the sale of Rover set forth in the Memorandum of Understanding, demanding twice the amount originally agreed*"²². The costs of redundancy and the threat of legal action by Rover's trade unions - and from legal representation engaged by Rover management - over potential breaches in employment legislation were significant contributory factors in Alchemy's withdrawal. Speaking the day before Alchemy's withdrawal, Tony Woodley said that the aim of lodging claims with employment tribunals alleging that BMW had failed to consult properly with employees was to give John Towers more time: "*The whole agenda is to save jobs and our argument is that he is not being given a fair crack of the whip*"²³.

BMW's haste to conclude the sale with Alchemy enabled both the unions and Rover management to contest the legality of the whole process of consultation employed during the break-up of Rover Group. Throughout the period of exclusive negotiation with Alchemy, both employee representatives and local Rover management were denied access to the appropriate level of information from BMW with which to conduct a process of consultation in line with UK employment legislation covered by the collective

²¹ Those present included: Stephen Byers and DTI officials; John Towers; from BMW Professor Werner Sämman and Christian John Von Freyend; Longbridge MP Richard Burden; from the trade unions Bill Morris and Tony Woodley (TGWU), Sir Ken Jackson and Duncan Simpson (AEEU) and Roger Lyons (MSF).

²² Milberg, J. (2000), Statement by Professor Joachim Milberg Chairman of the Board of Management of BMW AG, on the occasion of the Annual General Meeting of BMW AG, Munich, 16 May.

redundancies and the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). As one senior Rover personnel manager observed: "...the struggle that we had to meet our legal obligations on TUPE, on the one hand, and for redundancy on the other, were frustrated by the refusal (of BMW) to share any information that we saw as necessary for that consultation to be effective" (interview June 2000).

On 3rd April an announcement was first made to Rover Group employees on the corporate restructuring process. An intermediate corporate structure where seven business units were separated out from Rover Group Limited was to be created. The shares in these companies were then to be purchased by BMW's UK holding company. Assets, facilities and employees were then to be allocated to these business units, prior to the sale of Rover Group to Alchemy Partners and Land Rover to the Ford Motor Company. The remaining businesses units would remain a part of BMW Group whilst the intention was to effect the sale of the Longbridge assets to Alchemy in the form of a transfer of shares in the residual Rover Group company²⁴ (see Figure One – intermediate structure).

The division of Rover Group Limited into business units

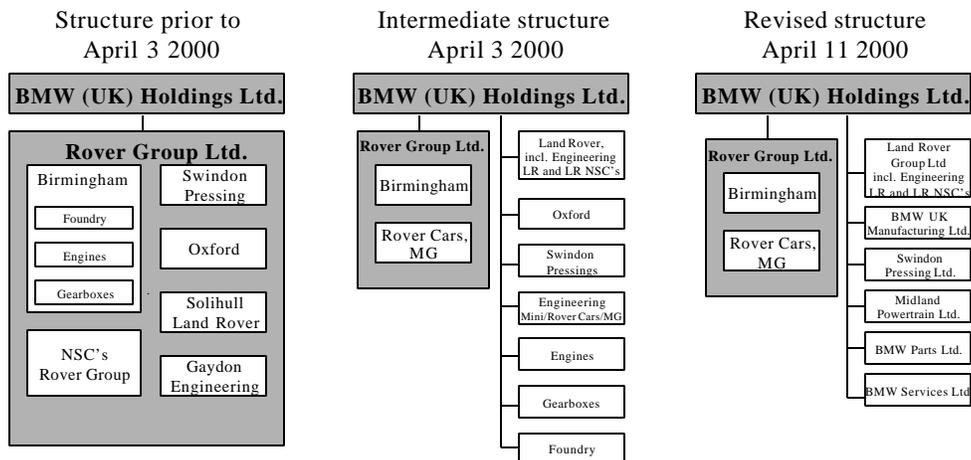


Figure One: The division of Rover Group Limited into business units²⁵

Letters were issued to all Rover Group employees on 10th April informing them of a revised corporate structure (see Figure One) and that a deadline of 4.00pm on 12th April had been set for managers to tell

²³ Financial Times, 27.04.00, 'Unions may seek injunction to block Rover sale'.

²⁴ Armour, J., and Deakin, S., (2000), 'The Rover case (2)- bargaining in the shadow of TUPE', Industrial Law Journal, pp. 395-402.

²⁵ Whilst the corporate structure dated 11th April 2000 was created for the purpose of the sale of Rover Group to Alchemy and Land Rover to Ford, this corporate structure remained in place for the eventual sale of Rover Group to the Phoenix Consortium.

associates which of these new business units they were to be allocated to: "*to meet the Alchemy sale agreement deadline of 14th April*"(internal communication 10 April 2000). Unions at Rover immediately threatened a High Court injunction to prevent the breach of the 1992 Rover Tomorrow agreement guaranteeing no compulsory redundancies, arguing that if BMW transferred thousands of workers to Alchemy knowing they would be made compulsorily redundant, BMW could be regarded as in "anticipatory breach of contract". More generally, the Rover unions argued that BMW was not adhering to the statutory requirement to consult employee representatives over the impending redundancies and transfer of the business – a failure which the unions pointed out could result in compensation of three months' pay per employee being awarded against the company.

Rover management also engaged legal representation to contest the legality of the consultation process, specifically the staff reallocation process announced by BMW on the 11th April under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE). This move was on behalf of central function staff, the majority of whom were located within engineering (3,700 staff) of which 2,500 engineers were based at Rover's engineering facility at Gaydon, 340 corporate staff based at the Warwick headquarters, and 340 sales and marketing staff based at Bickenhill. As a part of what was referred to internally as the "hive down" process, on a nominated date, all Rover associates were to be allocated by their departmental head to an area of the business that reflected their role. The proposed management litigation focused upon the lack of consultation during the "hive down" process. For example, those working 100% of their time manufacturing a particular vehicle or undertaking design engineering on one particular model would be allocated to the business unit responsible for that model. But the process of allocating central function staff to the new business units was extremely complex. A rule of thumb was imposed whereby employees spending 50% or more of their time on activities for a particular brand would qualify for transfer to the business unit controlling that brand. Those spending less than 50% of their time on one brand were classified as being 'multi-branded' and around 2,500 staff were classified in this way. Multi-branded staff remained employed by Rover Group and by implication remained part of the deal with Alchemy until re-allocated to another business unit.

As the proposed sale of Rover to Alchemy would only involve the transfer of shares and not a formal change of employer, BMW and Alchemy could have argued that TUPE did not apply, and Alchemy would not have been bound to observe employees terms and conditions once a transfer had been completed. However, representation for Rover's management employees advanced the argument that the creation of the 'residual' Rover company in preparation for the sale of shares to Alchemy "*was akin to a hiving down and, as such, would in due course be caught by TUPE*"²⁶. In the case of the six subsidiary companies then it was clearly arguable that transfers were to take place with BMW's UK holding company being substituted for Rover Group as the employer. A letter from lawyers acting for BMW to those acting for Rover's unions issued on the 14th April stated: "*Our client is fully aware of*

²⁶ See footnote 23.

*the requirement to consult in accordance with Regulation 10 of TUPE and they are immediately putting in place a more formal structure to ensure consultation proceeds in a more meaningful way”.*²⁷

As a result of the threat of legal action from the management staffs BMW announced that the proposed transfers would not take effect on the revised deadline of 14th April. However, many employees who were originally informed that they would be transferred to BMW Services²⁸ when the original deadline was in force were then told that they were to be re-classified as being multi-branded. As a consequence of this they too would have to apply for “*alternative employment as all other multibrand associates*” (internal communication 4th May 2000).

BMW further delayed the sale deadline to Alchemy, putting it back to the 28th April. The corporate restructuring of Rover Group Limited was completed on this date with the Land Rover re-structuring being completed on 3rd May. As a result the contracts of those associates who fulfilled the 50% quota were transferred out of Rover Group under TUPE regulations to the following companies:

- Land Rover Group Ltd.
- BMW (UK) Manufacturing Ltd.
- Swindon Pressings Ltd.
- Midland Powertrain Ltd.
- BMW Services Ltd.
- BMW Parts Ltd.

It is believed that BMW were prepared only to fund the costs of redundancy to the level of the statutory minimum rates. This would have led to a short-fall of several hundred million pounds to be funded by Alchemy as existing redundancy arrangements agreed between BMW and the Rover unions were three to four times higher than the statutory minimum. The legal liability for redundancy was not clear, since the enhanced terms were not included in employee contracts. Rover’s unions said that they would take legal action against Alchemy if only the statutory minimum terms were offered. According to lawyers representing Rover’s 4,000 managers, Alchemy was facing potential liabilities estimated at £20 million and £90 million for failure to consult managers and employees respectively²⁹. This would have been in addition to the cost of funding enhanced redundancy terms and unquantified pension rights, thought to be in the region of £200m.

Following Alchemy's withdrawal, BMW re-opened talks with the Phoenix consortium on 2nd May. However, BMW issued a stern warning. Werner Sämman, the Rover UK chairman said: “*at the moment Phoenix is the only possibility to continue Rover Cars Operations in the desired sense – otherwise a closure is unavoidable*”. The stakes were high: once Alchemy had left the scene Phoenix had to succeed as there appeared to be no alternatives if the closure of Longbridge was to be avoided.

²⁷ MSF press release, 14.04.00.

²⁸ BMW Services Ltd was created to retain the engineering function, and some central functions such as IT, finance, legal, personnel, security, either whole or in part.

²⁹ The Times, 09.05.00, ‘How to scupper the cherry-pickers’.

In a twist to the ongoing negotiations, Alchemy wrote to Helmut Panke, the BMW finance director, setting out the terms under which Alchemy would resume negotiations. Lines of communication were also re-established between the DTI and Alchemy as insurance in case the Phoenix deal did not succeed. Wider concerns were expressed within government circles over the long-term viability of the Phoenix proposal and the danger that the Government would be placed in a compromising position if the Phoenix bid was successful and then ran into trouble at a later date. During two crucial meetings on 5th May, the first attended by John Towers, Nick Stephenson, Tony Woodley and Richard Burden, Stephen Byers put pressure upon the consortium to reveal their business plan and sources of finance. Later that day in an attempt to re-assure the DTI of the viability of the bid the consortium revealed their sources of finance³⁰. Tony Woodley said after the meeting that: *“BMW have made it clear they are giving the appropriate time, information and attention to the Phoenix consortium. I have to believe that everyone involved will work together and be mindful that they hold the destinies of many people in their hands”*³¹.

Once Alchemy had been forced to withdraw, the threat of litigation by employees and dealers - running into many hundreds of millions of pounds – meant that their most important concerns might be resolved positively in their favour in a deal between Phoenix and BMW. To enable the sale with Phoenix to go through Rover's unions and the management staff had to waive their collective legal claims. This was negotiated through ACAS via a COT 3 agreement whereby the unions and management staff agreed to withdraw their group actions. (A COT 3 is the form used by ACAS which records the terms of a settlement between an employer and a group of employees where a case is settled before going to an employment tribunal. Whilst the COT 3 waives the collective rights of a group to subsequently take out a group action, it does not remove the rights of an individual to take an employer to an employment tribunal).

The trade unions, having been deeply involved in the preparation of the Phoenix bid, were aware that Phoenix were prepared to meet redundancies at Rover's existing enhanced rate: *“We knew that was part of our agreement with them (Phoenix) so litigation became irrelevant”* (Tony Woodley, July 2000). The management staff required that a new process of consultation be put in place for the re-allocation of multi-branded employees as well as the confirmation of redundancy packages. These conditions were complied with on 8th May 2000. As a part of the deal Phoenix and BMW agreed to match the terms paid by BMW in 1999 to those taking voluntary redundancy for the next twelve months. Whilst not explicitly a part of the COT 3 agreement, Land Rover are also observing the redundancy terms set out in the agreement (interview, August 2000).

The COT 3 agreement took away a significant part of the risk that would have fallen upon Phoenix. It means that all the parties agreed to a date from which the 90 days consultation on redundancy is

³⁰ The Times, 07.05.00, 'Rover Rescue battle of knife-edge'.

³¹ Transport and General Worker Union press release 05.05.00.

effective. The agreement covers all of the company sales which took place under TUPE conditions on 28th April 2000 and any consultation prior to that which should have taken place and which did not is now regarded as having been done in the eyes of the law. One Rover representative explained the importance of the deal brokered by Tony Woodley as follows: "*It was the prize that the unions brought to the party in order to get the Phoenix deal signed...*" (interview June 2000).

On 9th May 2000 Phoenix concluded their deal with BMW and paid a nominal sum of £10 for Rover. Phoenix secured funding of £200 million from a UK division of the First Union Bank of Carolina whilst BMW have given Phoenix £500 million in repayable loans to cover the costs of redundancies and restructuring. Phoenix plan to produce around 200,000 cars per year and John Towers pledged to return Rover to profit within two years and to remove the negative cash flow within 14 months. Shares will also be distributed to employees and dealers. Workers at Rover will receive a 35% share in the company through a new employee trust, whilst the dealer network would receive a 25% stake in the business.

Only with the confirmation of the sale of Longbridge to Phoenix could the employment requirements of all of the companies, excluding hourly paid staff, be properly assessed and a fair allocation process implemented. Under the deal with Alchemy the majority of the engineering staff automatically allocated to Rover under the 50% threshold would have lost their jobs. Instead the engineering staff were allocated as follows: 2,100 approximately to Land Rover, 600 to Phoenix, 400 to support the Mini at Oxford and 150 to Midland Powertrain. At the end of June the regional officer for the AEEU responsible for the Gaydon site reported that 540 of about 570 employees at the site classified as multi-branded had found vacancies within the three companies, a figure far higher than originally expected³².

Employment security

As a consequence of the break-up of Rover Group, the terms and conditions of Rover Tomorrow are protected for all hourly paid employees transferred out of Rover Group under TUPE³³. BMW Manufacturing UK and Land Rover recognise and remain bound by the original terms of the agreement. However, upon being asked if Rover Tomorrow was recognised by any of the three companies, Tony Woodley, replied that: "*As it is at the moment each of those companies are now in the process of negotiating new procedural and other agreements with the unions. It's quite obvious that the Rover Tomorrow agreement must by default go out the window...*" (interview July 2000). This statement contradicts the position maintained by IR personnel interviewed within BMW Manufacturing UK and Land Rover. However, one management interviewee noted that: "*the COT 3 agreement by implication recognises that through the break-up of the company that the no compulsory terms may not be up-holdable*". The COT 3 agreement "*tacitly recognises*" that a point may come when compulsory redundancy may be the only option left after all other avenues have been exhausted (interview August 2000).

³² Coventry Evening Telegraph, 30.06.00, 'Ford finalises Land Rover deal', P.46.

³³ Rover Tomorrow did not cover white collar or senior management grades.

The COT 3 agreement fulfils three roles. Firstly it removed the threat of group actions by the unions and Rover management for the failure to consult properly. Secondly it guarantees that all voluntary redundancies are at the enhanced rates paid by BMW in 1999. Finally it protects entitlements for any compulsory redundancies on the same terms and conditions as the voluntary rates. At the time that the agreement was negotiated no one knew how the central functions were to be divided across each of the succeeding businesses and how many jobs might be lost through this process of re-allocation. The COT 3 provides a safety net to protect the interests of Rover Group employees if Phoenix is required to make any compulsory redundancies to ensure the survival of the company. The enhanced terms for all redundancy packages are protected until 8th May 2001.

Each of the remaining companies faced differing labour flexibility requirements in the immediate aftermath of re-structuring and the 1998 flexibility agreement formed the cornerstone upon which both Phoenix and BMW Manufacturing UK addressed their flexibility requirements. The conditions, which faced each of the companies, are summarised below.

BMW Manufacturing UK

With the movement of the Mini and the Rover 75 between Cowley and Longbridge, production at Cowley will have been disrupted for at least nine months by time the new Mini is launched in mid 2001. BMW said that there would be no compulsory redundancies at the plant and that any slack in production would be absorbed through changes in shift patterns according to the terms of the 1998 flexibility agreement³⁴. To accommodate the transfer of the Rover 75 production workers at Cowley had a nine-week holiday on full pay between the end of July and September. Under the terms of the flexibility agreement up to 200 hours a year can be deployed flexibly. Cowley's 1,200 production employees will therefore work extra hours during the Mini's volume production ramp-up phase in 2001.

After BMW announced their withdrawal from Rover, Cowley initiated a voluntary redundancy campaign at the plant. Around 500 volunteers, or 20% of the work force, were sought. In all, including white-collar staff, around 600 volunteers had come forward by August. The age profile of the plant was high and the majority of the leavers were over 50 years of age (interview August 2000).

Concerns remain over Cowley's long term future, however. The Mini is currently a one variant model, which will be produced in volumes of around 100,000 units a year. BMW need to confirm their plans for future models to be introduced at Cowley to justify the continued support of a workforce of just under 3,000. Much depends upon the success of the Mini and Cowley's ability to demonstrate that it can build the model to the standards expected by BMW. Cowley is not in the running for the new sub 3 series model which BMW will initially introduce at Regensburg in Germany in 2004 before moving to a purpose built green field site in Eastern Europe. The continuing weakness of the euro will put further

³⁴ Financial Times, 08/06/00, 'New Mini cuts UK components'.

pressure upon Cowley. Norbert Reithofer, who is responsible for BMW's manufacturing operations world wide, admitted that there was a "very high pressure on cost" for the Mini due to currency issues, even though only 40% of components will be sourced in the UK.

Land Rover

Amid reports that Ford do not expect Land Rover to return to profit before 2002, Wolfgang Reitzle, Chairman of Ford's Premier Automotive Group, said that Ford have inherited a business from BMW which is handicapped by "*an absolutely uncompetitive cost position*" and he warned that "*we will not stay with the cost base as it is today. To dramatically improve you must do whatever is necessary to come up to competitive levels*"³⁵. He highlighted poor productivity at the Solihull plant and the value of sterling as areas to be addressed. However, the experience of Jaguar under Ford's stewardship indicates that the future for Land Rover is likely to be secure.

In October 2000 Land Rover announced that more than 3000 production workers, 23% of the total workforce, will receive intensive training at Ford plants across Europe in an effort to address its productivity problems. All 2000 workers on the Defender and Discovery lines will be transferred temporarily to Ford plants for 15-day placements. Martin Burela, Land Rover's new manufacturing director, said: "*We need to completely transform the way that we build the Discovery and the Defender. Nothing like this has been attempted in the history of the company*"³⁶. In addition, a further 1000 employees from the Range Rover lines will attend a four week training programme on premium-sector production techniques in preparation for the introduction of the new Range Rover in 2001. Ford have announced an investment programme of around £150 million to modernise facilities at Solihull, however, Land Rover is to seek 600 voluntary redundancies before the end of the year. Over the next five years Land Rover plan to increase production from 178,000 units to about 275,000 units³⁷.

At the beginning of November, Land Rover were in the middle of pay negotiations, which would see the suspension of the controversial working time flexibility agreement. The agreement on working flexibility, stuck as a part of the deal to save Longbridge, was never supported by employees within Land Rover.

After initial fears expressed over the future of the Gaydon site due to the duplication of UK-based design facilities within Ford at its sites at Dunton and Whitley, Aston Martin, another member of the Premium Automotive Group, have announced that they will be developing a new production facility on the Gaydon site. It is expected that this will create up to 400 jobs whilst Aston Martin will have access to Land Rover's extensive research and development facilities.

³⁵ Financial Times, 01.06.00, 'Ford hints at radical Land Rover overhaul'.

³⁶ Financial Times, 19.10.00, 'Land Rover to send staff overseas for training'.

³⁷ Sunday Times, 17.09.00, 'Ford to provide £150m injection for Land Rover'.

MG Rover Group³⁸

A danger for Phoenix during the staff re-allocation process was that significant skill shortages would develop in critical areas such as engineering and IT systems. As a part of the restructuring process between the three companies the policy was not to offer voluntary redundancy to multi-brand or employees transferred under TUPE. This was done to ensure that each business unit could exist as an independent entity upon start-up. More vacancies for multi-branded employees existed between the three companies than there were people to fill the roles. Even though Phoenix had positions for up to 600 engineers, skill shortages did occur. Naturally the first choice of many multi-branded employees was to opt for positions advertised within Land Rover rather than to opt for equivalent roles within Phoenix. During August 2000 MG Rover advertised a range of vacancies to recruit around sixty engineers to work in product development.

During the summer of 2000 the unions and Rover management adopted a pragmatic approach towards the redundancies required at Longbridge. Longbridge union representatives worked on the assumption that Phoenix would honour, in principle, all existing agreements with the unions. However, it was recognised by local officials that a time might come when the unions and management would have to sit down together and review the situation. Equally Phoenix affirmed their desire to maintain, where possible, the conditions of flexibility incorporated into Rover Tomorrow and to balance the Longbridge workforce through voluntary means: "*We have said that the tenets of the New Deal do not apply in its entirety*" (management interview August 2000). As noted above implicit in the terms of the COT 3 agreement is the recognition that employment security may not be sustainable.

Three months after the sale a further 300-400 volunteers were still required out of the 1000 hourly paid redundancies necessary. Severance terms had been extended from manufacturing to all areas of the company. A local union official confirmed that up to August the monthly targets for voluntary leavers were being met. Tony Woodley felt, however, that it would be 'touch and go' whether all the redundancies required can be achieved through voluntary means. But, a restricted number of compulsory job losses if they were to occur, whilst regrettable, would bear no comparison to what would have happened if the Alchemy bid had succeeded and the thousands of compulsory job losses which would have followed within Rover and their supply base.

In July ten compulsory redundancies did occur at Longbridge. This was as a consequence of the re-allocation process for multi-branded employees, which was controlled by BMW. As a part of the break-up of Rover Group, BMW decided upon the numbers of employees allocated to each business as well as a provisional structure for each company. As already noted multi-branded employees remained employed by Rover Group until re-allocated. Originally just under 2,500 out of Rover's 28,000 employees were classified as multi-branded. After the first round of allocations when employees could chose from three advertised vacancies in any of the businesses, around 70% of employees found new positions. But by time the final round of allocations was completed 52 employees remained without

³⁸ Rover Group renamed MG Rover Group September 2000.

positions and were therefore left within Rover Group. Eventually 42 of these employees were found alternative employment by Phoenix or took voluntary redundancy, but suitable jobs were not available for everyone within Phoenix and 10 compulsory redundancies were made on 21st July 2000.

Similarly on 15th August 50 workers, mainly women, in the sewing room at Longbridge producing seat covers for the Rover 25 and 45 models, were told that their jobs had been outsourced as a consequence of contracts entered into by BMW earlier in the year. They have been told that they will be retained on full pay and that the company will endeavour to find alternative employment for them³⁹.

The transfer of the Rover 75 to Longbridge caused significant disruption to production at Longbridge. The introduction of the 75 required that the Rover 25 and 45 production lines be merged into one line. Again, like Cowley, employees at Longbridge used their working time flexibility accounts. The 75 went into production in October 2000 with volume ramp-up due to be completed during the first quarter of 2001, once the installation of the body framing facility is completed. Many of those allocated to the Rover 75 line were associates who were bussed on a daily basis from Longbridge to Cowley during 1999 to support the introduction of the Rover 75.

Summary of the break-up of Rover Group Limited

After the deals with the Phoenix consortium and the Ford Motor Company, BMW's UK operations were broken up as follows:

- production of the Rover 25, 45, MGF sports car and current Mini (production of the Mini discontinued 4th October 2000) to continue at Longbridge under the ownership of the Phoenix consortium;
- production of the Rover 75 saloon model and the yet to be launched estate model to be transferred from Cowley to Longbridge, whilst the new Mini was to be transferred to Cowley;
- Phoenix has options to buy the Rover pressing plant in Swindon which employed 2,500 workers as well as the powertrain facilities employing 2,300 at Longbridge (now known as Midland Powertrain);
- BMW retained ownership of the Cowley production facilities, which employed 3,500 as well as the new Hams Hall engine factory which will employ 1,500 when open;
- on 1st July 2000 Land Rover passed into the ownership of Ford, becoming a member of the Premier Automotive Group. Under the terms of the transaction, Ford will pay BMW 3 billion Euros (US\$2.7 billion) in two instalments for Land Rover. The sale includes the full line up of vehicles and the rights to the Land Rover brand, the Land Rover plant in Solihull as well as the Gaydon Research and Development Centre, the Land Rover dealer network, and the British Motor Heritage Centre.

Rover Group's 28,000 employees were divided as follows between the three companies: MG Rover inherited around 7,000 employees, Land Rover inherited a total workforce of 13,200 and BMW

Manufacturing UK inherited 8,170 employees at Cowley, the Swindon pressing plant and Midland Powertrain. Six months after the immediate future of Longbridge was secured and the sale of Land Rover was completed, the consequences of BMW's actions can begin to be assessed. In all, the three remaining companies will have sought up to 2,500 voluntary redundancies by the end of 2000, a figure on a par with those which BMW would have sought during the year had they not sold Rover.

The future for MG Rover Group

Both Phoenix and Stephen Byers, the Trade and Industry Secretary, said that while the rescue plan was viable in the short and medium term, Longbridge's long-term future would require Phoenix to link up with a world-wide producer for the purposes of product development and platform sharing. Initial reports of a link-up with Rover's original partner, Honda, were dismissed by Honda, although a relationship with Honda continues through existing licensing agreements for the use of the Rover 45's platform and the supply of gearboxes.

Nick Stephenson, presenting to suppliers in July 2000, said that it was premature to speak of the next generation of cars, however, future products would be exciting, "*even outrageous*" thereby affirming the product development link with Lola racing cars. Phoenix have taken the bold step of appointing Peter Stevens as Design Director. Stevens, who has worked for Lotus and Jaguar, was responsible for the design of the world's fastest production car, the McLaren F1. In referring to the task of replacing the medium platform Stephenson confirmed that Rover "*had an approach from a significant industry player*". By September 2000 it was confirmed that a confidentiality agreement had been signed with a prospective collaborator and speculation was rife that the collaborator might be the Malaysian firm Proton, which also owns Lotus. Proton, however, have denied the link.

Whilst the decision over the source of a platform⁴⁰ for the medium car is vital to MG Rover's long-term survival a more pressing issue to be resolved is whether MG Rover will be successful in their quest to own Midland Powertrain and the Swindon pressing plant. Whilst it is believed that the future of Swindon will be announced early in 2001, MG Rover's attempts to secure ownership of Powertrain maybe less than clear cut, with BMW appearing to be prepared to solicit alternative offers. A critical part of MG Rover's competitive strategy is the retention of control over engine development as this would form a core feature in re-establishing the MG brand's focus upon 'accessible performance'.

The unavoidable disruption in production caused to all of Rover's vehicle lines whilst the Rover 75 was transferred to Longbridge gave Phoenix an opportunity to address the cost burden of finished goods inventory levels, however suppliers production schedules were hit adversely in the short-term by this disruption. Speaking at the same July meeting the Sales and Marketing Director John Parkinson told suppliers: "*painful as it is we will sell ourselves into lower stock levels this autumn*". He outlined Rover's sales predictions over the next three years as follows:

³⁹ Birmingham Post, 17.08.00, 'Outsourcing deal closes Longbridge sewing room'.

1999	251,000 units were sold under BMW
2000	200,000 unit target set to be achieved
2001	185,000 unit target
2002	200,000 units
2003	220,000 units

Two-thirds of the estimated drop in sales figures for 2001 will be due to the discontinuation of the classic Mini which, accounted for 9,500 units. The estimated yearly production figures for the Rover 75 have been re-assessed as being in the region of 45,000 to 50,000 units. With production of around 200,000 units a year Rover will continue to spend around £1.8 billion with suppliers, 80% by value is currently sourced from UK suppliers.

Controversy over the future of MG Rover has continued to occupy the British press. In October 2000 two non-executive board members, who were members of the Phoenix consortium, resigned over intense press speculation that a boardroom split over MG Rover's business strategy had occurred, although both board members denied that such a split had transpired⁴¹. On top of this the rumours of a tie-up between MG Rover and Proton in a joint platform venture fuelled further speculation that MG Rover might be up for sale. Such speculation has continued to de-stabilise customer confidence in the UK and ignores the positive steps taken by the company since achieving independence.

MG Rover were the first car manufacturer in June 2000 to make price reductions right across the Rover range of 10% or more in anticipation of the DTI directive on car pricing in the UK. The summer saw the successful transfer of the Rover 75 production line to Longbridge, a civil engineering project unique to the British car industry in terms of its scale and the time in which the transfer was completed. After 41 years of production the last Mini rolled off of the production line at Longbridge on 4 October, coinciding with the production of the first Rover 75's to be built at Longbridge, just three months after production ceased at Cowley.

Six months after the sale of Rover, MG Rover's new model plans were revealed. Plans to launch the Rover 75 estate and three MG derivatives of the 75, 45 and 25 models in 2001 involves an investment in the region of £100 million in product engineering. By the third quarter of 2001, MG Rover will be producing eight models at Longbridge under the Rover and MG brands. Whilst attention continues to be focused upon the need for a collaborator for the next generation of cars, MG Rover have indicated that collaboration with leading suppliers may be the way forward for the company, rather than with an established automotive manufacturer. MG Rover is likely to develop upon the successful supplier collaboration model first tried on the development of the MGF. Mayflower, who build the MGF's body-in-white, had a leading role in funding its design and development, and share in the revenues

⁴⁰ Attention has focused upon finding a collaborator for the medium car platform, however, it is feasible that the Rover 75's platform be amended to provide the medium car platform.

⁴¹ Brian Parker, the West Midlands financier, and Terry Whitmore, the managing director of vehicle systems at Mayflower resigned.

from MGF sales. Nick Stephenson hinted at this in June 2000, when he said: *We want real partnerships - not just in technological development, but also in production and investment*⁴².

John Towers speaking in November 2000 about collaborating with suppliers said: *"The most important discussions we are having are focused on sharing technology that may change the whole way we invest in products"*. He continued: *"There are some huge component manufacturers that want to sell you systems, an alliance isn't necessarily going to be with a vehicle manufacturer"*⁴³. For a number of systems suppliers, MG Rover could be an interesting proposition. MG Rover's willingness to explore innovative solutions through collaborative design relationships could allow suppliers to prove new technologies and demonstrate their design capabilities in areas where many mainstream manufacturers remain reluctant to give up direct control.

In October 2000 MG Rover's unions voted to accept the company's pay offer: *"The acceptance of the offer demonstrates that employees have taken this opportunity to show the outside world that we are committed to the future of this, our company and making this business a success"*. As a part of the deal MG Rover have also reverted back to a 37-hour working week, thereby revoking the flexibility working time agreement. By November 2000 the details of the employee share ownership scheme were revealed. Initially each employee will be allocated 800 shares. At current values these shares could be worth between £28,000 to £30,000. Employees can cash their shares in, however, only if the company is sold, partially sold or floated on the stock exchange.

Discussion:

Factors leading to the break-up of Rover Group

BMW's decision in March 2000 to sell off the majority of its UK manufacturing operations has reinforced the questions about the ultimate validity of employment security agreements. As the details of the factors behind BMW's decision to withdraw from Rover Group emerged it became increasingly clear that the deterioration of Rover's competitive situation far exceeded the scope envisaged by Rover's partnership agreement. A point recognised by the unions: *"...no one was naive with Rover Tomorrow. Everyone understood that those agreements could only be delivered if you were selling product..."*, said Tony Woodley (interview July 2000). The crisis at Rover proved ultimately to be beyond the reasonable means by which the social partners could act.

The focus of discussions between management and unions at Rover over the period 1998-99 sought to address issues of productivity, labour flexibility and agreed levels of voluntary redundancy to secure the long term future of Longbridge. But the causes of Rover's decline lay far deeper, and were not restricted to the widely reported un-competitiveness of the Longbridge plant. Even with a falling volume basis in 1999 an average 19% cost productivity improvement in manufacturing was recorded across the group as a consequence of the turnaround activities initiated by BMW (interview June 2000).

⁴² European Automotive Design, (2000), 'Supplier partnerships to drive Rover revival', May, pp.5.

⁴³ The Financial Times, 'MG Rover seeks tie-up with leading suppliers', 22.11.00.

It was reported to the Trade and Industry Committee that productivity at Longbridge, measured in hours per vehicle, had risen dramatically over the preceding 18 months. Tom Glennon, the then plant convenor, reported that the European Works Council had been told in November 1999 that over an 18-month period that production per man at Longbridge had increased from 34 cars per individual per year to 56 cars per year⁴⁴. Productivity improvements alone could not stem the losses incurred by Rover.

The extent of these losses though is hotly debated due to the accountancy procedures employed by BMW which, it is argued, distort the true level of Rover's losses. Under BMW's management, Rover's profitability was hit internally from three areas simultaneously:

- increased capital investment and staffing levels but with limited new model launches and falling revenues to offset costs;
- additional financial annuities from Group facilities; and
- German accountancy procedures that included substantial write-off development costs for new products and facilities rather than through amortisation over a longer period of time in accordance with British accountancy rules.

John Towers, upon concluding the deal to buy Rover, reiterated the impact of these factors: *“The way BMW got to a £2 million loss a day through write-offs and depreciation does not reflect the cashflow position of the business”*. For example, during BMW's ownership of Rover the profits from the sale of financial services on Rover cars and the revenues generated from the highly lucrative replacement parts business were re-directed to BMW. Equally external factors impacted upon Rover Group's profitability. Under BMW's ownership one of Rover's strategies had been to lessen its dependence upon the UK market. Between 1994 and 1999 the proportion of Rover Group's total sales accounted for by exports rose from 46% to 58%. But this increased Rover's vulnerability to the adverse effects of currency fluctuations reducing the revenue from sales in Europe as the pound appreciated. This negative effect was further compounded by Rover Group's reliance for over 80% of its components by value from UK based suppliers. Rover was particularly exposed when BMW let currency cover at 2.40DM run out and exchange losses of approximately £300 million per year were incurred (interview June 2000).

BMW highlighted the weakness of the Rover brand within the UK market, but low customer confidence was to a great extent in reaction to the actions of BMW itself. At the public launch of the Rover 75 at the Birmingham Motor Show Bernd Pischetsrieder issued his ultimatum over the future of Longbridge casting considerable doubt over the future of Rover Group. This incident was not isolated and the very public debate between the Government and BMW over the awarding of grant assistance to the R30 further re-inforced the lack of customer confidence. The Rover brand was further weakened by the interminable wait for new product. In six years of ownership, BMW launched only the Rover 75.

⁴⁴ Select Committee on Trade and Industry Minutes of Evidence, examination of witnesses (questions 120-139), 28 March, Mr Tom Glennon, Mr Aelwyn Thomas and Mr Tony O'Keefe.

BMW have since tried to claim that one of the reasons why things went wrong at Rover was that they took a “hands off” approach towards the management of Rover. Whilst this may be true of the day-to-day running of the manufacturing operations, this was not the case at the level of setting corporate strategy and approving investment decisions. Throughout BMW’s ownership Rover had a senior board member as chairman. In the period 1994-95 it was Bernd Pischetsrieder; 1995-96, Wolfgang Reitzle; 1996-98, Walter Hesselkus; and 1998-2000, Werner Sämman. In the first two years of ownership a Joint Policy Committee existed and this reviewed all major product and investment decisions. Monthly meetings were held and the committee comprised five BMW board members and four Rover Group board members. Reporting into this group was the Product and Marketing Committee, which was chaired by Wolfgang Reitzle and all engineering, marketing, finance and product planning functions were represented at this level.

BMW's strategy in respect of Rover was fundamentally flawed - not least in product development and brand management. If BMW had created a fully integrated group in which Rover was the centre of excellence for high volume small and medium cars, and Land Rover as the centre of excellence of off road vehicles, then the future may have been different. Instead BMW tried to maintain a separation of the brands but propagated a conflicting product strategy whereby models were developed which overlapped between the brands. Most notably this conflict affected the development of the medium car for Rover, which was seen to overlap with the 3 series. However, Land Rover too was affected by the development of BMW's own 4WD model the X5 with a subsequent delay imposed upon the replacements for the Range Rover and Discovery models.

The logic behind the purchase of the Rover brand by BMW was that Rover would provide the volume production that BMW Group, as a whole, required. The presence of the Rover brand in the small and medium car segments would protect the BMW brand from devaluation through entering a lower market segment. Professor Milberg restated this position in March 1999 when he rejected the idea of developing a 2 series model range below that of the 3 series. He stated this did not fit in with the BMW brand values of premium positioning and exclusivity. He concluded that a 2 series variant would not be “economically target-oriented”. *“Compared to the path we then took with Rover we could have achieved higher prices but would have achieved fewer sales and lower model profits for the same one-off investment”*. Professor Milberg continued, *“we therefore made a clear decision to operate in the lower middle class segment with a Rover brand”*⁴⁵. BMW also needed the small and medium vehicles of Rover to cancel out the vulnerability of BMW products on corporate average fuel economy (CAFÉ) regulations.

Interviews conducted within Rover’s engineering function highlighted the factors underlying BMW's inability to establish a coherent product strategy for Rover and Land Rover. BMW Group product strategy was always subordinate to the needs of the BMW brand. This conflict between developing a group-wide product strategy and the preservation of the distinctiveness of the BMW brand resulted in

⁴⁵ Milberg, J., (1999), Annual Accounts Press Conference of BMW AG, Munich, 30 March.

over four years of indecision in respect of establishing an integrated product strategy for both BMW and Rover Group. The outcome of this inability to set a coherent product strategy resulted in the new model crisis which emerged at Longbridge in the summer of 1998.

Throughout the six years that BMW owned Rover, BMW rejected the notion of sharing platforms between Rover and BMW. The logic behind not sharing platforms with Rover was that this would have undermined the distinctive value of the BMW brand. The needs of the Rover brand, however, were quite distinct from those of BMW. To be economically viable in volume markets with lower unit margins, the Rover branded vehicles needed to adopt an integrated approach towards platform planning to realise the economies of scale associated with cutting new model development costs as well as production costs. In addition to rejecting the idea of sharing platforms internally, on two occasions BMW also rejected platform-sharing arrangements with both Chrysler, prior to its takeover by Mercedes, and VW. Costs for Rover were further driven up when components and systems were shared with BMW due to the higher development and piece costs incurred for BMW engineered systems.

Rover Car's product strategy between 1995-1999

R48: The Rover 75 (code named RD1) was the lead vehicle to be developed off the proposed Rover car's platform, the R48. Two other models, one a small vehicle (RB1) and the other a medium vehicle (RC1), intended for Longbridge, were also being developed on the platform. When RC1 was seen to be too close to the BMW 3 series both models were abandoned in late 1996 after a significant level of development.

R50: The R50 project was established in 1995 to develop the new Mini. However when the R48 platform strategy fell through, the R50 platform could not be adapted to develop a new small car for the Rover brand. The R50 platform, developed in Munich, was purely for the Mini and was therefore "*useless for anything else over and above niche Mini products*", according to one Rover engineering director (interview May 2000) whilst a second described the Mini as "*a complete cul de sac*" with little component commonality with anything else within the Rover range of vehicles (interview December 2000).

R55: The R55 platform (1997-98) was intended to provide a common vehicle platform for the Rover medium car and the Land Rover Freelander. The lead car for the R55 project was an upper medium model, with an estate and a smaller Golf sized derivative to follow. These vehicles were to be sold for a premium and with such a brief the vehicle proposed, whilst very clearly a 'Rover' in its styling, was again seen through the eyes of BMW as a competitor to its own 3 series. It was also questionable whether the R55 could have justified the 8% price premium, which BMW expected the model to earn under the Rover brand and the project was abandoned in summer 1998.

R30: Only with the collapse of the R55 project did BMW establish a clear policy to position the Rover brand below that of BMW. The brief for the R30 project was to develop a core vehicle, which would compete head to head with the VW Golf. This core vehicle would have been built at Longbridge in three and five door derivatives at volumes of up to 260,000 units a year. A medium car would also follow but this was to be positioned below the 3 series in terms of pricing, appointment and performance. An MPV derivative was to have been produced at Cowley (86,000 units a year).

At the heart of the crisis in new model development was the fact that BMW never resolved how it saw the Rover brand fitting in with BMW. Was the Rover brand to be complementary to the BMW brand or was it to be a subordinate brand? This very question separated the BMW Chairman Bernd Pischetsrieder, who favoured a complementary approach and Wolfgang Reitzle, head of Research and

Development, who saw the Rover brand in a subordinate light with no overlap with BMW. Here was where the problem lay as these two fought over what was the right way to go in respect of determining the position of the Rover brand within BMW Group. Bernd Pischetsrieder, in breaking his silence over what went wrong with Rover admitted: *“I think the strength of the brand is part of the reason of the failure with Rover, because part of the secret was that we [BMW] were always focused on one single kind of product.”* He continued, *“The total strength of the company was that everyone understood what the BMW brand was. And we possibly didn’t understand how to build another brand with a different value and different content”*⁴⁶.

This was the backdrop to the series of events, which saw BMW start and then abandon on two separate occasions vehicle programmes prior to R30, which would have delivered not only the crucial medium car but also a series of derivative models into Longbridge (see box above). By the summer of 1998 the Rover brand and Longbridge were left exposed with the prospect of no new models until the introduction of the R30 in 2003⁴⁷.

Lessons drawn from the Rover experience

Events in the UK automotive industry have focussed attention on the efficacy of current UK legislation on employee consultation, especially when dealing with multi-national companies. In the same week that Longbridge was saved, Ford announced that car assembly at Dagenham would cease by 2002 at the expense of 1,900 jobs, on top of the 1,350 job cuts announced earlier this year. Production of the Fiesta model will in future be undertaken at Ford’s plants in Cologne and Valencia. Unions in the UK argue that Ford has opted to cease car production at Dagenham because it is easier and cheaper to implement redundancies under UK legislation than elsewhere in Europe.

The lessons drawn by the unions from the Rover affair and Ford's actions are that legislation needs to be tightened within the UK. That legislation should not be restricted to consultation, in line with the European Works Council Directive, but that the law needs to be reinforced in relation to exit costs as well. Until this is done British workers will remain: *“second class citizens in Europe on labour law and protection”* (Tony Woodley, July 2000). The Trade and Industry Select Committee’s investigation into the Rover sale recommended that the findings of their report should form the basis for a detailed analysis to be undertaken to identify what lessons can be learnt from the Rover affair in respect of: *“Government policy on national and EU law on protection and consultation of employees, in particular those of overseas companies”*. This refers to the UK Government’s continued rejection of the proposed EU directive regulating national rules on informing and consulting employees⁴⁸.

⁴⁶ Car, (2000), ‘Salsa to spearhead bold new Seat’, September, pp. 24.

⁴⁷ The facelifted 25 and 45 models were introduced as stopgaps in late 1999, whilst the new Mini would have been produced in volumes of upto 100,000 units. The capacity of Longbridge was in the region of half a million units per year.

⁴⁸ In January 2001 the Trade and Industry Secretary, Stephen Byers, announced that the Government would review UK arrangements affecting collective redundancies. Working with the CBI and the TUC, the Department of Trade and Industry will consider whether the current laws are working and if more should be done to promote effective

Existing European Works Council (EWC) legislation failed to guarantee that the interests of Rover workers were represented effectively during the final months of BMW's ownership. Under the terms of the agreement establishing the BMW EWC in April 1995, prior to the introduction of European legislation, it was BMW Group management's responsibility to ensure that EWC members were informed in advance of any decisions taken over matters such as plant closures, movement of production and redundancy. No meeting of the EWC was convened prior to BMW's decision to break up its UK operations, or immediately after the announcement. Even if the BMW EWC had been established under the EWC Directive it is unlikely that Rover's workers would have been any better protected as existing legislation "*does not challenge the existing balance of power in the company*" to enable workplace democracy⁴⁹.

After the events surrounding the negotiation of the 1998 flexibility agreement it has been reported that members of the German works council who sat on the supervisory board of BMW actively intervened to ensure the survival of Longbridge⁵⁰. However, this was not the dawn of a new level of co-operation between the British and German unions. Instead Longbridge was a pawn in a wider battle, the battle of who would control BMW itself. Bernd Pischetsrieder's position was under threat by Wolfgang Reitzle. If the Rover flexibility negotiations had failed then Pischetsrieder would have been highly vulnerable to Reitzle, who by this time was openly hostile to the strategy of BMW's retention of the Rover brand. If Pischetsrieder fell then the future of Rover and Longbridge was under threat.

Manfred Schoch, chairman of the BMW works council and deputy chairman of the supervisory board, backed Pischetsrieder because the German works council was against Reitzle's plans for future expansion. Therefore there was a natural alliance between Manfred Schoch and the Rover unions to ensure Pischetsrieder's continued survival: "*There's no disputing the fact that the effort between both countries to try and keep Pischetsrieder in power and keep the Longbridge plan alive was the joint aim and objective*" (Tony Woodley, July 2000). But once Rover became to be seen as a liability and a threat to BMW's continued independence, it appears that the German unions backed the supervisory board's decision to abandon Rover.

Employee representation on BMW's supervisory board did not extend to employees outside Germany, despite requests from Rover's unions and the precedent of a US union official taking one seat allocated to IG Metall on the supervisory board of Daimler-Chrysler⁵¹. Throughout the whole affair German workers were better informed than their British counterparts because of their representation at the supervisory board level. John Edmonds, general secretary of the GMB union observed that: "*the*

consultation with employees, however, Mr Byers reaffirmed the Government's opposition to European legislation in this area.

⁴⁹ Villiers, C., (2000), 'The Rover case (1) The sale of Rover cars by BMW – the role of the works council', *Industrial Law Journal*, pp. 386- 394.

⁵⁰ Whittall, M., (2000), 'The BMW European Works Council: a cause for European industrial relations optimism?', *European Journal of Industrial Relations*, Vol. 6, No. 1, pp. 61-83; T&G Record, (1999), 'The Battle for Rover', June, pp. 6-20.

*abiding image that will stick with most people about this whole affair is of the supervisory board meeting in Munich containing German trade unions, discussing the future of a British plant, while British trade unionists are outside the door*⁵². But it remains unlikely that legislation on consultation would have prevented the situation which emerged within BMW. Since entering into the Rover Tomorrow agreement, Rover's unions were informed about the position of the company, including access to the company's strategic plans, and they worked proactively to ensure that the interests of their members were protected⁵³. In particular, the Longbridge survival plan would not have been proposed in 1998 if it were not for the awareness of the unions of the severity of the situation facing the whole company, not just Longbridge. BMW's decision to withdraw from Rover was seen to be in the best interests of BMW and its shareholders, and there was little, if anything that the Rover unions could have done with prior warning to divert the board from their decision.

The experience of Rover has put the value of employment security agreements into sharp context. Whilst it is misleading to think that these agreements result in an equal partnership it should be recognised that such agreements can act as important enablers for constructive engagement between employees and their employers. The experience of Rover does not mean that partnership concepts do not work, but that workers are likely to be increasingly sceptical as to the value of such agreements after the actions of BMW. In the case of Rover with its turbulent industrial relations past, the Rover Tomorrow agreement signified a new beginning and provided a clear stake in the ground upon which to re-structure the company in a spirit of co-operation and without the fear of compulsory redundancy. The advances made by Rover in terms of manufacturing quality by the mid 1990's owed much to this shift in culture.

The danger of importing anti-union attitudes through mergers and acquisitions is recognised as a threat to partnership agreements⁵⁴. The greatest irony of the situation at Rover is the fact that BMW operates in a system of legislated co-determination in Germany, a system of social partnership envied by many⁵⁵. Despite this background, in the last year of ownership BMW reverted to an authoritarian style of management which ran counter to the culture engendered through Rover's model of social partnership. The failure of BMW to effectively manage Rover should not be interpreted as a failure of social partnership. In the final assessment, partnership agreements can only be enablers through which the foundations are built upon in which to compete; they are not substitutes for effective business strategies and competitive products.

Postscript

The factors which ultimately undermined the merger of BMW and Rover had little to do with employee relations issues. However, the chain of events which lead to the break-up of Rover Group was triggered

⁵¹ Cited by Tony Woodley in giving evidence to the House of Commons Select Committee.

⁵² Select Committee on Trade and Industry Minutes of Evidence, examination of witnesses (questions 140-159), 29 March 2000, Mr Tony Woodley, Mr John Edmonds, Mr Roger Lyons and Mr Duncan Simpson.

⁵³ Whithead, M., (1999), 'Rover's return', *People Management*, 16 September, pp. 44-48.

⁵⁴ Walsh, J., (2000), 'New brooms threaten to sweep away partnerships', *People Management*, 3 February, pp. 15.

by the highhanded management tactics employed by BMW in trying to put pressure upon Rover's unions over proposed changes to working practices. Bernd Pischetsrieder has subsequently admitted that he felt 'partly to blame' for the events that led to the break-up of Rover⁵⁶. He felt that BMW could have made a success of Rover if the image of the brand had not been damaged – in part by his and BMW's actions at the launch of the Rover 75 where he demanded significant cost savings in an attempt to avoid the closure of Longbridge.

During the period of 1997-98, BMW had been engaged in negotiations with the unions over the introduction of new German style working practices. As apart of the negotiations BMW were looking to revoke the Rover Tomorrow agreement and as a consequence of Pischetsrieder's announcement on Longbridge in October 1998, BMW's initial thoughts were to terminate all existing Rover contracts and re-employ less staff on flexible shift patterns⁵⁷. This was a move subsequently avoided through Manfred Schock's suggestion to Tony Woodley that the answer lay in the negotiation of a reduced working week, which formed the basis of the 1998 flexibility agreement.

Pischetsrieder acknowledges that the fundamental problem for Rover was not employee or plant productivity. Whilst an agreement, in principle, over the future of Longbridge was finally reached in early April 1999 the very public debate which raged between BMW and the UK Government over grant aid further eroded customer confidence in the Rover brand. Alongside the low customer confidence in new car prices in the UK this meant that sales of the Rover 75 in the six months after the launch of the vehicle in June 1999 were below expectations, despite being launched to critical acclaim⁵⁸. The success of the Rover 75 was seen to be crucial to Rover's recovery⁵⁹. Sales of the 75 had begun to recover in the first three months of 2000 coinciding with the launch of the facelift Rover 25 and 45 models in January. However, this brief up turn was to be short lived as BMW bowed to shareholder pressure to free themselves of the burden of Rover Group in March 2000.

Acknowledgements

The author wishes to thank those who participated in the preparation of this working paper. The views expressed are those of the author and the author assumes responsibility for any errors.

⁵⁵ It should be noted that BMW's plant at Spartenberg in America is a non-union plant.

⁵⁶ The Financial Times, 'BMW chiefs undermined Rover launch', 12.12.00

⁵⁷ Brady, C., and Lorenz, A., (2000), '*End of the Road. BMW and Rover- A Brand too Far*', Financial Times Prentice Hall, London.

⁵⁸ Between February 1999 and February 2000 the Rover 75 picked up over a dozen international motoring awards including the prestigious WhatCar? Car of the Year award for 1999 in the UK as well as being short listed for the 1999 European Car of the Year Award.

⁵⁹ For further information on the design and development of the Rover 75 see Batchelor, J. (2001), 'Engineering a vehicle for world class logistics: From paradox to paradigm shifts on the Rover 75', in B.L. MacCarthy and J.R. Wilson (eds.), *Human Performance in Planning and Scheduling*, Taylor and Francis, London.

Appendix One: Rover Tomorrow – The New Deal (extracts)

1. Rover will be a single-status company. We are all employees, and the only distinction is the contribution we make. All remaining distinction between “staff and hourly-paid status” will be ended:

- Clocking will be progressively phased out for all employees.
- A single-status sick pay scheme will be progressively introduced.
- All employees will be invited to participate in a regular health check provided by the company.
- Everyone working within the company with the exception of external-facing activities will wear company workwear. We will all wear appropriate safety apparel: hearing protection, safety glasses etc.
- Single-status catering will apply throughout the company.
- Production-related employees will progressively have the opportunity to take part of their annual holiday entitlement outside shutdown periods.
- Every employee will be paid by credit transfer.
- No employee will be laid off by the company. In the event of a problem which disrupts production, all employees will be engaged in worthwhile activities and be required to cooperate with efforts to maintain productive output.
- The minimum notice period for all employees will be one month.

2. Continuous improvement will be a requirement for everyone.

Work planning/changes in production schedules will be carried out in consultation with the teams involved to ensure the most effective route and use of all resources.

- The teams will consider all alternative ways of satisfying customer demand.
- If overtime working is required it will be allocated fairly based on skills/numbers required with no restrictive practices applied or sought.

3. Employees will be expected to be flexible subject to their ability to do the job, after training if necessary, and subject to safe working practices being observed. Every employee will have unrestricted access to the use of company tools and equipment, necessary for them to make their contribution.

4. There will be maximum devolution of authority and accountability to the employees actually doing the job. Teams will be responsible for:

- quality of work;
- routine maintenance;
- routine housekeeping/waste materials disposal;
- involvement in plant/office layout and equipment;
- process improvements;
- cost reduction;

- control of consumable tools and materials;
- work allocation;
- job rotation;
- training each other; and
- material control.

5. It is our intention to establish a single-grade structure for all our people. The current five grade "hourly-paid" and six-grade staff structure will be progressively replaced by a scheme with a reduced number of occupational classifications. Each level will have a salary band encompassing a number of salary steps which will be achievable by everyone through skill acquisition.

6 Productivity bonus schemes will be progressively phased out. All of us will participate in a bonus scheme related directly to the performance of the company. Qualification for the bonus will be attendance-related.

8. Employees who want to work for Rover will be able to stay with Rover. Necessary reductions in manpower will be achieved in future, with the cooperation of all employees, through retraining and redeployment, natural wastage, voluntary severance and early retirement programmes.

10. All of us will participate in identifying training needs and giving and receiving training to improve skills/knowledge and to continuously improve the processes on which we work.

14. Consultation with representatives of recognised trade unions will be enhanced to ensure maximum understanding of company performance, competitive practices and standards, product and company plans and all areas at activity affecting the company and its employees. Twice-yearly reviews of company performance and outlook will take place with national officials and joint negotiating committee employee representatives.

- Training of employee representatives will be developed and strengthened on a joint trade union/company basis to ensure representatives and managers have the fullest understanding of agreements, company and trade union philosophy and objectives, and the skills necessary to fulfil their responsibilities.
- All employee representatives will be encouraged to become fully involved in the development of safe working practices and plant layouts, improvement of medical, catering and all other employee facilities, employee training, understanding of pensions and other benefits, etc.

15. In the event of any grievance or dispute which any employee or group of employees may have, the full company/trade union procedure will be used to resolve the problem. In the unlikely event of any grievance or dispute not being resolved in this manner, if both parties agree, it will be referred to arbitration – the outcome of which will be binding on both parties. There will be no disputes outside this procedure.

Appendix Two:

Collective Bargaining on Employment and Competitiveness: Rover Group

Mark Hall (May 1999)

Introduction

The 'New Deal' employment security and flexibility agreement concluded at Rover in 1992 has been the focus of considerable attention from industrial relations practitioners and analysts alike and arguably marks the starting-point for the spread of employment security agreements in the UK over the 1990s. It is also significant in that the negotiated Rover employment security guarantee - essentially a 'no compulsory redundancies' policy - has been maintained over the past seven years even though there have been substantial reductions in employment levels in 1992-3 and again in 1998-9. However, in the first three months of 1999, the threatened closure of Rover's Longbridge plant, though eventually averted after BMW secured a £180 million aid package from the UK Government, highlighted questions about the ultimate viability of employment security guarantees in the face of adverse market conditions.

The Organisation

The Rover Group was acquired by BMW in 1994. Resulting from successive mergers of a range of British motor manufacturing companies, the Rover Group's predecessor, British Leyland (later BL, then Austin Rover), underwent a period of state ownership between 1975 and 1988 when it was sold to British Aerospace and renamed the Rover Group. From 1979 until its acquisition by BMW, BL/Rover Group engaged in joint production ventures with Honda. In the late 1980s, the company began a process of 'Roverisation' involving a shift away from high-volume models towards higher quality niche products. Following BMW's acquisition of Rover, it was initially intended that Rover would operate as an independent division of the BMW Group rather than as a subsidiary of the BMW car division but more recently Rover has been progressively integrated into BMW, a process which is currently accelerating rapidly following senior management changes within BMW and Rover in the early part of 1999.

In mid 1998 the Rover group had a workforce of almost 39,000, with 14,000 employees at Longbridge (including 5,500 in engine production), 13,000 at Solihull and 3,000 at Cowley, though significant job losses have occurred since (see below). In 1997, the Longbridge plant produced 343,150 vehicles (Rover 100, 200, 400, MGF and Mini) and 400,000 engines, Cowley produced 51,500 vehicles (Rover 600 and 800) and the Solihull plant 127,900 vehicles (Range-Rover and Land Rover models). Other significant Rover sites include the Swindon body and pressings plant, the design centre at Gaydon near Warwick, the new Hams Hall engine plant and, until the end of April 1999, the small Bargoed car components plant.

Rover employees are represented by five recognised unions - the Amalgamated Engineering and Electrical Union (AEEU), GMB, MSF, the Transport and General Workers' Union (TGWU) and the Union of Construction, Allied Trades and Technicians (UCATT). Union membership levels are high. Representatives from each union constitute the company-level Joint Negotiating Council, which is responsible for negotiating terms and conditions covering all Rovers' non-managerial employees. The TGWU has the largest number of members amongst Rover employees and the Rover unions' chief negotiator and spokesperson is the national secretary of the TGWU automotive group.

The Context of the 1992 'New Deal' Agreement

Rover's predecessor British Leyland had long had a reputation for poor industrial relations and productivity, particularly during the late 1960s and the 1970s. Moreover, falling sales and poor company performance led to successive substantial reductions in the workforce, with major restructuring also taking place during the company's period of public ownership. From 1979 onwards, following a successful drive to weaken shopfloor union influence and re-establish managerial control, the company undertook a series of work organisation and productivity initiatives, often strongly influenced by Japanese production philosophies and processes as a result of Rover's links with Honda.

Perhaps most notably, in 1987 the company introduced a 'total quality improvement' programme, and adopted a form of team working at about the same time - subsequently modified by the removal of supervisory 'foremen' and the introduction of a 'cell'-based form of work organisation in which, though cell managers were management-graded employees, team leaders were shopfloor employees. However, against a backdrop of large-scale redundancies which occurred in the early 1980s and again in 1987 and 1988, and a continuous voluntary redundancy programme, it appears that at this stage Japanese-style employment security was thought by Rover's senior management to represent an unnecessarily onerous commitment.

The Rationales of the Parties

Rover's management saw the 1992 New Deal employment security and flexibility package as a further step in the reform of its industrial relations and working practices to enable the effective implementation of Japanese 'lean production' techniques (IRS 1992; Scarbrough and Terry 1996). The 1987 total quality improvement programme and associated initiatives had failed to secure sufficient sustained productivity improvements. Scarbrough and Terry (1996: 9) also report that, according to Rover managers interviewed, it was becoming clear that:

the limits of change and 'improvement' through job loss had been reached. Employees were increasingly reluctant to leave in the early 1990s; the return of economic recession had a significant impact, and the company realised that their target of 'absolute flexibility' could best be achieved in 'an environment where people did not feel threatened'.

Underpinning the New Deal proposals was the argument that world-class performance and quality could only be obtained if employees were treated reasonably (Scarbrough and Terry 1996: 12). Rover employees would be more inclined to work more efficiently if doing so did not jeopardise their own jobs. Management therefore reached the conclusion that their objective of maximum flexibility required the removal of the threat of imposed job losses.

It has also been suggested (IRS 1992) that Rover, together with most vehicle producers in the UK, were concerned about capacity increases announced by Japanese inward investors such as Nissan and Toyota. In support of its New Deal initiative, the company argued that continuous improvement was necessary to match world best performance and to compete within the single European market.

The response of the trade unions to Rover management's initiative was essentially pragmatic: officials of the TGWU which represented the majority of Rover's production workers wanted to give 'the last British motor manufacturer a fighting chance to survive' (IRS 1993: 5). In written evidence to the House of Commons Employment Committee, the TGWU said that 'The agreement is a positive example of the way in which unions can contribute to the process of introducing changes in working practices while retaining employee protection' (cited in Taylor 1994: 122). In particular, the TGWU wanted to secure a future for long-serving Rover employees, and was concerned in particular to protect the position of those unable to become 'all-singing, all-dancing' team members (IRS 1993: 5). Nevertheless, the TGWU was reported to hold the view that 'jobs for life can only be maintained in an expanding market' (IRS 1993: 7).

The Process

The package of industrial relations reforms entitled 'Rover Tomorrow - the New Deal' emerged from a senior management group, supported but not led by personnel specialists (Scarbrough and Terry 1996). It was put to the Rover unions in September 1991. The management initiative was launched in favourable circumstances - a few weeks before the implementation of the second stage of what was seen as a 'generous' two-year pay deal. Negotiations with the unions resulted in 'some changes to the detail of the proposals', reportedly including the dropping of references to the introduction of short-term contract staff (Scarbrough and Terry 1996: 11). The modified package was agreed overwhelmingly by the newly unified Rover joint negotiating committee but only very narrowly endorsed in a subsequent ballot of union members (by 11,961 votes to 11,793). Its phased introduction began in April 1992.

According to Scarbrough and Terry (1992: 14):

In the New Deal negotiations Rover listened, and responded to, union suggestions and criticisms; it did not force things through. However . . . the response of the unions was relatively muted. There were a number of key features on which they had few if any comments.

The Content of the Agreement

Key features of the New Deal included:

- the introduction of single status terms and conditions
- a 'requirement' for 'continuous improvement'
- a greater emphasis on team working
- the removal of all restrictions on overtime working
- no more 'laying off' employees in the event of disruption to production
- employee flexibility subject to their ability to do the job, after training if necessary
- the introduction of a single pay grade for all Rover employees, with a reduced number of occupational classifications
- an employment security clause
- a commitment to training
- the introduction of a 'single table-bargaining', with a single joint negotiating committee replacing the two which previously covered staff and hourly-rated employees respectively
- enhanced consultation with trade union representatives and joint company/union training of employee representatives.

Extracts from the agreement are reproduced in Appendix One.

The central aim of the agreement was to encourage employees to work as efficiently and as flexibly as possible, but the commitment to employment security was seen by both management and unions as the necessary cornerstone of the New Deal strategy. Clause 8 of the agreement stated that:

Employees who want to work with Rover will be able to stay with Rover. Necessary reductions in manpower will be achieved in future, with the co-operation of all employees, through retraining and redeployment, natural wastage, voluntary severance and early retirement programmes.

Rover's commitment was (and remains) essentially one of 'no compulsory redundancies'. A senior manager at Rover is quoted as saying: 'Conditions of absolute flexibility, the preparedness to acquire new skills, can only come about if we give a guarantee that we will not make people compulsorily redundant' (Scarborough and Terry 1996: 11). However, this was based on employees being prepared to accept redeployment after appropriate training. There was no guarantee applied to existing jobs. Disciplinary dismissals could also still be used. The employment security commitment also applied only to permanent employees.

Voluntary redundancy and improved early retirement provisions were introduced, along with redeployment and retraining schemes. Company help was also available with careers for ex-employees outside Rover, with suppliers and dealers or by moving into areas such as teaching and consultancy (IRS 1992).

However, it appears that the employment security clause in the agreement was not interpreted as a formal guarantee of employment: it was reported (IRS 1992a) that ‘both the company and the unions recognise[d] that compulsory redundancies could not be ruled out in the event of a severe downturn in the car market’.

The Effects of the Agreement

The Rover employment security agreement has been maintained over the past seven years even though several thousands of jobs have gone at Rover since the New Deal was agreed, most notably in the years 1992 and 1993 and more recently in 1998 and 1999. The Rover Group’s annual employee headcount statistics since 1992 are given in the table below.

Table One: Rover Group employee headcount, mid year

Year	1992	1993	1994	1995	1996	1997	1998
Headcount	33550	31398	33652	36564	38159	38893	38712
Change over previous year	-3970	-2152	+2254	+2912	+1595	+734	-181

Source: Rover Group

Voluntary redundancy schemes have operated throughout this period, with the value and make-up of the ex-gratia element of the package being dependent on business requirements, e.g. the number of volunteers being sought and the category of employees targeted while maintaining a balanced workforce. Enhanced terms are payable in a number of circumstances, including voluntary redundancies effected by a defined date, voluntary redundancies among the shorter service population and plant closures.

A high proportion of those employees leaving Rover is accounted for by voluntary redundancy. Rover’s own statistics on the main reasons for employees leaving the company from 1994 to April 1999 are presented in tables two and three. Between 1994 and 1998, voluntary redundancies ranged from 32% to 45% of Rover leavers each year. In the first four months of 1999, 95% of those leaving the company have left under a voluntary redundancy programme geared to securing 2,500 job cuts. See Tables Two and Three.

Table Two: Turnover from 1994 to April 1999

Year	Number of Leavers	Leavers- Redundancy		Leavers- All other Reasons		Turnover Total %	Turnover % Excluding VR
		Number	As %	Number	As %		
1994	1446	653	45.16%	793	54.84%	4.22%	2.31%
1995	1265	443	35.02%	822	64.98%	3.42%	2.22%
1996	1063	384	36.12%	679	63.88%	2.77%	1.77%
1997	1585	506	31.92%	1079	68.08%	4.15%	2.82%
1998	4130	1845	44.67%	2285	55.33%	10.52%	5.82%
Apr-99	4608	4356	94.53%	252	5.47%		

Source: Rover Group

Table Three: Main Reasons for Leaving from 1994 to April 1999

Year	Redundancy	Dismissal	Deceased	Normal Retirement at 65	Early Retire Company Consent	Own Decision	Other	Total %
1994	45.16%	6.22%	4.22%	2.65%	0.62%	26.63%	14.50%	100%
1995	35.02%	5.69%	3.65%	5.29%	2.61%	39.29%	8.15%	100%
1996	36.12%	5.83%	3.67%	8.09%	7.15%	34.05%	5.09%	100%
1997	31.92%	4.86%	4.29%	11.23%	6.69%	34.83%	6.18%	100%
1998	44.67%	2.06%	1.07%	3.78%	4.70%	20.02%	23.70% ⁶⁰	100%
Apr-99	94.53%	0.09%	0.02%	0.41%	0.50%	4.17%	0.11%	100%

Source: Rover Group

Rover's pension scheme also has a number of features designed to support early retirement, including 100% of accrued pension from age 55 where the employee is leaving at the company's request (including voluntary redundancy), and a pension bridge of £1,500 per year payable from age 55 to state pension age where the employee is leaving at the company's request. Retirement before age 55 is also facilitated.

In recent years there has been a strong emphasis within Rover on internal mobility. Employees are moving between plants to an increasing extent. For example, in 1997-8, some 800 employees transferred from Longbridge to the Solihull Land Rover plant to work on the Freelander and Discovery lines, and 120 employees transferred temporarily between Cowley, where they were surplus to requirements pending the introduction of the Rover 75, and other sites including Solihull and Gaydon. In 1999, around 700 employees will transfer temporarily from Longbridge to Cowley and will return to support the building of the new Mini. The flexibility commitment within the New Deal has also enabled the transfer of surplus tool making craftsmen to maintenance or manufacturing support roles with retraining as required. Where employees move to a lower grade level job their personal pay grade and benefits are maintained indefinitely.

⁶⁰ High figure due to non renewal of temporary contracts.

From mid 1998, after four years of overall employment growth, Rover began implementing a series of job cuts, blaming a range of factors including the strength of the pound, poor sales performance and uncompetitive productivity levels. In July 1998 Rover announced the loss of 1,500 jobs (mainly short-term contract workers). These job losses were intended to be partially offset by the planned recruitment of an extra 800 workers at Cowley for production of the new executive model, the Rover 75. In March 1999, Rover confirmed the closure of its car components plant at Bargoed, South Wales at the end of April with the loss of 44 jobs. The company offered to relocate the workers concerned to its Cowley plant (*Guardian*, 11 March 1999).

But the most extensive recent round of job losses have occurred in the wake of the December 1998 agreement introducing changes in working patterns to secure future investment in the Longbridge plant by Rover's parent company, BMW. A package of changes involving some 2,500 job losses and more flexible working hours was sought in the autumn of 1998 by BMW, as the basis for new investment in Rover and keeping open the Longbridge production plant in Birmingham. BMW management maintained that a 30% productivity gap existed between the Longbridge plant and BMW plants in Germany which had to be narrowed by means of more flexible working practices. An agreement negotiated with the Rover unions was endorsed in a ballot of Rover Group workers in early December by 17,484 votes to 7,045.

The company estimated that the agreement would lead to cost savings of around £150 million a year. About half of this would come from the reduction in the workforce headcount. In line with the New Deal employment security agreement, the 2,500 job losses would come through natural wastage and voluntary redundancies, with the company establishing a selective voluntary redundancy programme to achieve the necessary reductions. Rover management confirmed its intention of honouring the New Deal approach, i.e. to avoid compulsory redundancies, but the then Rover personnel director David Bower stressed that this assumed that the 2,500 target would be met and that Rover employees would be willing to retrain or transfer to other suitable roles. In the event, there is reported to have been a high take-up of the voluntary redundancy package, which BMW/Rover management see as reflecting positive labour market conditions in the UK and the fact that the average age of Rover employees is rather higher than that of their BMW counterparts.

The most radical aspect of the deal has been the introduction of new German-style working patterns to extend plant operating hours at basic rates of pay. Workers' basic hours will be cut from 37 hours a week to 36 in November 1999, and to 35 hours in November 2000 - achieving a long-standing union objective in the UK engineering sector - but management will be able to schedule these more flexibly, including working on Saturday morning if necessary. Working time accounts are to be introduced in all Rover plants, under which extra hours worked at peak periods of production are 'banked' and taken as additional leave at quieter times. Savings derive from the reduction of premium payments for overtime and shift working. Similar flexible working time arrangements had earlier been agreed with UK unions for the new Hams Hall engine plant which is planned to be operating at full capacity by the beginning

of 2001 (IDS 1998), and are already established practice in BMW's German plants. To offset the reduction in basic working hours, projected pay rises in 1999 and 2000 will be reduced by the value of the hours cut in each year, i.e. by 2.7% in 1999 and 2.8% in 2000, with the remainder being consolidated into the hourly rate.

However, while the conclusion of the agreement secured £400 million of investment in the production of the new Mini at Longbridge, there followed nearly four months of uncertainty over whether the wider investment needed to ensure the future of the Longbridge plant would in fact be made. Disagreements within the BMW board were followed by senior management changes with the replacement of Rover chairman Walter Hasselkus by Werner Sämman followed by the departure of BMW chairman Bernd Pischetsrieder and the appointment of Joachim Milberg. BMW's wider investment plans were also dependent on securing grant aid from the UK Government. BMW applied to the UK Government for between £150 million and £200 million in aid towards an overall £1.7 billion investment at Longbridge for the production of a new medium-sized model to replace Rover's 200 and 400 series.

During the course of the negotiations between BMW and the UK's Department of Trade and Industry, BMW announced that Rover made a loss of almost £650 million in 1998, compared to a loss of £91 million in 1997. BMW said that the sharp rise in Rover's losses was the result of 'model replacements, market and currency factors and restructuring measures' (BMW press release, 30 March 1999). BMW management also disclosed that they were exploring the possibility of building the projected new medium-sized car in Hungary as an alternative to investing in Longbridge.

Agreement in principle between BMW and the UK Government on the size and nature of the Government aid package was finally reached on 31 March 1999 and announced in parliament by Prime Minister Tony Blair in response to a question from the MP whose constituency includes the Longbridge plant, Richard Burden. Full details of the package, reported to involve £180 million of state aid, have yet to be released, pending approval by BMW's managing and supervisory boards and by the European Commission - whose officials appear to be raising questions about the circumstances of the agreement (*Guardian*, 29 April 1999). But it now seems likely that the replacement for the Rover 200 and 400 series will be built at Longbridge. According to UK trade and industry secretary Stephen Byers, the deal will secure a total of 50,000 to 60,000 jobs both at Rover and in the supply chain in the West Midlands and the UK more generally. But he said that the deal was concerned not only with the preservation of jobs but also with increasing productivity and improving the skills of the workforce.

In a joint statement, Mr Byers and Professor Joachim Milberg, chairman of BMW, said: 'We both look forward to Longbridge becoming a world class plant for the next century, and one that will achieve the highest standards of working practices and productivity'. Union leaders appear to accept that, even with the new investment, there will be considerable further job losses at Rover, over and above the 2,500 announced at the time of the November/ December 1998 agreement. By the announcement of the UK

Government's aid package on 31 March 1999, the Longbridge workforce was reported to be down to 9,500 compared to 14,000 a year previously (*Independent*, 1 April 1999), due to voluntary redundancies and staff transfers. It is also expected that further changes in working methods geared to maximising employee flexibility will be sought by the company.

Comment

The result of the negotiations between BMW and the Department of Trade and Industry about a financial aid package appears to have ensured the survival of the Rover Longbridge plant. However, the period of uncertainty has inevitably highlighted questions about the ultimate value of the sort of employment security guarantee pioneered by the Rover New Deal. Factors such as rapid technological change, intensified international competition, industrial restructuring and major product market shifts all affect the ability of companies to ensure employment security. Even prior to the most recent developments, shopfloor workers at Rover were said to be concerned about the long-term significance of the New Deal's employment guarantee, realising that they could not be insulated from the effects of major external shocks and that investment decisions by BMW were always likely to be linked to further employee concessions (Conning 1998).

David Bower, who retired as personnel director of the Rover Group in March 1999 and is seen as one of the architects of the 1992 New deal agreement, acknowledges that 'Job security must be an illusion to some degree - even in times of stability'. He argues that employees have realistic expectations and know that agreements on employment security cannot be a 'watertight guarantee', but that companies must not abandon the challenge of providing security. Such agreements 'help reassure employees that management is alive to their concerns' and can be 'the key to employee commitment' (Bower 1996). In a speech on 30 March 1999, BMW chairman Joachim Milberg said that he was sure that no compulsory dismissals of Rover production staff would be necessary, but warned that 'the fundamental economic principle applies that jobs can only be created through customers'.

The Rover unions accept that the company 'has honoured the [New Deal] agreement' (TGWU 1996) and maintained its commitment to employment security. Although Rover is currently shedding a substantial number of workers following the November/December 1998 agreement, and despite the caveats entered by Rover/BMW management, it remains the case that current targets are being achieved without resorting to compulsory redundancies.

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Appendix Three:

Production and Sales Statistics for Rover Group between 1994 to 1999

Production by model range

	Rover Cars	Mini	MG	Land Rover
1994	362,867	20,417	807	94,472
1995	350,381	20,346	3,186	127,414
1996	345,503	15,713	16,112	126,797
1997	364,350	16,831	13,398	127,887
1998	299,839	14,405	14,832	168,498
1999 ⁶¹	203,755	11,629	10,388	166,101

Sales by model range

	Rover Cars	Mini	MG	Land Rover
1994	362,030	23,113	773	90,050
1995	345,820	20,045	1,667	115,590
1996	351,479	17,450	13,106	125,222
1997	363,834	14,417	14,721	128,048
1998	303,805	16,022	14,415	153,495
1999	227,743	11,695	11,791	178,000

Total volumes for Rover Group

	Total Sales Units	Total Production	Exports
1994	475,500	478,600	219,300
1995	483,100	501,300	237,500
1996	507,250	504,100	277,000
1997	521,100	522,400	290,000
1998	487,700	497,600	277,200
1999	429,157	391,873	248,442

⁶¹ Production of the Rover 800, 600 and 100 models discontinued.