



# EMCC case studies

## Managing large-scale restructuring: MG Rover

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## Introduction

MG Rover has a history going back to 1906 when the Austin Motor Company opened in Longbridge, in south-west Birmingham. It traded for almost 100 years, under various names, and came to be regarded as a symbol of the UK car manufacturing sector.

The company was owned by BMW from 1994 until 2000, when it was sold to Phoenix, a consortium of local businessmen. This company was not successful and, after failed attempts to set up joint ventures with Chinese manufacturers, it closed in April 2005. Almost 6,000 MG Rover workers based at its one site, in Longbridge, were made redundant overnight, and about 7,000 jobs among the company's suppliers were put at risk.

In response, the UK Government immediately set up the MG Rover Task Force, led by the Regional Development Agency for the West Midlands (Advantage West Midlands). The Task Force quickly put into action a plan to support redundant MG Rover workers, the company's suppliers, and the local community.

The Task Force of 30 people included representatives of central government, social partners, the private sector and public agencies. Social partners were represented by two trade unions – Amicus and the TGWU – as well as the Trades Union Congress (TUC). Private sector representatives included business organisations, while the public agencies included: the Regional Development Agency; local authorities; the government's training agency, the Learning and Skills Council (LSC); the public employment service, Jobcentre Plus; and the taxation authorities.

By April 2007, 5,288 (90%) of the 5,850 redundant workers were back in work. About 400 were not seeking work, having either retired from the labour market or moved directly into new jobs. Of the 350 supply companies, 11 had closed, and 2,000 of their workers had been made redundant.

This case study outlines the context and details of the closure of MG Rover, including the actions taken to respond to the closure. It presents the lessons learnt, highlighting the value of anticipation and preparation to mitigate the impact of such large-scale industrial collapse.

## Company profile

At the beginning of 2005, MG Rover's site at Longbridge was a prominent part of its neighbourhood, drawing much of its workforce from the local community. (About a third lived in the area immediately adjacent to the plant, with a further half living elsewhere in Birmingham or in the Black Country, to the west of Birmingham.) Its 6,000 employees were mostly long-standing Rover workers. The company had other plants in other locations, but over the years 'Longbridge' had come to symbolise the whole company.

MG Rover had a chequered history. It had been nationalised in 1975 and run as British Leyland. In 1985 the UK government privatised it, selling it to British Aerospace. British Aerospace subsequently sold it to BMW in 1994. BMW immediately experienced problems: MG Rover, under British Aerospace's ownership, had been relying on a joint venture with Honda to make considerable savings on new model development costs. BMW's purchase of MG Rover, however, prompted Honda to withdraw.

The performance of MG Rover deteriorated and BMW threatened to move production to Hungary; the UK government intervened with the offer of an aid package, in return for further investment at Longbridge. A state aid investigation was set up, but before it could be completed, BMW announced in March 2000 that it was selling Rover.

In 2000, Phoenix Venture Holdings, a consortium of local businessmen, bought Rover for the nominal sum of GBP 10 – effectively a management buy-out from BMW. Under Phoenix ownership, the company continued to struggle. Over the next few years, it relied on sales of assets (such as land, more profitable parts of the business, and intellectual property) to continue in operation.

In the lead-up to the sale of the company in 2000 from BMW to Phoenix, there were fears that the company would close. In response, the UK Government set up a Rover Task Force, led by Alex Stephenson, the then Chair of the Regional Development Agency (RDA), with representatives of local authorities, social partners and employer organisations.

When Phoenix bought the company as a going concern in 2000, the government regarded the issue as closed. However, the Task Force continued to meet for several months in 2000, under the RDA's lead, and reviewed the performance of the regional economy in light of Rover's staying in business. The Task Force pressed the government for a regional support package, which Stephen Byers – then Secretary of State at the Department of Trade and Industry (DTI) – ultimately agreed to.<sup>1</sup> The Task Force's final report in July 2000 outlined the elements of this package. The regional economy was to be modernised, shifting the region's reliance on heavy manufacturing into higher value-added areas such as electronics (with funding of GBP 17 million). In addition, the supply base was to be diversified (with the support of almost GBP 20 million). This approach would have been the 'emergency' response in the event of Rover's closure but instead became a longer-term plan to diversify engineering skills from their relatively narrow application in manufacturing, into areas such as medical technologies and nanotechnology.

The RDA had already written the modernisation and diversification programmes into the Regional Economic Strategy, but as a result of the Task Force's activities, these programmes were extended and accelerated over the next three years, up to 2004.

### Legal context for company closure

Under UK insolvency law, there are two main approaches to companies that are insolvent: liquidation, or administrative receivership (usually referred to simply as 'administration'). Each of these involves closing the company, or selling it, and replacing the company's management with an external official who has the power to direct the company. This official is referred to as the administrator (or liquidator).

The overall goal is to salvage value from the 'wreckage' of the company and the main objective is to recover funds for the company's creditors. The UK approach is somewhat unusual: other countries have legislation that aims more at company rescue. There have been attempts to introduce more of a 'rescue culture' through UK insolvency law. The system of company voluntary arrangements was introduced in 1986, giving directors of insolvent companies some 'breathing space' to steer the rescue process and to put forward alternative arrangements to their creditors; however, its take-up has been limited.

If a company is insolvent, its directors are obliged to cease trading and to place the company into so-called 'voluntary administration'. If they fail to do this, the creditors can take legal action through the courts to force the company into liquidation. The outcome in either case is to appoint an administrator, who is then obliged to realise the assets of the company for the benefit of the creditors. The administrator will calculate any wages and redundancy payments that are owing to employees; these will be paid from a Government scheme (run by the DTI). As will become clear, the directors of MG Rover reached a point where they had to put the company into voluntary administration.

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<sup>1</sup> Since July 2007, the DTI has been renamed the Department for Business, Enterprise and Regulatory Reform.

## Impact of closure of MG Rover

The pressures which resulted in MG Rover's closure had, to most observers, been building up over several years. Under Phoenix ownership, the company remained weak on several counts:

- its production volumes were too low;
- its model line was ageing and it did not have partners to share development and production costs;
- with its single plant location, it could not 'average out' labour costs in the way that larger manufacturers with plants in several countries can do.

The company failed to develop new models. This was despite Phoenix's having a GBP 500 million 'dowry' from BMW, which many – including the House of Commons Trade and Industry Committee – believe could have been used for model development. It sought partnerships with other manufacturers, such as China Brilliance and Proton, but these did not materialise.

By 2004, the company's annual output had fallen to around 115,000 cars; its own target had been to stabilise annual production at 200,000 units. At the end of 2004, it started talks about partnership with the Shanghai Automotive Industry Corporation (SAIC). In the end, however, SAIC was put off by the prospect of taking on MG Rover's redundancy and pension liabilities.

In early April 2005, It became public knowledge that the deal with SAIC was failing. Suppliers then became nervous about MG Rover's ability to pay them. Tony Murphy, national officer for the automotive industry at Amicus, said:

*'Talks are continuing at a very senior level and we are still hopeful that a deal can be struck. The problem is that some in the supply chain are panicking and this is having an effect on the delivery of parts. We would urge MG Rover's supply companies to hold their nerve.'*

On 6 April 2005, the door-frames supplier Wagon Automotive issued a statement saying that 'in view of MG Rover's current inability to meet its payment obligations, [Wagon Automotive] has decided to suspend supplies to MG Rover with immediate effect'. This announcement marked the beginning of the end and, on 8 April 2005, MG Rover was put into voluntary administration by its Directors. Speaking about the closure, Tony Woodley, General Secretary of the Transport and General Workers' Union (TGWU) said:

*'My members have had a pretty difficult time over the past five years but we always thought MG Rover would find a partner. Up to three days ago, I still believed that SAIC would be that partner. This is an absolute disaster.'*

On 10 April 2005, the DTI announced a loan of GBP 6.5 million to the administrator to sustain the business for one week while the administrator sought to get SAIC back to the negotiating table. This did not happen, and it was several months before the administrator agreed the sale of the company's remaining assets to Nanjing, another Chinese automotive company. Nanjing moved the entire MG Rover 75 production line to China, where the car is now being manufactured. Nanjing is to begin assembly (on a small-scale) of MG TF sports cars in Longbridge in mid-2007.

The closure of MG Rover received a great deal of attention. Company closures on this scale are very rare. The company's closure was a single event, based on one site, and is regarded as the UK's largest redundancy for at least 25 years. When the company closed, it had almost 6,000 employees. Also affected were the employees of the 350 UK companies that

supplied parts to the company and those of the 260 retail car dealerships that had been selling MG Rover cars. It was estimated that the closure would have a huge impact on the economy of the region.

- A total of 13,000 jobs would be affected (the 5,850 redundant MG Rover employees, 5,750 employees in the supply companies and 1,400 further jobs in the region).
- There would be a reduction of between GBP 330 and GBP 380 million in the annual value of the regional economy (as measured by gross value added figures).
- Annual net UK exports would suffer a loss of GBP 750 million.
- Suppliers would be left with GBP 120 million of bad debt.

### MG Rover Task Force

Even before MG Rover closed down, it had been clear that its rescue plan with SAIC might not succeed. In 2004, the UK government had started to make contingency plans, exploring the economic impact if the company were to close and planning a practical response. The DTI set up a group to do this; the group included representatives of the DTI itself, Her Majesty's Treasury, the Department for Work and Pensions, the Government Office for the West Midlands, the Learning and Skills Council and the Regional Development Agency (Advantage West Midlands).

This preparatory work meant that, in the week that MG Rover announced it was going into administration, the government was immediately able to set up the MG Rover Task Force. Like the 2000 Regional Task Force, this one was led by the regional development agency, now chaired by Nick Paul. On the day of the closure, Nick Paul said:

*'For some weeks, key partners in the region have been planning for the worst but working for the best, meaning we have been prepared for all eventualities at Longbridge. Now the situation is clear, we are in a position to act swiftly and positively to deal with the challenges facing us. It is important that everybody affected by the decision knows we are working hard to support them and we will give them every assistance we can over the next few weeks to help them recover. The experience of 2000 means we have some expertise in this area and, by working with the existing partnership networks, we will be doing everything in our power to help our region.'*

The Task Force had 30 members:

- representatives of four local authorities;
- the TGWU and Amicus trade unions, and the TUC;
- employers' organisations – the Confederation of British Industry, Engineering Employers' Federation and Chambers of Commerce;
- three members of Parliament (MPs);
- automotive industry representatives;
- other public bodies involved in the response – the Learning and Skills Council, Jobcentre Plus, Her Majesty's Revenue and Customs, and the Insolvency Service.

The objective of the Task Force was simple – to limit the damage done to the region's economy by the closure of MG Rover. To this end, it immediately commissioned an investigation into the impact (publishing reports in July and

November 2005) and implemented plans to support redundant workers and their families, companies that had been suppliers to MG Rover, and the local community around the Longbridge plant.

## Support from Task Force partners

The Task Force partners coordinated and provided support to help redundant workers, suppliers and the local community.

As the National Audit Office said, in reporting on the work of the Task Force, the partners had to act swiftly:

*‘When MG Rover went into administration, the employees who had lost their jobs received no redundancy payments from the Company, no period of notice, and no payment in lieu of notice. The immediate priority of the MG Rover Task Force was therefore to ensure that former employees claimed and received whatever statutory redundancy pay that was due to them as quickly as possible; claimed and received the benefits to which they were entitled; and that help was on hand to identify new employment opportunities, career paths and relevant training needs and programmes.’* (National Audit Office, 2006)

The actions of the Task Force were underpinned by a three-year funding package of GBP 176 million, made up of contributions from government, Advantage West Midlands, Birmingham City Council and EU funding. The primary areas of support (and their funding), and the type of practical actions taken are summarised in Table 1.

Table 1: Task Force support actions and breakdown of funding

Support for redundant workers	<p>Primary area of support:</p> <ul style="list-style-type: none"> <li>■ training for redundant workers of MG Rover and its suppliers (GBP 40 million, managed by the LSC, and including the ‘Train to Gain’ programme);</li> <li>■ statutory redundancy payments and compensation awards (£50m).</li> </ul> <p>Practical actions taken:</p> <ul style="list-style-type: none"> <li>■ all redundant workers were interviewed within two weeks of the closure by Jobcentre Plus;</li> <li>■ redundancy payments were processed quickly and paid within two days; this normally takes several weeks;</li> <li>■ an additional 160 Jobcentre Plus and LSC staff were brought in to help;</li> <li>■ an information pack (<i>Here to Help</i>) was provided for all redundant workers, addressing their specific needs;</li> <li>■ an employer vacancy hotline was set up;</li> <li>■ a ‘manufacturing hub’ was created to match manufacturing workers to jobs in the sector;</li> <li>■ a three-day jobs fair with 140 employers was held in a local venue;</li> <li>■ MG Rover Human Resources team were kept on to stay in contact with redundant workers and to provide them with references for job applications;</li> <li>■ training and skills advice was provided by 120 skills advisors from the LSC in six centres;</li> <li>■ training rules (e.g. the ‘16-hour rule’) were relaxed so that redundant workers could receive training in fields not normally supported, such as driving instruction and plumbing.</li> </ul>
Support for suppliers and retailers	<p>Primary areas of support:</p> <ul style="list-style-type: none"> <li>■ grant support to former suppliers (GBP 42 million);</li> <li>■ loan support for business recovery plans (the Transition Loan Fund, GBP 25 million);</li> <li>■ investment in technology and innovation infrastructure (GBP 9 million).</li> </ul>

Table 1: *Task Force support actions and breakdown of funding (cont'd)*

Support for suppliers and retailers	<p>Practical actions taken:</p> <ul style="list-style-type: none"> <li>■ a wage replacement scheme for ex-suppliers provided GBP 50 per day, for up to six weeks, for each job that had been reliant on MG Rover, but which could be saved;</li> <li>■ deferral of suppliers' VAT liability, employees' income tax and national insurance payments;</li> <li>■ a Transition Loan Fund was set up to help suppliers move from their dependence on MG Rover into sustainable business;</li> <li>■ advice seminars were organised by the Chamber of Commerce and Business Link.</li> </ul>
Support to the local community	<p>Primary area of support:</p> <ul style="list-style-type: none"> <li>■ measures to address the impact on the community (GBP 10 million).</li> </ul> <p>Practical actions taken:</p> <ul style="list-style-type: none"> <li>■ local city council advice centres were available to provide support (almost 7,000 queries handled, three times the normal level of activity);</li> <li>■ a community helpline was set up to provide advice to those in the Longbridge area affected by the closure; the helpline received on average over 150 calls per day in the two months after the closure;</li> <li>■ work continues to support the local community – for instance, through the 'Working for Jobs' programme, which includes a GBP 2.5 million support package from the LSC.</li> </ul>

The use of EU funds was negotiated by the Government Office for the West Midlands (GOWM) with the European Commission, in order to make the most effective use of the region's European Regional Development Fund (ERDF). These negotiations secured GBP 15.9 million through the ERDF and GBP 49.5 million through the European Social Fund for the Task Force's programme of support. It is worth noting that many of the original Rover Task Force projects had also been funded through the ERDF.

## Achievements of Task Force

The efforts of the Task Force partners brought about significant achievements for the benefit of many redundant workers and suppliers (Table 2).

Table 2: *Benefits secured for workers and for suppliers*

<p>Benefits for workers</p> <ul style="list-style-type: none"> <li>■ 5,288 (90%) of the 5,850 redundant MG Rover workers are back in work. Of those back in work, over a third have returned to jobs in manufacturing.</li> <li>■ 3,850 of the 5,850 employees of the 150 supplier companies are still in their jobs, and 339 of the 350 supplier companies are still in operation.</li> <li>■ Over 4,000 people completed an individual skills advice session to develop their own individual training plan.</li> <li>■ Over 1,000 of those now in work received training through the LSC.</li> <li>■ 750 redundant workers found jobs through the manufacturing hub.</li> </ul>
<p>Benefits for suppliers</p> <ul style="list-style-type: none"> <li>■ 170 companies used the wage replacement scheme, saving 1,324 jobs (jobs that continued beyond the payment of the wage subsidy), at a cost of GBP 3.4 million.</li> <li>■ Deferrals of VAT, employee's tax and national insurance liabilities worth GBP 12 million helped 106 companies.</li> <li>■ The Transition Loan Fund assisted 19 companies with approved loans, totalling more than GBP 5.5 million.</li> </ul>

Note: *Figures are from April 2007.*



The percentage of redundant workers back in work is impressive: less than 275 of those made redundant are still looking for work (others have retired or have left the labour market for other reasons, such as illness).

The generally positive outcomes for suppliers were of course in part due to the support that companies had received from the programmes set up by the previous Rover Task Force. Many had been helped to diversify their business away from a reliance on MG Rover; there are estimates that this may have saved between 10,000 and 12,000 jobs, jobs that would otherwise have been lost in 2005 when Rover closed. However, as the figures in Table 2 show, not all supply company closures and job losses could be prevented. While only 11 companies closed (a small proportion of the total at 3%), 2,000 jobs were lost by the suppliers – 28% of the total.

## **Success factors**

Four factors contributed to the success and achievements of the Task Force: preparation, collaboration among partners, immediate and practical support, and effective communication. These are detailed below.

### **Preparation**

*‘Act on warning signs early and get in place a potential team from the key parties at a strategic/policy and an operational level. .... It is unlikely that a very large-scale closure will happen without at least some prior warning.’ (MG Rover Task Force, 2005)*

Preparation, in the lead up to the company’s closure, made a big contribution to the Task Force’s achievements. Because the DTI was prepared for the possibility of closure, it had a better understanding of the scale and breadth of the impact and so was better able to have a plan in place. In addition, the impact of the closure was moderated by the achievements of the first Task Force (in particular, the ongoing programmes of diversification and modernisation).

The partners also had the previous experience of the 2000 Rover Task Force. Many of those involved in the latest Task Force had been members of the earlier one and were aware of the challenges and pitfalls. The 2005 MG Rover Task Force was therefore able to begin work immediately on the day that MG Rover’s closure was announced.

All of this underlines the Task Force’s advice to others confronting potential company collapse: listen to warning signs and take action as early as possible. Preparation time can be used to put in place a potential team drawn from the key partners, ready to deal with the policy and practical issues and to deliver an immediate response. Doing this was of enormous benefit to the MG Rover Task Force.

### **Collaboration**

*‘Ensure the right team is chosen, and that those involved have the space to act outside of their normal day job. This may require seconding staff to the Task Force full-time....Set up a management structure at an operational, day to day level as well as at a higher level.’ (MG Rover Task Force, 2005)*

It was essential for the success of the Task Force that the team represent all the partners involved in the response. As a result, it was large, but it ensured its effectiveness by maintaining high levels of trust between member organisations and by using some key working principles, such as speaking with only one voice. Thus, the Task Force chair, Nick Paul, was the sole spokesperson. Having only one spokesperson was essential in the very sensitive, and often rumour-laden, public climate in which the Task Force worked.



The Task Force was also clear about members' responsibilities for activities:

- leadership and communications were the responsibility of Advantage West Midlands (as the Chair of the Task Force);
- Jobcentre Plus and the LSC were in charge of employee support;
- Advantage West Midlands and Accelerate looked after the support of suppliers;
- community support and land-related issues were led by Birmingham City Council and Advantage West Midlands.

Task Force members found that agreeing their shared actions through service-level agreements (SLAs) was invaluable. Each SLA permitted a rapid response and an integrated approach. An example of such integration was seen between benefit claims and payments (coordinated by Jobcentre Plus) and training design and provision (dealt with by the LSC). Partners viewed the close degree of collaboration as key to their success.

### Support

*'Once the crisis occurred, the key to limiting the damage was to act quickly. The Task Force began rolling out its contingency plan - in development since the beginning of 2005 – within an hour of MG Rover going into administration.'* (MG Rover Task Force, 2005)

The speed with which plans were implemented was an important contributor to the Task Force's success. By the time that the company's closure was announced, plans were already in place for the first day of the crisis, the first week and the first month. The Task Force was set up within the first two days of the announcement (with scheduled weekly and then fortnightly meetings, up to its final meeting in February 2006). At the outset, priorities were agreed and identified, building on the preparations already in place, and resulting in timely quick action.

The Task Force recognised that any action taken needed to be practical and to respond to immediate needs. Thus, for example, Jobcentre Plus interviewed all MG Rover redundant workers within the first week of the company's closure; this was important in showing that public bodies cared and could help. The DTI fast-tracked cash payments, in advance of full redundancy payments to the redundant workers; this was enormously helpful at a time of crisis.

A huge range of training and reskilling programmes was organised and delivered very quickly. This was the result of effective collaboration between Jobcentre Plus and the LSC; the training provided was equivalent to the creation, almost overnight, of a new further-education college.

David Cragg, Regional Director of the LSC in the West Midlands, said in 2007:

*'The closure of MG Rover was a devastating blow for the local community and the effects are still being dealt with two years on. We literally had to drop everything to deal with the repercussions of this two years ago. It was a real test for the organisation and our partners but, with each stumbling block, we pressed on thanks to a determination to find solutions for an unprecedented situation.'*

*Now, two years down the line, the fact that the vast majority of ex-MG Rover workers are back in employment is testament to that commitment to our core objective – delivering the right skills that will meet employers' needs and create opportunities for individuals.'*

## Communication

*'We made a conscious effort to use a variety of media to provide consistent and rapid communication of the support available - in terms of who could get it and how to access it.'* (MG Rover Task Force, 2005)

The Task Force paid a lot of attention to the role of communication, in the broadest sense: communication was seen as an aspect of the support provided, as well as a public relations issue.

Successful communications were aided by the use of a single, dedicated website, which was updated continuously. In addition, communication with redundant workers was ensured by retaining part of the MG Rover Human Resources team. Approximately 10 members of the team were kept on by the administrator and funded by the Task Force from April 2005 to the end of the year. This allowed the Task Force to communicate with all redundant workers through regular mailings, coordinated by the team.

The trade unions also provided an invaluable, additional means of communicating with redundant workers. They helped to advise the administrator and the Task Force about the workers' concerns and immediate needs: for instance, many redundant workers had leased company cars and needed clarity about the status of the lease contracts.

Contact with the supply companies was made through the business support organisations (such as Accelerate and Business Link), which already had good links with suppliers and were well placed to understand suppliers' concerns. Immediate tax liabilities were a key concern for suppliers and, in dealing with these, the tax authorities used Accelerate and Business Link to provide information to suppliers.

## Views on Task Force achievements

Views concerning the response to the closure of MG Rover have been generally positive. Both the House of Commons Trade and Industry Committee and the National Audit Office commented positively on the work done by the Task Force, and on its achievements.

*'Throughout the last twelve months, we have seen the West Midlands region at its best. Advantage West Midlands, Accelerate and Birmingham Chamber of Commerce, JobCentre Plus, Learning and Skills Council, Birmingham City Council, other Local Authorities, the Unions, community groups, industry bodies, politicians, and many more organisations and individuals, from both the public and private sector, have come together as the MG Rover Task Force to develop solutions and deal with an industrial collapse exceptional in scale and suddenness.'*  
(House of Commons Trade and Industry Committee, 2007)

These positive views do not, however, convey the full picture. There are concerns about the quality of jobs taken by the redundant MG Rover workers. In a Work Foundation survey of 300 redundant workers, over half reported that their new jobs were worse than their old ones and that they were earning an average of GBP 3,500 less than at MG Rover. Many regarded their new jobs as a stopgap until they found something better. The survey report cites one worker as saying 'Family and friends have felt sorry for me because I am no longer able to do a job which I felt pride and job satisfaction in' (The Work Foundation, 2006). The report concludes that, since many of the redundant workers were low-skilled but had been relatively well-paid at MG Rover, it would be difficult for them to find similar 'good' jobs. This conclusion is supported by an Amicus survey of 1,750 of its members who had been MG Rover employees (Amicus, 2007). A survey by the Task Force of the 570 redundant workers found that over 50% of them were earning a lot less, although 23% were earning more (this latter group had been among the lower earners at MG Rover) (MG Rover Task Force, 2005).

There is also a mixed picture of the impact of the training that redundant workers received. The Task Force survey noted that 72% of the 570 redundant workers reported that skills acquired from training had been ‘vital’ or ‘of considerable assistance’ in helping them find a new job. This in itself is an important indicator of the value of the Task Force interventions.

However, other views on training are less positive. Amicus suggested that people were made to choose training too soon, while they were still in shock over being made redundant, and that they did not always receive the training they wanted. Likewise, there were a small number of redundant workers who moved quickly into self-employment with little or no advice and who subsequently dropped out of their venture because they were financially unable to manage.

The Task Force itself noted the need for people to have time to reflect on their options:

*‘Developing training plans for redundant workers: There is a need to be realistic about delays in the system and about the time needed for people to formulate their plans and think about the future ....’*

(MG Rover Task Force, 2005)

However, some Amicus members were unhappy that training courses were not made available as quickly as needed. Richard Burden, the MP whose constituency includes Longbridge, commented to the House of Commons Trade and Industry Committee on the difficulties of providing the right type of training for the right numbers in a short period and at very short notice. He noted that ‘training providers were faced with a lot of people wanting to retrain as plumbers, or for other construction trades, or as driving instructors. It was difficult to identify enough existing courses or to set up sufficient new ones to meet people’s requests’, and that ‘it was not possible to guarantee that those trained could find a job immediately, as a sudden influx of newly qualified people could flood the local market’. The Committee concluded that such delays inevitably led to frustration amongst those who had lost their jobs (House of Commons Trade and Industry Committee, 2007). The trade unions (Amicus and the TGWU) worked hard with the LSC and Jobcentre Plus to distribute direct mailings to redundant workers to provide information about available training and to put an end to misinformation that was circulating.

The House of Commons Trade and Industry Committee summed up the mixed views on the achievements:

*‘On balance, the Task Force was a success, though, as with most disaster management, a number of areas – in particular, training provision – could have been improved if more time had been available’*

(House of Commons Trade and Industry Committee, 2007).

## Lessons learnt

As a result of its work, the Task Force made 15 policy recommendations to the UK government. These focused on the measures need to deal with major business closures in the UK context. They are well documented in the Task Force final report and are summarised here.

- **Employee protection and pensions:** prepare information for immediate release, to employees to inform them of their state redundancy payments and pension rights.
- **Employment and training:** better align re-employment and training measures to focus on the real needs of the job market. (Currently in the UK, the ‘16-hour’ and ‘28-day’ rules do not readily allow unemployed people to receive adequate financial support while undertaking vocational training.)

- **General business support:** promote the use of a team-based approach to business support using existing advisory structures (in both public and private sectors) to ensure speed of response, depth of knowledge and credibility with businesses.
- **Insolvency law:** improve the way UK insolvency law operates so as to encourage a greater 'rescue culture' among failing firms.
- **Company tax and finance:** to avoid unnecessary business failures, provide a framework for dealing with the immediate challenges faced by the supply chain as a result of the closure of a large customer (MG Rover Task Force, 2006)

The MG Rover Task Force was successful, but improvements in these aspects listed above will ensure an even better response to company closures in future and, indeed, may reduce the chances of closure.

The Task Force experience shows, above all, the value of anticipation and preparation. It is difficult to prepare for company closure, while at the same time working hard to avert closure. However, this was done successfully in this case by building on partnership and collaboration between organisations that are, at times, working to very different ends. A key lesson from the experience was the importance of close collaboration.

The lessons learnt from the handling of MG Rover's closure are already informing the response to redundancies following Peugeot's restructuring at its Ryton factor near Coventry. However, unlike MG Rover, the Peugeot redundancies do not involve an entire company closure at a single site, without redundancy notification. Nonetheless, the organisations involved in the Ryton redundancies have been using the experience gained during MG Rover's closure to provide a comprehensive and joined-up service to redundant workers. This demonstrates that there are lessons for all from the experience of the response to the MG Rover closure.

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## Annex 1: Individuals consulted

Name	Organisation	Position
John Adams	The Learning and Skills Council (LSC) for the West Midlands	Skills Development Manager
Rob Ball	GKN Autostructures Ltd	Human Resources Director (previously MG Rover Human Resources Director)
Gerard Coyne	Transport and General Workers' Union (TGWU)	Regional Secretary
John Edwards	Advantage West Midlands	Chief Executive
Claire Evans	Advantage West Midlands	Director of Finance
Stephen Gray	Advantage West Midlands	Head of Clusters and Manufacturing
Michael Laverty	Advantage West Midlands	Deputy Chief Executive
Julie Robson	The Learning and Skills Council for the West	Regional Director for Skills
Richard Smith	Jobcentre Plus	Employer Engagement Manager
Andy Sprague	Advantage West Midlands	Rover Task Force Programme Manager

## Annex 2: Glossary

<b>Accelerate</b>	A regional (West Midlands) programme of advice and support to businesses in the automotive sector. It is run by Birmingham Chamber of Commerce, with European Union and Advantage West Midlands funding.
<b>Advantage West Midlands</b>	The Regional Development Agency (RDA) for the West Midlands; one of nine RDAs in England, responsible for regional economic development.
<b>Amicus</b>	The UK's largest private sector trade union (with one million members) covering all industrial, occupational and professional sectors of the economy. Amicus and the TGWU are set to merge.
<b>Business Link</b>	The English information, advice and support service for enterprise and business
<b>HM Revenue &amp; Customs (HMRC)</b>	The UK tax collection authority, responsible for collecting direct taxes (e.g. employee and employer tax, including National Insurance) and indirect taxes (such as value added tax, VAT)
<b>Jobcentre Plus</b>	The public employment service in England; an agency of the UK Government's Department for Work and Pensions
<b>Learning and Skills Council (LSC)</b>	The Government body responsible for planning and funding education and training in England, other than that provided by universities
<b>MG Rover Task Force</b>	The group set up by the UK Government in April 2005, led by Advantage West Midlands, to coordinate the response to the closure of MG Rover
<b>Rover Task Force (RTF)</b>	The Rover Task Force, set up by the UK Government in 2000, to respond to the potential closure of Rover in 2000. It continued to meet during 2000, producing a programme to diversify and modernise the engineering and automotive sectors of the West Midlands regional economy.
<b>Trades Union Congress (TUC)</b>	The trade union representative body in Britain, with 66 affiliated unions representing almost seven million people.
<b>Transport and General Workers' Union (TGWU)</b>	A trade union with 800,000 members covering four industrial sectors: food and agriculture, manufacturing, services, and transport. The TGWU and Amicus are to merge.