PREM 19/309

Confidential Filing

The Steel Industry.

Part 4.

NATIONALISED INDUSTRIES

Part 1 : June 1979

Part 4 : January 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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Material used by Official Historian
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PART 4 ends:-

Industry to TL + att 15.2.80

PART 5 begins:-

Norton (Hadfields) to PM 15.2.80

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(80)(3rd Conclusions), Item 5 (Extract)	24/01/80
MISC 34(80) 1st Meeting, Minutes	29/01/80
MISC 34(80) 1	30/01/80
CC(80) 4th Conclusions, Item 3 (Extract)	31/01/80
CC(80) 4th Conclusions, Item 5 (Extract)	31/01/80
CC(80) 5th Conclusions, Item 5 (Extract)	07/02/80
CC(80) 6th Conclusions, Item 4 (Extract)	14/02/80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed BWayland Date 27 July 2010

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard Steel Industry	22/01/80 Columns 201-205
House of Commons Hansard Steel Industry	04/02/80 Columns 28-34
House of Commons Hansard Steel Industry	11/02/80 Columns 1058-1073

Signed C M Wayland Date 27 July 2010

PREM Records Team

DEPARTMENT OF INDUSTRY
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123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
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PS/ *Secretary of State for Industry*

15 February 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Dear Tim,

... I attach a copy of the 13th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this letter to the Private Secretaries to the members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

Yours ever,
Pete

PETER STREDDER
Private Secretary

175

208/2

CONFIDENTIAL

PS/Secretary of State

cc All Ministers
Secretary
Mr Berman, Dep Sec
Mr Bullock, Dep Sec
Mr Dearing, Dep Sec
Mr Liesner, Dep Sec
Mr Lippitt, Dep Sec
Mr Manzie, Dep Sec
Miss Mueller, Dep Sec
Mr Atkinson, CSE
Mr Bell, V
Mr Clark, MEP
Mr Dell, M
Mr Farrow, Air
Mr Gross, IS
Mr Lanchin, G
Mr Major, LA
Mr Russell, SBP
Mr Woodrow, Inf
Mr Burbridge, IC3
Mr Long, IS4
Mrs Cohen, IS1
Mr Murray, IS3
Mr Neville-Jones, IP1
Mr Spencer, IS1A
Mr McMillan, IS1A

STEEL STRIKE : 13th REPORT OF
INTERDEPARTMENTAL CONTINGENCY GROUP

... I attach the Group's 13th Report which you will wish to circulate to other Ministers as usual.

P W Ridley
Dep Sec
717 Ash. 212-6797
15 February 1980

CONFIDENTIAL

STEEL STRIKE : 13th REPORT OF THE
INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 15 February.

BSC

2 The TGWU, GMWU and NCCC unions, whose negotiators had reached a provisional agreement on 10 February with BSC, have subsequently rejected this at delegate conferences. The TUC General Secretary is to discuss the position with these unions together with the ISTC and NUB and will be meeting ACAS afterwards. A meeting on Sunday between BSC, ISTC and NUB had been provisionally arranged to discuss the essential features of the provisional agreement with TGWU, GMWU and NCCC. However, in the light of its subsequent rejection by the unions it is not clear whether it will still take place. There is accordingly little sign of an early end to the strike.

3 In Wales the issue of pay threatens to become firmly linked with the redundancies as proposed by BSC. The South Wales district committee of the NUB are recommending that their members should stay out on strike over the proposed redundancies even if the pay issue is by then resolved. The threat of co-ordinated industrial action in Wales on 10 March has not receded (notwithstanding the Chancellor's letter to the TUC) and if it went ahead would focus attention further on redundancies, not only in steel but with effects also in the coal industry. The interest of the NUM in South Wales in the strike is being kept in play by their rejection of the NCB/BSC decisions on coking coal. The proposal for action on 10 March is also reported to be receiving support from the Welsh Labour Party. All this suggests the prospect of continuing industrial unrest in Wales, whatever happens on pay.

Private Sector Producers

4 Sheerness Steel is continuing to work normally. Both plants of Manchester Steel resumed work earlier this week and are making and delivering steel. A small GKN re-rolling and finishing plant at Stockport also resumed production and deliveries last Wednesday. Some production has also been achieved, but no deliveries, at the two Sheffield plants of Hadfield's despite exceptionally heavy picketing, which yesterday led to several arrests. But during the day ISTC workers at both plants resumed their strike action in the face of intimidation from pickets and the local strike committee.

5 The management at the GKN plant at Brymbo (N Wales) held a ballot yesterday amongst its workers, resulting in a majority in favour of resumption of work. Preparatory workers

were called in with a view to a start-up later today. However, in the light of yesterday's experience of workers with picketing at Hadfields, the melting shop personnel in particular were reluctant to face similar problems and no resumption has taken place.

6 Private sector delegates of ISTC are due to meet on Monday, when further discussions will take place with the ISTC Executive about the continued involvement of private sector ISTC members in the dispute.

7 Private sector steel plants which carry out cold processing of steel and bar form for engineering uses and whose workers are not ISTC members, are continuing to produce and deliver to customers. This includes the West Midlands despite the renewed TGWU instructions to drivers not to cross picket lines. A few of the cold processing companies are getting well down on stocks of steel because the steelmaking plants, who normally supply them, remain at a standstill.

Steel Supplies

8 With only a very limited resumption of work in the private sector, supplies of engineering steels to users are at a much reduced level, and there are growing signs of shortages of special steels. But the production and deliveries of Sheerness and Manchester Steel are of particular importance to the sectors of the construction industry heavily dependent on reinforcing bars. The stockholders are maintaining good deliveries to users, although their stocks have a growing imbalance. Limited imports are continuing to arrive at stockholders and at end-users. A good deal of ingenuity is being applied in the procurement of steel by users, in its movement, and in sustaining proudction.

Movement of Steel

9 There is no change in the level of steel movements as compared with the early part of this week, either at the ports or elsewhere. It is becoming increasingly difficult to obtain a clear picture since contacts at the ports and road haulage companies are keeping a very low profile, for fear of repercussions during and after the strike if unusual methods of working became more widely known.

Effects on Steel Users

10 This week's survey by the Business Statistics Office shows that manufacturing production in week ending 9 February was 96% of normal (99% if BSC production loss is deducted), the same as in the previous week, and with the metal-using sectors only 1% lower than previously. 10% of companies in the survey are now being affected by the strike including suppliers to the steel industry. Estimates for this week are that the level

of overall manufacturing production will be virtually unchanged, with a marginal further reduction in the metal-using sectors.

11 Concern amongst users about the effects of the strike on their operations has been expressed by only a very small number of companies, but there is some shorter-time working to eke out steel supplies. To some extent companies supplying the automotive sector are thought to be reducing production, not necessarily because of steel supplies alone, but in response to reduced demand for components from the car companies. The vehicle manufacturers, with limited exceptions for some commercial vehicles, now consider that on the basis of steel supplies and components they can maintain near-full production at least until the end of February. But in the case of Vauxhall, and particularly of Talbot, perhaps not much longer; and their output could then drop sharply. In the case of Ford, normal production should be possible well into March without undue difficulty.

12 In the shipbuilding sector Austin and Pickersgill are introducing a 3-day week for 2600 workers from 18 February. All other shipyards are working full-time, but in some cases, because new starts on vessels are not possible, workers are engaged on outfitting and maintenance work.

13 There are no new reports of imminent difficulties in any other user sector or region. In response to questioning, users in a number of sectors are now indicating the first half of March as the perhaps potentially critical time beyond which continued activity at the present level is in doubt; but the level of spontaneous complaint remains low.

Department of Industry
15 February 1980

CONFIDENTIAL

Prime Minister 2

cc Mr Lyttelton
Mr Wolfson
Mr Duguid

MRS. 12
15/2

PRIME MINISTER

STEEL STRIKE: LONGER TERM EFFECTS

Keith Joseph is in Copenhagen today, and rather than hold back this letter, has asked if I would write on his behalf.

Officials in the Department of Industry have prepared the attached assessment of the medium and longer term effects, on steel users and on the economy more generally, of a strike lasting until the end of March. Any assessment of this kind must be tentative and subject to wide margins of error. It is particularly difficult to judge the speed and extent of unemployment which might develop during March, on which the paper could be pessimistic. Production in the steel using industries has so far kept up a lot better than might have been feared and the CBI confirm officials' impression that today most firms are facing the prospect of a continuing strike with remarkable unconcern. However, we would expect to find a very sharp turn-round in attitude, and to come under considerable pressure from employers, as soon as shortages started to bite.

The most significant expectation is that a three-month strike would cause GDP over 1980 as a whole to be only 0.25% lower than it would be otherwise. Though the immediate effects on production could be sharp, experience suggests strongly that most ground lost would be recovered very quickly once the strike ended. We must however reckon also with unquantifiable longer term damage from export delivery failures and delays and from a general further weakening of companies for which this is the third major strike in fifteen months, and which have got so many other difficulties to face. In some sectors

/ ... lasting damage

lasting damage could be severe; in particular British Leyland's Corporate Plan would probably have to be abandoned - though this is on the cards anyway.

On the whole the paper makes the prospect appear less daunting than might have been feared. If the projection (which at present seems an exaggeration) of 200,000 lay-offs by end February and 500,000 by end March were fulfilled we would clearly come under very strong pressure from both sides of industry to end the strike. Even so, if we were prepared to face this the paper implies that the longer term economic damage would not be intolerable. My own instinct is that the deeper, longer term effect would be greater than suggested.

Against the risk of damage have to be set the vast tangible and intangible gains if the BSC reached a pay settlement on substantially self-financing terms, bringing real improvements in productivity and competitiveness.

I believe it would be useful to put it about unattributably to the media that a continuing strike would be sustainable. Hopefully the feeling that holding out would not succeed might make the unions readier to settle. We certainly appear to have two or three weeks at least when the pressures on the unions from their own members and others should not be matched by pressures from employers.

I am copying this minute to Members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General and Sir Robert Armstrong.

ACB

ACB
15 February 1980

LONGER TERM EFFECTS OF A CONTINUED STEEL STRIKE

Introduction

So far the strike has had little general effect on the steel-using industries. Up to early February industrial production, excluding BSC itself, was 99% of normal and in the week ending 9 February loss of production even in the metal-using sector was no more than 2%. This paper attempts to assess the impact on users if the strike lasted for 3 months till the end of March.

2 The assessment is subject to considerable uncertainties and the timing of anticipated effects is very variable. It depends on whether imported steel continues to flow; whether demand from its own customers holds up to the end of a particular firm's endurance; whether shortages of special steels, harder to predict and liable to cause dislocation, occur; the preparations particular firms have made; and the nature and extent of picketing. Many steel-dependent firms should be able to produce at near-normal level until around the end of February by drawing on new supplies and stocks; there is a wide variation between firms. After that, production might begin to run down quite fast though a good many firms are likely to be able to continue at a reduced level.

Steel-consuming Industries

3 The industries substantially dependent on iron and steel account for 30% of net manufacturing output, 32% of employment and 32% of exports. The annexed table indicates the major consumers and their importance to the economy. Mechanical engineering represents about 7½% of output and the motor industry another 6½%. Other significant users are industrial plant and steelwork, electrical machinery and shipbuilding.

4 The interruption of steel supplies is the latest of a series of major strikes - the oil tanker drivers/road haulage drivers in early 1979, the nine-week stoppage at Ford's, and the engineering workers' strike in mid-1979. Resilient though much of UK industry may have been in the past, the cumulative effect of another protracted period of disruption would be to weaken manufacturers further against foreign competition, though the impact of the disputes would be expected to be long-drawn-out rather than dramatic. As an illustration - not necessarily typical - Lucas Industries says that the engineering dispute cost them £20 million in profits. This may be compared with their 1978/79 year's net profit before tax of £71 million (£29 million on an inflation-accounting basis).

5 In a year when prospects for world trade are depressing, overseas customers may have further reason to lose confidence in the UK as a reliable supplier. At home customers will now be drawing upon imports, and once overseas suppliers have further penetrated the UK markets experience suggests that they will not be easy to dislodge. Multinationals established in the UK may decide to adjust their inter-group supply patterns to the UK's disadvantage.

6 Cash shortages may be expected to hit steel-using firms hardest a month or so after their own production ceases. The cash flow of firms supplying the steel industry will, of course, be damaged sooner. Besides firms who are already weak, smaller concerns will be most vulnerable. The banks have scope to provide extra credit within existing monetary policy but many firms would find this expensive at current rates of interest. Other factors besides higher financing charges will be adverse: production during the steel strike and after will not be optimal, overheads, purchasing and stocking costs per unit will be higher, and quite possibly lay-off payments will have to be made as well.

7 In turn profitability will be threatened in a year when inflation-adjusted profits for many manufacturing firms are anyhow expected to be barely positive. Caught between their wage, material and energy costs on the one hand and interest and dividend payments (which they will be reluctant to reduce) on the other, the affected firms would probably choose to cut their capital spending and R & D programmes, so increasing the advantages enjoyed by their overseas competitors.

8 Any assessment of the effects of the strike on employment in the steel-using industries and in the many other industries dependent on regular supplies of products based on iron and steel can only be speculative. If we assume that the average loss of output in all manufacturing industry during February will be 5% (probably now an exaggeration), lay-offs after starting from a low level could total about 200-250,000 at the end of the month. Strikers are not, of course, included in these figures. Taking an average output loss of 10% in all manufacturing industry for March - and at this stage this is a matter of guesswork - the corresponding end-month figures could in theory be as much as 600,000-700,000 layoffs. These figures could be increased somewhat by any "second round" lay-offs resulting for example from shortages of steel-based products, and any lay-offs which occur in firms supplying the steel industry. On the other hand, rather than resort immediately to lay-offs, firms may stop overtime and abandon shift work or bonus schemes etc, to reduce output per man, or switch to a shorter working week. Taking all these considerations into account, a continuing strike could lead to lay-offs in the region of half a million by the end of March.

Some Vulnerable Sectors

9 The heavy dependende of the motor industry on BSC steel, especially for car manufacture, leaves them exposed. BL have maintained production to date; in BL Cars lay-offs are now imminent as a result of the company's stock levels and low January market share (not the steel strike), and these

will obviously improve the company's ability to maintain other production. Leyland Vehicles, which will not be affected by the lay-offs, will from now on experience some difficulty in maintaining full production. The lay-offs should lessen the immediate financial and production effects of the strike, though the extent is as yet unquantifiable. The current best estimate of a strike which ended in the next week is the loss of up to 20,000 vehicles and £26m in cash (spread over several months)*. A strike ending end-February would cost BL an estimated £45m and 55,000 vehicles. This is about 3½ weeks' production at normal output. A strike of this duration could well make the BL Board think very seriously (along the lines of the assurance given to the Secretary of State in December) about the future of the company's Corporate Plan; a strike lasting for three months to end March, which BL forecast could cost them the loss of 130,000 vehicles and up to £106m in cash would, we think, make withdrawal of the Plan a certainty.

10 The effects upon Vauxhall have been less severe than expected, although work has just ceased on Bedford heavy trucks owing to a lack of leaf springs. A decision will be taken in the week beginning 18 February with regard to light commercial vehicles, but so far production of cars is not threatened. Since sales of heavy vehicles have been moving slowly, the company are not too concerned about the loss of production. A total shutdown would cost £6m in week 1, and £4-4.5m a week thereafter.

11 The position at Ford is also encouraging in that they now believe they can carry on full production until mid-March. They are not however prepared to offer any assessment of loss levels and cash flow deficiencies thereafter.

*because once production runs down, restarting and refilling the pipeline will take time.

12 Talbot believe that they can go through to the end of February and possibly longer since they have abnormally high levels of stocks of coil and sheet steel accumulated during the 15-week strike last year. Bar steel stocks are not so high and they are worried about their suppliers after the end of the month. They do admit that any cessation of production would bring about a serious cash flow situation and they would encounter early liquidity problems. They still see the prospect of £5m losses per week of total shutdown.

13 In shipbuilding the long-term effect will mainly be on merchant shipbuilding, unless the dispute extends over several months when some naval contracts may also be affected. One firm is discussing with its unions the introduction of a 3-day week from 18 February, and another is likely to follow suit. Delay and uncertainty about future deliveries may deter customers from placing orders; that will increase the industry's costs and make it even less competitive. The additional cost to BS of this disruption is difficult to quantify, but assuming the strike lasts into March, it could be £40 million. This, added to existing financial problems, will make it very difficult for BS to keep within their loss and cash limits, and may well result in further permanent closure and loss of jobs. The effect on the private sector could be similarly severe.

14 Lastly, among the firms expecting problems sooner rather than later, are quite a few of those who rely on special steels. The drop-forging sector, particularly vulnerable to cuts in supplies from private steel companies, already has a limited number of firms on short time.

Tinplate and Food Supplies

15 No tinplate supplies are available from any UK source other than BSC. Metal Box, who produce 85% of food cans, have now laid off 40% of their workers in this part of their business.

They can continue reduced production up to the end of February and have already cut output to half of normal.

16 At this time of year food-canning is normally confined to peas, beans, pet foods and some seasonal vegetables. Any shortfalls in production of these limited lines would not be apparent in the shops for at least 4 weeks (ie mid-March) because of the stocks in the distribution chain. Once the stocks are exhausted a shortage of these goods would occur for a period equal to the time no cans are made, plus a minimum 2-3 week period (necessary for quality control reasons) before new production reaches the shops again. Also, BSC may not be able to supply enough on-grade tinplate for food-canning immediately they start up. Some limited imports of canned food might go a little way to making up the shortfall.

17 Longer-term canning of the main seasonal fruits and vegetables starts in early July and continues through harvest. The ability of BSC and the can manufacturers, who usually build up their stocks during the winter, to meet this peak demand,will be crucial. If steelmaking were to be delayed until May, their capacity might well be too small; imports of empty cans would almost certainly be uneconomic. The consequent economic loss to farmers and canners might be substantial. MAFF do not at present consider that detailed contingency arrangements need to be made for the production of tinplate and cans when steelmaking is resumed, though consultations may be needed on priorities for producing food and other cans or between foods if the strike lasts so long that disruption seems likely to continue near to the start of the harvest.

Conclusions

18 At present it appears that the steel strike could last for most of February without causing serious general damage to the steel-using industries. As time has passed, so the expected endurance of most sectors and their fortitude have stretched.

19 The paper has however indicated the difficulties in which a strike to the end of March could place a number of steel-using industries. Taking these effects together and placing them in a broader, macro-economic perspective, they amount to a reduction in GDP over the first quarter of this year of over 1%. A part, perhaps as much as one third, of this loss in national output could be expected to be recovered in the second quarter of the year as manufacturing activity rebounds in an effort to catch up on the delayed orders on hand. Some additional allowance might have to be made for continuing losses in output later in the year from spill-over effects. Over the year as a whole the effect on GDP might be of the order of one-quarter of 1%. Prior to the strike GDP was forecast to fall by as much as 2% in 1980; as a result of the steel strike, this decline might be 10-15% greater than it would otherwise have been.

20 Preliminary calculations indicate that lay-offs might exceed half a million by the end of March.

21 The banking sector seems capable, with appropriate encouragement, of coping with the immediate effects of the strike on corporate liquidity but the strike is bound nevertheless to accentuate the liquidity difficulties of the corporate sector in the year as a whole. The PSBR is likely to increase marginally, assuming that no substantial extra funds are made available to the nationalised industries affected by the strike. Reduced activity in manufacturing will depress tax revenues and temporary redundancies will necessitate increased social security payments.

22 The longer-term consequences of the strike on export performance are necessarily speculative. If it starts biting seriously into output the strike can only reinforce Britain's reputation for unreliable delivery dates but there

are other factors to be considered. The comparatively long delivery dates which British manufacturers tend to offer, provide some room within which to recover some of the effects of the strike. At best our manufacturing performance would continue on its present unsatisfactory trend; at worst it may deteriorate. We would not expect this deterioration to be significant overall in the long term if the strike ends before April.

23 Finally, much depends on how the strike is ended. If BSC secured a substantially self-financing wage settlement the benefit to wage settlements generally, to inflation, to industrial morale and to foreign confidence in the UK economy would be incalculable.

Department of Industry
13 February 1980

TABLE

NET OUTPUT, EMPLOYMENT AND EXPORTS OF SELECTED STEEL-USING INDUSTRIES ø

	Percentage of iron and steel industry's output purchased ø	1977*				1978*	
		NET OUTPUT		EMPLOYMENT		EXPORTS	
		£ million	% of all manufacturing	Thousands	% of all manufacturing	£ million	% of all manufacturing
Iron and steel (general)	25.2	1,412	2.7	237	3.2	815	2.6
Steel tubes		294	0.6	45	0.6	237	0.8
Pumps, valves and compressors	1.5	638	1.2	91	1.2	496	1.6
Construction equipment	3.3	384	0.7	42	0.6	795	2.5
Mechanical handling equipment		473	0.9	66	0.9	365	1.2
Other non-electrical machinery	4.8	1,509	2.9	173	2.3	1,249	4.0
Industrial plant + steelwork	7.6	1,411	2.7	171	2.3	608	1.9
Other mechanical engineering	3.1	949	1.8	164	2.2	331	1.0
Electrical machinery	2.4	958	1.8	142	1.9	777	2.5
Domestic electrical appliances	1.1	318	0.6	62	0.8	185	0.6
Shipbuilding and marine engineering	2.1	919	1.7	176	2.4	453	1.4
Motor vehicle manufacture	10.0	3,490	6.6	494	6.6	2,853	9.0
Engineers' small tools and gauges	1.2	354	0.7	61	0.8	117	0.4
Hand tools and implements	≠	108	0.2	19	0.2	96	0.3
Bolts, nuts, screws, rivets etc	1.1	203	0.4	35	0.5	65	0.2
Wire and wire manufacture	5.5	253	0.5	38	0.5	133	0.4
Cans and metal boxes	3.5	181	0.3	28	0.4	41	0.1
Other metal industries	10.8 ≠	1,876	3.6	317	4.3	559	1.8
Total of above	83.2 ø	15,730	29.9	2,361	31.7	10,175	32.2
All manufacturing industries	n/a	52,534	100.0	7,456	100.0	31,561	100.0

ø Industries selected are those that purchased at least 1% of the total amount of iron and steel industries' output, based on provisional 1974 results

* Latest year for which full information is available

≠ The share of hand tools and implements is included under other metal industries

15 FEB 1960

dictated to Mrs Spaty
Nat Ind.
P.S.

TL
15/2

PICKETS AND THE POLICE

Speaking in Sheffield on Friday, 15 February, the Home Secretary said:

"The steel industry dispute is a challenge to all of us in our society to resolve our differences without violence. As Home Secretary my especial concern is to see that in these difficult situations the criminal law is upheld and The Queen's Peace preserved.

This is in the first instance a task for the police. But it is the responsibility of all of us. Here in Sheffield the efforts - the successful efforts - of the police deserve the highest praise. They have, in the face of severe difficulties, preserved the right to work of those who wished to do so. They have also shown that they are not there simply to serve the interests of one side or another but to serve impartially society itself.

Assuring people's right to work is an integral part of that responsibility. In the steel dispute, here in Sheffield as elsewhere, the police have been able to assure those concerned, both workpeople and management, that those who wished to go about their business could do so. The Chief Constable has made it absolutely clear that that assurance still stands. It is not for any failure of

/determination ....

determination or effort on the part of the police that events at Hadfields have taken the present turn.

At the same time, the scenes we have witnessed in this city are not what peaceful picketing is about. We have seen large numbers of people coming in from outside the area, indeed from outside the steel industry, who have no dispute with the firm but are intent on turning the picket line into a mass demonstration. No-one can claim that this is satisfactory.

The purpose of picketing at an industrial dispute is peacefully to persuade. Can it really be claimed that this has been taking place here in responsible fashion? Pickets have gathered in very large numbers and the police have necessarily responded in appropriate strength. In a free and democratic society we want to preserve and balance three relevant freedoms: the right to work, the right peacefully to persuade people not to work, and the right to demonstrate.

But it is important that we recognise the different ways in which these three freedoms should legitimately be expressed.

/For the police ...

For the police to have to balance these often conflicting freedoms on the ground is a very delicate and difficult task. They do so, in my view, with manifest impartiality and success. But is it any longer reasonable and responsible of those who support a strike to turn peaceful picketing at the workplace into a mass demonstration?

The police here in South Yorkshire, like their colleagues up and down the country, have fulfilled and will continue to fulfil the responsibilities we have placed on them. It is now time for all those involved in these disputes, whether management, those employees who wish to work, or indeed those who are on strike, to heed their own responsibilities to the rest of society."

Reference Not Rec'd

PS/Secretary of State

cc PS/All Ministers
PS/Sir Peter Carey
Mr Ridley Dep Sec
Mr Murray IS3
Mrs Cohen IS1
Mr Woodrow Inf
Mr D Smith DEm

STEEL STRIKE: HADFIELDS

Mr Noton has just telephoned me again to say that "the bully boys" have won. This afternoon the local strike committee gave the shop stewards at Hadfields half an hour in which to stop work and go back on strike, with the threat that, if they did not do so, 2,500 men would invade the plant and drag them out. To avoid danger to life and limb, the shop stewards have now decided to go back on strike.

S J GROSS
Hd IS Division
816 Ashdown House
212 8705
14 February 1980

PM seen

14/2

CODE 18-77

File

b.c. Mr. Ingham
Mr. Wolfson
Mr. Hoskyns

Nat Inds

COVERING - CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

13 February 1980

I enclose the note of the meeting on the steel dispute which was held here at No. 10 on Monday morning.

I am sending copies of this letter and enclosure to Alistair Pirie (HM Treasury), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

T. P. LANKESTER

I.A.W. Fair, Esq.,
Department of Employment.

Tony Marlow PQ (1126)
12-2-80

1

BACKGROUND NOTE

The Second Report of the Interdepartmental Contingency Group on the Steel Strike, circulated under cover of PS/Secretary of State for Industry's letter of 8 January 1980, referred to the possibility of using MOD port facilities as one method of securing imports of steel; and to the use of troops (presumably for the internal movement of steel).

2. MOD ports (such as the Royal Dockyards) could make only a very limited impact on imports as they are not designed for large-scale commercial freighting activity. Any such use would also cause grave industrial problems, as these establishments are largely civilian-manned.

3. Unless a State of Emergency was declared, troops could only assist in movement of steel or other raw materials using their own limited vehicle and equipment resources, as the requisitioning of such equipment would not otherwise be possible.

4. At their meeting on 10th January the Cabinet decided (CC(80) 1st meeting) not to pursue these possibilities. The same considerations still apply and it would appear to be unwise to encourage any suggestion that such proposals offer a practicable course of action.

Mr Ryrie - to see

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PS/ *Secretary of State for Industry*

12 February 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Prime Minister
The supply position remains surprisingly good.
TL
12/2

Dear Tim,

... I attach a copy of the 12th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this letter to the Private Secretaries to the members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

Yours sincerely,
KR

pp PETER STREDDER
Private Secretary

14 FEB 1989

STEEL STRIKE : 12th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 12 February.

BSC

2 ACAS have been in touch with the Corporation, following the breakdown of negotiations with ISTC and NUB, and are seeking contact with the two steel unions, so far without success. Negotiations between the Corporation and NCCC, TGWU, GMWU (ie the National Joint Steel Committee) on 10 February resulted in an agreement being recommended for acceptance by the respective unions during this week. A TGWU delegate conference rejected this yesterday (Monday), but a joint delegate conference of all the 9 unions in the NCCC, TGWU and GMWU group is being held on Thursday to decide whether to endorse the agreement. It is uncertain how the TGWU will then vote. The ISTC and NUB seem likely to wait at least until this meeting before deciding whether to respond to ACAS.

Private Sector Producers

3 Despite heavy picketing, a large proportion of the ISTC members at Hadfields (Sheffield) have now returned to work and production is getting under way. There is, however, no agreement for resumption of deliveries of steel from the plant. The Bidston plant of Manchester Steel has resumed production and deliveries. Sheerness is continuing to work normally and make deliveries in face of very heavy picketing. Several other private sector companies, in Sheffield and elsewhere, are in discussion with their unions with a view to a resumption of work in their plants. Processing and finishing and deliveries to customers by some companies are continuing, but it is expected that at best a low level of deliveries in a limited product range will be achieved this week.

Steel Supplies

4 Low private sector deliveries are having the effect of increasing the imbalance in stocks at stockholders and steel-users. Nevertheless, 90% of the steel stockholders are continuing to maintain good deliveries to customers in a range of products and at a level close to normal. Limited imports continue to be received direct by steel-users.

Movement of Steel

5 The situation of the ports and docks remain unchanged, with the exception of London docks where there is a strike

by dockers over pay. Limited quantities of steel continue to leave the ports both in open loads and containers. There is a downturn in the level of steel movements by road; this change probably reflects renewed TGWU instructions not to cross picket lines in the North East and West Midlands, and dwindling steel supplies.

Effects on Steel Users

6 On the whole, steel-users are still expressing surprisingly little concern about any early threat to production, although companies are becoming increasingly reluctant to divulge their stock position or potential endurance.

7 The CBI have indicated privately that an increased proportion of companies have been affected during the past week, and that, whilst the average level of stocks at companies represent about 4 weeks' consumption, there will be many companies affected within the next 2 to 3 weeks. They confirm, however, that morale remains good.

8 There is accordingly little new to report on the situation in most user sectors or in the regions. Further layoffs are taking place this week in the tinplate food can sector of Metal Box. These total 1100 people at Worcester, Rochester and Sutton. Short-time working is also in operation at two other sites. Metal Box expect to deliver 50% of customers' demand this week, but with some imbalance in can sizes. MAFF remains satisfied about the tinned food supply position.

9 In the motor vehicle sector, earlier estimates were that BL and Talbot would have difficulties in maintaining full car production beyond mid-February and that BL commercial vehicle production would be affected by late February. Vauxhall and Ford were better placed, with possible effects only appearing at Vauxhall towards the 3rd or 4th week of February. The present position at BL is that, on the basis of steel supplies, full car production could continue until the end of February. The latest announcements of projected layoffs are related to the markedly reduced demand for cars and are not a result of the steel strike. BL's commercial vehicle production is being marginally affected this week and will be substantially affected next week if efforts being made to remedy shortages of components are unsuccessful.

10 Our knowledge of the position at Vauxhall and Talbot is less clear because of the reluctance of the companies to discuss it, but our private contacts with the British Iron and Steel Consumers' Council indicate that both companies

envisage continuation of car production at least until the end of February. Vauxhall have now reduced production of one model in their commercial vehicle range because of a shortage of springs normally supplied by BSC. The position at Ford is that production of cars and commercial vehicles will be maintained until at least the end of February.

11 British Rail have reported that if the strike continues, their track renewal operations will probably cease on 8 March; their stocks of brake shoes are now sufficient for 4 weeks.

Department of Industry
12 February 1980

PA
MS

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 6401
SWITCHBOARD 01-212 7676

From the
Minister of State 's Office

The Hon Adam Butler MP

Mike Pattison Esq
10 Downing Street
London SW1

12 February 1980

Dear Mike,

... Attached is the letter which Mr Butler intends to send to Mr Callaghan. Mr Butler is of the mind to delay sending the letter until after PMQ's - I gather he mentioned this to the Prime Minister on the bench yesterday. However Tom McCaffery of Mr Callaghan's staff rang last night and again this morning pressing for the letter to be sent before PMQs. Naturally Mr Butler wishes to minimise any difficulties which the release of his letter might cause for the Prime Minister at Question Time. However neither does he wish to be unnecessarily discourteous to the Leader of the Opposition. He therefore asked me to seek your advice on the timing. I will not send the letter until I hear from you.

Yours ever,

Tim Jaffray.

T M Jaffray
Private Secretary

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

From the
Minister of State

12 February 1980

The Rt Hon James Callaghan MP
House of Commons
LONDON SW1

Dear Mr. Callaghan,

Superseded by later draft MJS

You asked in the House this afternoon what it would cost BSC to concede an extra 1% on pay. I understand that, on the basis of the present payroll, each 1% which is not self-financed would cost about £12m.

This means that to give the steelworkers what they are asking for - 20% without strings - would cost about £240 million over and above the £450 million which the taxpayer will already be providing in the next financial year. This would involve savage cuts elsewhere, and would leave the BSC even less able to compete than before, leading inevitably to a further round of closures.

The position remains that BSC cannot afford to pay wage increases unless they get value for money in terms of increased productivity. Nor can we, as a nation afford for BSC to buy their way out of trouble by making a settlement which adds to their unit labour costs and makes them even more uncompetitive.

Yours sincerely

Adam Ridley

NOTE OF MEETING held at
10 Downing Street at 10 am on
MONDAY 11 FEBRUARY 1980

cc: Master Set

STEEL

Present: Prime Minister

Secretary of State for Employment
Mr D Smith - Department of Employment

Chief Secretary, Treasury
Mr N Monck - Treasury

Minister of State, Department of Industry
(Mr Butler)
Mr S Gross - Department of Industry

Mr C Whitmore - 10 Downing Street
Mr D Wolfson - 10 Downing Street
Mr B Ingham - 10 Downing Street
Mr T P Lankester - 10 Downing Street

Sir Robert Armstrong - Cabinet Office
Mr P Le Cheminant - Cabinet Office
Mr A S D Whybrow - Cabinet Office

1. The Meeting discussed the situation in the steel dispute.

2. The following points were made -

a. The craft unions had settled with BSC for 14 per cent, including 4 per cent conditional on the agreement of local productivity deals within three months of the signature of the main agreement. It was expected that this agreement would be endorsed by the executives and the members of the unions concerned.

b. It was thought that the craft unions would not have reached agreement with the BSC unless they had believed that they were hearing BSC's "final" offer, ie an offer which would not be bettered by BSC's final offer to the ISTC and the Blast Furnacemen. It was, however, possible that there was some secret understanding that, if in the event BSC did make a better offer to the ISTC and the Blast Furnacemen, there would be a parallel improvement in the offer to the craft unions. This view was strengthened by the fact that the two sides had originally agreed not to publish the terms of their agreement for forty eight hours, which could have left time for further negotiations with the ISTC and the Blast Furnacemen. The terms seemed to have been revealed gradually under questioning from the press.

c. The situation on the ground was relatively quiet. Private steel works were being picketed, but at Hadfields, the pickets had arrived only after the workforce had gone in.

d. The settlement with the craft unions opened the prospect that their members would shortly be returning to work on full pay. This would increase the pressure on Mr Sirs from his own members to reach a settlement. The strikers were already passed the point where their financial losses from the strike must significantly exceed their prospective gains.

e. It would be desirable for BSC to write direct to its employees in the ISTC and the Blast Furnacemen's union, setting out the terms of the offer which their representatives had rejected. But the timing of such a move would need to be carefully considered. There was also the difficulty that in some, though not all areas, the addresses of employees were held in computers to which access was being refused by members of the ISTC clerical section. Action by management to "unlock" the computers might mean the loss of emergency cover.

g. The handling of BSC's publicity had been noticeably poor.

h. The delay by Mr Sirs and Mr H Smith in meeting ACAS when the strike had been going so long was difficult to understand or excuse. The Minister of State, Department of Industry (Mr Butler) was due to make a Parliamentary statement on the dispute in the afternoon, and ACAS could be expected to welcome any reference in that statement to the fact that they had offered their services to both sides last Friday and had pursued the matter with only limited success through the weekend.

i. There was now some pressure, for the establishment of a court of enquiry. This pressure seemed to have been inspired by the Leader of the Opposition, who was setting the scene for a motion of censure on the Government. It might be worth pointing out publicly that Mr Sirs had already refused four offers of arbitration in the dispute.

3. THE PRIME MINISTER, summing up the discussion, said that there was no immediate action for Ministers to take, except that the Minister of State, Department of Industry would be making a Parliamentary statement in the afternoon.

The NCB's agreement over coking coal was welcome not only as a solution to a dispute between two nationalised industries, but particularly as a solution which involved no cost to the taxpayer. The Minister should ensure that this agreement was mentioned either in his statement or in response to questions afterwards. He should also make it clear that the offer which had been accepted by the craft unions included the same 4 per cent conditional on the agreement of local productivity deals which had been rejected by Mr Sirs.

13 February 1980

MAT 1/10

Prime Minister

I'm getting a quick report from the Home Office on the state of picketing this morning.

MT

12

11.2

Teresa!

P.A. Tape 11.2.80.

PICKET ARRESTED

PRIVATE STEEL WORKERS HAVE RESUMED NORMAL OPERATIONS AT THE HADFIELD'S PLANT IN SHEFFIELD.

THE PICKET LINE OUTSIDE THE PLANT HAS SWELLED TO ABOUT 200. ONE PICKET WAS ARRESTED IN A MINOR SCUFFLE WITH POLICE WHEN A BLUE SERVICE VAN WENT THROUGH THE PICKET LINE.

0909

CONFIDENTIAL

VLS

FILE

CC D/M
D/I
CO

10 DOWNING STREET

From the Private Secretary

11 February 1980

BC Walsh
Ingham

I enclose the note of the meeting on the steel dispute which was held here at No. 10 last Friday.

I am sending copies of this letter and enclosure to Ian Fair (Department of Employment), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

T. P. LANKESTER

John Wiggins, Esq.,
H.M. Treasury.

CONFIDENTIAL

cc Press Office
David Hopson

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 6401
SWITCHBOARD 01-212 7676

From the
Minister of State's Office

The Hon Adam Butler MP

Tim Lankester Esq
10 Downing Street
London SW1

11 February 1980

Dear Tim,

STATEMENT ON STEEL DISPUTE

I attach a copy of the statement which Mr Butler will be making this afternoon.

Copies go to Martin Hall, Ian Fair, George Craig, Kenneth Mackenzie, Murdo Maclean, John Stevens and David Wright.

yours ever,

Tim Jaffray.

T M Jaffray
Private Secretary

11 FEB 1980

With permission I will make a Statement on the position of pay negotiations in the Steel industry.

First of all, however, may I extend to the House the apologies of my Rt Hon Friend, the Secretary of State, for not making this Statement himself. He is carrying out engagements in South Wales - a visit which has already been postponed twice - and in view of the special problems of South Wales he judged that he should not put off his visit for the third time.

Mr Speaker, the House will know that following private exchanges between the BSC management and Union leaders, the full negotiating bodies of the Iron and Steel Trades Confederation and National Union of Blastfurnacemen met with the British Steel Corporation on Friday. It soon transpired that a misunderstanding between the two parties existed, and that there was an important difference between what BSC had offered in the private discussions and what was thought to have been offered. The Union side promptly withdrew from the meeting.

Following this break down, ACAS, the independent conciliation service, immediately tried to get in touch with both sides. They had discussions with the BSC on Friday afternoon and again this morning. I am told that the ISTC and NUB have not yet been able to give a positive response to ACAS's invitation for an early meeting.

On Sunday, negotiators from the BSC and the craft and general unions met and agreed a pay formula, which is to be recommended for acceptance. The formula provides for a 10% pay increase against a central agreement with provisions for improved productivity, plus 4% against locally negotiated productivity schemes.

/ ... Mr Speaker,

Mr Speaker, the BSC's negotiation with the ISTC and NUB broke down because of failure to agree on the all-important question of productivity improvements. The Government has made it clear from the beginning, and I repeat it again today, that we are not prepared to put more taxpayers' money into BSC to finance a pay settlement. Therefore, the money has to come from BSC's own resources. It is there to be earned; and productivity improvements are essential if BSC is to compete and survive.

This strike has already cost the average BSC worker about £650 in gross pay.

Unless a settlement is found soon there will be permanent loss of jobs and permanent damage to our steel industry; and - without question - the risk extends to so many other jobs in the rest of British industry.

I hope that all the parties concerned will display the necessary urgency in trying to reach a settlement which this situation demands.

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

PS/Secretary of State for Industry

8 February 1980

Tim Lankester Esq
Private Secretary to the Prime
Minister
10 Downing Street
LONDON SW1

Dear Tim,

... I attach a copy of the 11th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this letter to the Private Secretaries to the members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

Yours ever,
Pete

PETER STREDDER
Private Secretary

STEEL STRIKE : 11th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 8 February .

BSC

2 Negotiations were resumed today between the Corporation, the ISTC and NUB, but broke down once again. Negotiations with NCCC, TGWU and GMWU remain in abeyance.

Private Sector Producers

3 Almost all ISTC members are on strike at private sector plants, the exception being at Sheerness, where normal production is continuing. ISTC members at Hadfields are due to meet on Sunday, 10 February, to decide whether they will defy their Union instructions and return to work. A considerable number of workers in other unions are now laid off in the steelmaking and rolling plants. It is estimated that just over half the 60,000 employees in the private sector are now either on strike or laid off. Some processing, finishing and deliveries of steel to customers have continued but at a level estimated to be only 10-15% of normal, and this is only a limited product range.

Steel Supplies

4 The marked reduction in deliveries from the private sector will have particular effect on engineering users and on component manufacturers eg companies making drop forgings for automotive applications. Stockholders continue to receive a trickle of imports and have so far generally maintained good levels of delivery to users. However, reduced deliveries to stockholders will increase further the imbalance already becoming evident in their remaining stocks. Severe picketing of stockholders in Wales has almost completely stopped their deliveries to customers. Some direct imports are being received by users.

Movement of Steel

5 Reports from the transport sector indicate no change in the movement of steel. About 10,000 drivers who normally work on movement of raw materials and steel products are now laid off because of the dispute. At the ports, where scrutiny of cargoes has been intensified, there has been no reduction in the volume of imports in containers. However, at some ports there is evidence that imported steel put into storage is approaching saturation point.

Effects on Steel Users

6 The latest survey by the Business Statistics Office shows that manufacturing production in the week ending 2 February was maintained at 96% of normal (99% if BSC production loss is deducted), similar to the previous week. 9% of the 426 companies included in the survey indicated that they were being affected to some degree by the steel strike; this is in line with the indications reaching the CBI. Estimates for this week are that overall production will be little affected by the extension of the strike to the private sector, but loss of production in the metal-using sector will be anything up to 2%.

7 Estimates of the potential endurance of companies and user sectors still indicate that no serious general interruptions to production are expected before the third or fourth week of February, despite further reductions in stock levels. But there is increasing expectation of short-time working and lay-offs in some user sectors.

8 In the metal container sector, which includes tinplate can production, Metal Box have now laid off one third of their workers in this part of their business. They do not expect tinplate stocks to last much beyond the end of February. Reads, the other major tinplate can producer for the food industry, expect to begin laying off some workers during the next two weeks. There remains no immediate cause for concern over tinned food supplies.

9 The drop forging sector, identified above as being particularly vulnerable to the reduction in private sector steel supplies, has a number of companies on short time. Despite the fact that the average stock levels are sufficient for 4 weeks' production, the position varies widely between companies and some layoffs are expected in the next two weeks. Drop forgings require varying degrees of further processing eg machining, before use as finished components in automotive or other manufacturer production. Thus, depending on stocks of components, the effects of restricted output at the drop forging companies will take time to work through to ultimate users.

10 British Shipbuilders are in discussion with their Unions with a view to the introduction of a 3-day week from 18 February at Austin and Pickersgill (Sunderland) for 3,000 workers. Swan Hunter and Scott Lithgow are likely to follow suit shortly afterwards. The majority of other shipyards have stocks to sustain normal operation for some weeks.

Financial Position of Companies

11 There are few reports, as yet, of companies seeking additional finance from the banks because of the strike. The Bank of England is confident that the banks will meet any pressure which is likely to arise in the immediate future.

Attitudes to the Strike

12 At any rate until today's breakdown CBI members generally have continued to bring little pressure for a settlement and to endorse BSC's resistance to an unrequited wage claim, if not necessarily their tactics. Criticism seems to be developing in the popular press of the Government's policy of non-intervention.

P W Ridley
Dep Sec
717 Ash. 212-6797
8 February 1980

- 8 FEB 1980

- 8 FEB 1980

Note of a Meeting held at
10 Downing Street at 3 pm on
FRIDAY 8 FEBRUARY 1980.

STEEL

Present: Prime Minister
Chancellor of the Exchequer

Mr N Monck - Treasury

Secretary of State for Employment
Mr D Smith - Department of Employment

Sir Peter Carey - Department of Industry
Mr P Ridley - Department of Industry
Mr S Gross - Department of Industry

Mr C Whitmore - 10 Downing Street
Mr D Wolfson - 10 Downing Street
Mr B Ingham - 10 Downing Street
Mr T P Lankester - 10 Downing Street

Sir Robert Armstrong - Cabinet Office
Mr A S D Whybrow - Cabinet Office

1. The meeting was called to discuss the situation arising from the breakdown of the steel pay negotiations during the morning.

2. MR GROSS said that Mr Scholey of the British Steel Corporation had recently had talks on Luxembourg with Mr Sirs of the ISTC and Mr H Smith of the Blast-furnace men's Union. They had agreed to meet on the evening of Tuesday, 5 February. That meeting had not taken place and Mr Scholey had written to Mr Sirs on Wednesday 6 February recording his understanding of the position they had reached. Mr Sirs had interpreted the letter as meaning that the 4 per cent lead-in for local productivity schemes would be guaranteed for the duration of the agreement whether or not local productivity schemes were agreed by a given date. This was not the Corporation's position. What they had intended was some flexibility over the time allowed for reaching local agreements (ie the 3 months might have beeen extended to 4 months and possibly under pressure to 6 months), but they had been quite clear that there must be a cut-off date after which the lead-in payments would cease if a local agreement were not reached. Mr Sirs had said publicly that the new offer represented a U-turn. Mr Gross had told Mr Sirs on 7 February that this was not the case, but Mr Sirs had appeared unconvinced. That morning, 8 February,

the British Steel Corporation had set out their position at the negotiating meeting. Mr Sirs had said that he had been misled into expecting a better offer, and the unions had walked out of the meeting.

3. MR D SMITH said that at the meeting the Union side had asked if the point about lead-in payments was negotiable and the BSC had said that it was not. Mr Sirs and Mr Scholey had both spoken on the BBC Radio programme "World at One" at lunchtime. Mr Sirs had said that he would not re-enter negotiations until there was more money on the table. He was not seeking a meeting with Ministers and he thought that steel closures would now become an issue in the pay dispute. Mr Scholey had expressed surprise at the breakdown of the negotiations and said that the BSC would need to consider seriously some form of arbitration even though the Unions had rejected it in the past.

4. In discussion the following main points were made -

a. The fact that talks had broken down so quickly after 6 weeks of the strike indicated that the two sides were no longer likely to reach a settlement on their own. The Blastfurnace men's Agreement provided for arbitration at the request of either party. The ISTC's agreement did not, but by custom and practice there was recourse to arbitration if both parties agreed. It was open to ACAS to propose arbitration on the lines of the agreements and custom and practice, or to offer their own services or those of some nominated person as a mediator or conciliator. The usual practice was for ACAS to appoint a conciliator, but with an understanding by all parties that he would arbitrate on any points where conciliation proved impossible. It was desirable, but unusual, for the parties to agree in advance to be bound by his findings. The fact that the Unions had previously refused arbitration meant that any third party intervention would need to be described as conciliation or mediation, even if it came to arbitration in the end.

b. A conciliator could be expected to seek BSC's latest financial forecasts. Whether to release them was a question best left to BSC to decide. The forecasts were not "facts" in that they relied on assumptions eg about volume of sales which might be challenged.

c. An arbitrator would not necessarily address himself to the issue of how an award was to be paid for, and the question could arise whether the Government would foot the bill. The Government's position was clear. The 1980/81 Cash Limit of £450M represented the maximum which could be provided by the taxpayer. Any costs beyond that would have to be found from BSC's own resources, which might include increased sales, improved efficiency, and disposal of assets. The previous policy objections to publicly mentioning disposal of assets no longer applied.

4. THE PRIME MINISTER, summing up the discussion, said that the meeting was agreed on the direction in which progress should now be sought; it was set out in an Aide-memoire, the terms which were agreed in discussion (copy attached). The Department of Employment would be guided by the Aide-memoire in further discussions with ACAS. The Press should be told that Ministers had discussed the situation, had learned that ACAS were actively in touch with events, and hoped that ACAS could assist in getting the parties together again. There should be a further meeting of Ministers at 10 am on Monday 11 February, or later that day if a later time seemed more likely to be useful.

The meeting -

Took note with approval, of the Prime Minister's summing up of the discussion.

11 February 1980

AIDE-MEMOIRE

Agreements and custom and practice provide for arbitration.

One side (BSC) has indicated need to consider arbitration.

If both parties can agree to proceed to arbitration, that is the way ahead.

ACAS will seek to help the parties to reach agreement to arbitrate.

If they do not agree then under its standard procedures ACAS can <u>either</u> themselves conciliate or mediate <u>or</u> appoint a conciliator or a mediator to bring the two sides together.

BREAKDOWN OF BSC PAY NEGOTIATIONS: WHAT NOW ?

We seem to have four possibilities:

(a) leave BSC and unions to resume negotiations as and when they can. Otherwise carry on as we are;

(b) mediate, either direct or by appointing a mediator;

(c) fight a long strike to win;

(d) intervene to settle the dispute, taking wider measures to retrieve Government's credibility.

2 Leave it to BSC and Unions

Little would be gained. Unlikely to bring about resumption of negotiations, let alone settlement, before steel supplies start running short in 2 to 3 weeks. We should then face the same three alternatives as we do now.

3 Mediation

Government mediation much the same as (d) above. Bringing in an independent mediator offers outside chance of success, but failure would leave Government in weak position. Likely on past precedent that it would produce settlement unfavourable to BSC and Government. If so Government would lose credibility but have difficulty in justifying wider measures to retrieve its position. Mediator might however just recommend settlement near the terms now on offer and enable unions to save face in accepting.

4 Fight the Strike

High risk and uncertain chance of success. Best assessment (annex A) of long-term economic damage surprisingly small (0.3% fall in GDP over 1980 as a whole), but immediately severe political embarrassment from lay-offs (500,000) and employer pressure. Measures to endure (annex B) might have to include crash legislation on secondary strikes and curtailing social security benefits for strikers. Risk of escalation into all-out confrontation. Public support would be crucial, but it is now very late in the day successfully to mount an all-out campaign to win it.

5 Settle and Retrieve

Some serious limitations. One could settle either by allowing BSC to fudge present financial constraints or by increasing cash limit to finance increased pay. The latter course probably less damaging because latest BSC losses likely to breach cash limit anyway and because it would set the scene sharply for retrieval measures. To be credible such measures should include not only national measures to bring home facts of economic reality but also decisive changes at BSC. But buying the strike off would limit scope for making necessary changes in BSC's top management - how would Government justify dismissing Chairman and Chief Executive who had stood firm in line with Government policy at the very time of abandoning that policy ?

PWR
Dept of Industry
8 February 1980

ANNEX A

The paper has indicated the severe difficulties in which a 3-month steel strike would place a number of steel-using industries. Taking these effects together and placing them in a broader, macro-economic perspective, they amount to a reduction in GDP over the first quarter of this year of around 3%. A major part, perhaps as much as two-thirds, of this loss in national output could be expected to be recovered in the second quarter of the year as manufacturing activity rebounds in an effort to catch up on the delayed orders on hand. Some additional allowance might have to be made for continuing losses in output later in the year, arising from the second-round effects of reduced earnings on spending and any adverse effects on activity arising from the incidental effects of the strike on the manufacturing sector's liquidity. Over the year as a whole the effect on GDP might be of the order of one-third of 1%. Prior to the strike, GDP was forecast to fall by as much as 2% in 1980; as a result of the steel strike, this decline might be some 15% greater than it would otherwise have been. This figure may over-state the marginal effect of the strike on the 1980 out-turn, to the extent that substantial stoppages of this nature are a recurring feature of the economy, which are therefore already comprehended to some degree in GDP forecasts.

The number of temporary lay-offs will almost certainly be less than proportional to the fall in manufacturing output arising from

the strike partly because lay-offs will lag behind any reductions in output and partly because employers will have in mind the need to be in a position to recover lost ground after the strike as quickly as possible. These considerations suggest lay-offs of the order of half a million. More serious to the economy is the potentially damaging effect of low activity on corporate liquidity. The banking sector seems capable, with appropriate encouragement, of coping with the immediate effects of the strike on corporate liquidity but the strike is bound nevertheless to accentuate the liquidity difficulties of the corporate sector in the year as a whole.

The PSBR is likely to increase marginally [by less than £500m]; Reduced activity in manufacturing will depress tax revenues and temporary redundancies will necessitate increased social security payments.

The longer term consequences of the strike on export performance are necessarily speculative in nature but there are indications that they might be marginal. Had the effects of the three-day week - perhaps the best available guide on this question - been significant, attempts to quantify them would have been more conclusive. The strike can only confirm Britain's reputation for unreliable delivery dates but there are other factors contributing to this too. There is also the consideration that the comparatively long delivery dates which British manufacturers tend to offer provide some room within whi to recover some of the effects of the strike.

(a) Publicity for Government's and BSC's case - linked with Government's wider campaign on economic reality;

(b) concert with BSC and BISPA on eg exploiting employee disaffection with strike;

(c) maintain support (avoid defections) by user industries. Concert with CBI;

(d) monitor public opinion - surveys etc - both as a guide to tactics and as a weapon;

(e) unsettle steel union leaders - for the harm to their members and union interests generally;

(f) try to alienate wider union sentiment from the strike - play on risks of unemployment, loss of public sympathy for unions generally, pressure to curb union power etc. This week's poll suggests a receptive climate;

(g) avoid embarrassing pay settlements or financing arrangements elsewhere in public sector;

(h) practical encouragement and support for people (drivers etc) wanting to work;

(i) financial support (banks etc) for user firms in serious difficulty;

(j) rub into the public the possible financial consequences like higher income tax or excise duties to pay for any giveaway settlement by BSC and other public sector consequentials;

(k) accelerate and strengthen Employment Bill;

(l) curtail social security benefits to strikers and others affected by the strike;

(m) manifestation of public will - referendum ?

CABINET OFFICE

Mr Lankester

With the compliments of

A S D Whyborn

70 Whitehall, London SW1A 2AS
Telephone 01 233 - 6161

cc Master Set.

DRAFT NOTE OF MEETING

DRAFT NOTE OF MEETING IN THE CABINET ROOM, 10 Downing Street at 3 pm on FRIDAY 8 FEBRUARY 1980.

PRESENT
Prime Minister
Chancellor of the Exchequer

Mr N Monck - Treasury

Secretary of State for Employment
Mr D Smith - Department of Employment

Sir Peter Carey - Department of Industry
Mr P Ridley " "
Mr S Gross " "

Mr C Whitmore - 10 Downing Street
Mr D Wolfson - 10 Downing Street
Mr B Ingham - 10 Downing Street
Mr T P Lankester

Sir Robert Armstrong - Cabinet Office
Mr A S D Whybrow - Cabinet Office

1. The meeting was called to discuss the situation arising from the breakdown of the steel pay negotiations during the morning.

2. Mr Gross said that Mr Scholey of the British Steel Corporation had recently had talks in Luxembourg with Mr Sirs of the ISTC and Mr H Smith of the Blast Furnace Men's Union. They had agreed to meet on the evening of Tuesday, 5 February. That meeting had not taken place and Mr Scholey had written to Mr Sirs on Wednesday 6 February recording his understanding of the position they had reached. Mr Sirs had interpreted the letter as meaning that the 4 per cent lead-in for local productivity schemes would be guaranteed for the duration of the agreement whether or not local productivity schemes were agreed by a given date. This was not the Corporation's position. What they had intended was some flexibility over the time allowed for reaching local

agreements (ie the 3 months might have been extended to 4 months and possibly under pressure to 6 months), but they had been quite clear that there must be a cut-off date after which the lead-in payments would cease if a local agreement were not reached. Mr Sirs had said publicly that the new offer represented a U-turn. Mr Gross had told Mr Sirs on 7 February that this was not the case, but Mr Sirs had appeared unconvinced. That morning, 8 February, the BSC had set out their position at the negotiating meeting. Mr Sirs had said that he had been misled into expecting a better offer and walked out of the meeting.

3. Mr D Smith said that at the meeting the Unions side had asked if the point about lead-in payments was negotiable and the BSC had said that it was not. Mr Sirs and Mr Scholey had both spoken on the BBC Radio programme "World at One" at lunchtime. Mr Sirs had said that he would not re-enter negotiations until there was more money on the table. He was not seeking a meeting with Ministers and he thought that steel closures would now become an issue in the pay dispute. Mr Scholey had expressed surprise at the breakdown of the negotiations and said that the BSC would need to consider seriously some form of arbitration even though the Unions had rejected it in the past.

4. In discussion the following main points were made -

a. the fact that talks had broken down so quickly after 6 weeks of the strike indicated that the two sides were no longer likely to reach a settlement on their own. The Blast Furnace Men's Agreement provided for arbitration at the request of either party. The ISCT's agreement did not, but by custom and practice there was recourse to arbitration

if both parties agreed. It was open to ACAS to propose arbitration on the lines of the agreements and custom and practice, or to offer their own services or those of some nominated person as a moderator or arbitrator. The usual practice when ACAS appointed a moderator was for him to start work as a conciliator, but with an understanding by all parties that he would arbitrate on any points where conciliation proved impossible. It was desirable, but unusual, for the parties to agree in advance to be bound by his findings. The fact that the Unions had previously refused arbitration meant that any third party intervention would need to be described as conciliation or mediation, even if it came to arbitration in the end.

b. A conciliator could be expected to seek BSC's latest financial forecasts. Whether to release them was a question best left to BSC to decide. The forecasts were not "facts" in that they relied on assumptions eg about volume of sales which might be challenged.

c. An arbitration award would involve the BSC in paying a set sum of money and the question could arise whether the Government would foot the bill. But the Government's position could be made quite clear. The 1980/81 Cash Limit of £450M represented the maximum which could be provided by the tax payer. Any costs beyond that would have to be found from BSC's own resources, which might include increased sales, improved efficiency, and disposal of assets. The previous policy objections to publicly mentioning disposal of assets no longer applied.

4. The Prime Minister summing up the discussion said that the next step should be for Mr D Smith to speak to ACAS in the terms of the Aide-memoire which had been agreed at the meeting (copy attached). The Press should be told that Ministers had discussed the situation, had learned that ACAS were actively in touch with events, and hoped that ACAS could assist in getting the parties together again. Those present, and the Secretary of State for Industry, would meet again at 10 am on Monday 11 February, or later that day if a later time seemed more likely to be useful.

Distribution: Those present
Secretary of State for Industry

8 February 1980

FEB 1980

AIDE-MEMOIRE

Agreements and custom and practice provide for arbitration.

One side (BSC) has indicated need to consider arbitration.

If both parties can agree to proceed to arbitration, that is the way ahead.

ACAS will seek to help the parties to reach agreement to arbitrate.

If they do not agree then under its standard procedures ACAS can <u>either</u> themselves conciliate or mediate <u>or</u> appoint a conciliator, or a mediator to bring the two sides together.

cc Mr Ingham
Mr Wolfson
Mr Hoskyns

PRIME MINISTER

Steel Negotiations

The steel negotiations have broken down. The union side walked out after Scholey insisted that the 4% for productivity was still dependent on local productivity agreements being signed.

Scholey had written to Sirs after their Luxembourg talks indicating that BSC were prepared to consider extending the advance payment for the 4% local productivity component beyond 3 months, and hinting that they were prepared to raise the total package to 14% (i.e. 2% for consolidation, 7% against the central agreement, and 5% for local productivity).

Scholey began this morning's negotiations by denying that there had been any "U-turn" and saying that the 4% for local productivity was dependent on the signing of local productivity agreements - though they were prepared to extend the advance payment a little. Sirs immediately countered that, the unions had understood that the 4% was going to be without strings, and part of the central agreement. It was on this question of conditionality that the negotiations broke down. They did not get round to discussing the possibility of a higher overall percentage.

There was no mention of resuming the negotiations. Solly Gross believes the strike will now have to go on for at least another two weeks before the unions are brought to their senses.

8 February 1980

Original returned to P. Rock

Patrick

There hasn't been any 'U-turn' – at least not yet. That is Bill Sirs' imagination. If there is a U turn, I agree this bargaining point might be used, but I don't honestly think there is much substance in it.

10 DOWNING STREET

Tim Lankester

STEEL STRIKE

I accept what he says about British defence needs. It does seem likely, however, that world demand for Steel will be higher than expected because of re-armament both in the U.S. and elsewhere. This will presumably have the effect of ensuring higher prices for Steel than would otherwise be the case.

The Department of Industry appear to be ruling out any prospect of B.S.C. securing more export orders as a result of the increased demand. They may well be right of course. But if they are not willing to use this argument to counter the suggestion that we have basically done a U-turn (see Bill Sirs) I hope they have a better one. Unless, that is, the new offer made by B.S.C. does not involve, as most people seem to think, a retreat from the principle that money previously allocated for redundancy pay could not be used for wage increases. If it does, there will presumably also have to be at least a postponement of some Steel closures. I should have thought that the rearmament point could beused to defend a more cautious run down of Steel capacity.

Patrick

7 February, 1980

Patrick Rock

JU

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

PS/ *Secretary of State for Industry*

7 February 1980

T Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Tim,

In his minute to the Prime Minister of 24 January, copied to my Secretary of State and to Mr Butler, Patrick Rock records that the share prices of steel companies in the USA have risen in the wake of the Afghanistan crisis, on the assumption that increases in defence spending will stimulate increased demand for steel; and that this could provide a justification for greater flexibility over steel pay and closures if this were necessary.

There may or may not be any validity in this argument for the United States. But it does not really stand up to close inspection as regards the UK. As the Minister of State for Defence (Lord Strathcona) pointed out in a recent letter to Julian Amery MP, the build-up in the defence equipment programme will not be so large or rapid that the resources of the steel industry would be overtaxed. He added that defence equipment programmes have, by their nature, a very long gestation period - several years or more - which gives sufficient time to ensure the availability of materials when they are needed in large quantities. In addition, while the BSC intend to reduce their manned capacity to 15 million tonnes per year, they intend to retain a further 3 million tonnes of annual capacity which could be brought back into operation quite quickly.

In short, possible future defence needs do not affect BSC's present closure proposals; and as regards pay, the primary need is for a settlement which will enable the BSC to compete on reasonable terms with other suppliers of steel to the UK (and foreign) market.

I am sending a copy of this letter to David Jones (MOD).

Yours ever,
Pete

PETER STREDDER
Private Secretary

Reference Mr Lankester 1010

CONFIDENTIAL

PS/Secretary of State

cc PS/Mr Butler
PS/Mr Marshall
PS/Sir Peter Carey
Mr Ridley Dep Sec
Mr Clay IS3
Mr Long IS(Tech)
Mr Woodrow Inf

PAY NEGOTIATIONS: CURRENT STATE OF PLAY

Informal discussions took place between Mr Scholey and Dr Grieves and Mr Sirs and Mr Hector Smith in Luxembourg on Monday 4 February (Mr Linton of the NCCC was also present for some of the time). Following these discussions, Mr Scholey wrote to Mr Sirs this morning formally offering 2% consolidatio plus 7% against the revised central productivity agreement plus a guaranteed minimum of 4% under locally negotiated productivit schemes. A copy of his letter (received over the telephone) is attached.

2 Mr Sirs has now confirmed, in a press conference this afternoon, that this offer contains "sufficient new money" to justify him and Mr Hector Smith convening the negotiating committees of the ISTC and NUB for the resumption of formal negotiations with BSC on Friday 8 February.

3 I understand, in confidence, that Mr Scholey indicated in Luxembourg that he would be prepared, during the course of the formal negotiations, to concede another 1%, bringing the total up to 14%, and also to pay the locally negotiated productivity scheme benefits weekly instead of as a lump sum every quarter.

4 It is too early to assess the chances of the formal negotiations on Friday ending in agreement but Mr. Sirs apparently says that "they could be back to work by Sunday"!

5 Meanwhile, the other 11 unions have reappeared over the horizon and have indicated to BSC their wish for a fairly early meeting. Dr Grieves is holding them in abeyance until after Friday's meeting. If ~~this does not take place or if~~ the talks with ISTC/NUB then break down again, Dr Grieves intends nevertheless to propose talks with the other 11 unions very shortly afterwards.

S J GROSS
Hd IS Division
816 Ashdown House
212 8705
6 February 1980

CODE 18-77

LETTER TO MR SIRS DATED 6 FEBRUARY

Dear Bill

I tried to telephone you first thing this morning as we agreed to discuss the possibility of negotiations reopening. I was told that you would not be in the office until noon. However I am writing you in the meanwhile concerning that we have mutually agreed that our exploratory discussions were at an end.

I can ~~xx~~ inform you that the Corporation is now formally prepared to offer the following:

1 the introduction of consolidation at an overall cost of 2%

2 a general increase of 7% against which it would line up the agreement draft 6a

3 confirm the 4% minimum guarantee against which locally determined productivity schemes would be paid.

In total this moves the Corporation's position forward from a total minimum guarantee of 12% which was based on a general increase of 8% against the earlier draft agreement 5 as drawn up on 11 January together with the 4% minimum guarantee for the productivity schemes.

Our understanding which we came to in Luxembourg was that you considered this as a basis for reconvening the joint negotiating committees of the ISTC and NUB and that in your view this meeting should be held on Friday 8 February and I would suggest that we meet in Grosvenor Place at a time to be mutually agreed.

Yours sincerely

R. Scholey

-8 FEB 1980
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PS/ *Secretary of State for Industry*

6 February 1980

Tim Lankester Esq
Private Secretary to the Prime
Minister
10 Downing Street
LONDON SW1

Prime Minister

Dear Tim,

... I attach a copy of the 10th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this letter to the Private Secretaries to the members of E Committee, the Secretaries of State for Scotland and Wales the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

Yours ever,
Pete.

PETER STREDDER
Private Secretary

5 FEB 1980

STEEL STRIKE : 10th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 5 February.

BSC

now agreed for Friday

2 No arrangements have yet been agreed for the resumption of full negotiations between the Corporation and the Trade Unions. Informal contact is continuing between the Corporation and the General Secretaries of ISTC and NUB. Meantime the negotiations with NCCC, TGWU and GMWU remain in abeyance.

3 BSC management are not unduly concerned about new threats to withdraw safety cover at plants in Yorkshire and Humberside; management would if necessary provide the cover to prevent serious long-term damage.

Private Sector Producers

4 The renewal of strike action by ISTC in the private sector has meant that the majority of companies have stopped steelmaking, hot rolling and some cold rolling. The only exceptions are Sheerness, which was unaffected last week, and Round Oak Steelworks, which resumed normal work late last week after 10 days of being laid off. Private sector operations carried out by workers in unions other than the ISTC are continuing. Thus some processing, finishing and deliveries to customers are being made. The potential for this to continue will diminish as their supplies of steel for further processing are reduced by the ISTC action.

Steel Supplies

Private Sector & Stockholders

5 The prospect in the current week is that supplies to consumers and stockholders from private sector companies will be substantially reduced. The continuation of work at Sheerness will assist mainly in supplies of reinforcing bars for construction and some engineering uses. But supplies of steel generally for engineering will be diminished, particularly special steels. The stockholders are maintaining good deliveries of steel from 90% of the companies, but there is an increasing imbalance in the types and sizes of material remaining in stock.

Movement of Steel

6 There are no reports of any significant changes in the movement of steel. In the ports, the union checking of container cargoes is intensifying, but there appears to be no further diminution in the reduced level of imports which has applied since the strike began. Nor is there any evidence that the increased picketing, which remains relatively peaceful, has further impeded movements of steel.

Effects on Steel Users

7 The CBI have indicated privately that production during week ending 2 February in their sample of companies in manufacturing and construction was a little short of normal. Their evidence of stocks and potential endurance of firms is that levels of consumer stocks generally were topped up during the past week, but an increasing imbalance is emerging. Companies are applying ingenuity, but at increased cost, to maintain normal production. A large number of companies expect to be significantly affected by late February. Particular concern is being expressed over the supply of special steels and this is bound to be exacerbated as private sector supplies dwindle. Our earlier estimate of no serious general interruptions to production before the third or fourth week in February still holds.

8 The first lay-offs in an important user sector will take effect this week - 2500 workers employed by Metal Box tinplate can factories at Neath (which has been troubled since the strike began), Scotland, Carlisle, Portadown (Northern Ireland), West Houghton, Lancs and Wisbech. This represents about one third of the Metal Box workforce whose activities depend on tinplate. Production of tinplate cans will be about 50% of customers' demand this week. MAFF have again confirmed that there is no immediate cause for concern about tinned food.

9 There is nothing new to report in respect of any other user sector.

Attitudes to the Strike

10 There are reports that the morale of workers on the picket lines has been boosted by the Law Lords' decision. Financial pressures on strikers may also be contributing to a desire for an intensification in the strike in the hope of achieving a quick settlement. The CBI and BISPA have expressed concern about the involvement of the private sector for the second time and BISPA says that many of its workers have only joined in with reluctance. This is based on contacts between local managements and their plant shop stewards, but it does not mean that many ISTC members in the private sector are likely to defy their union executive by returning to work.

Department of Industry
5 February 1980

CONFIDENTIAL

TMP

Nat Ind

bc Mr. Wolfson
Mr. Ingham
Mr. Whitmore
Mr. Hoskyns

10 DOWNING STREET

From the Private Secretary

6 February 1980

Dear Ian.

I enclose the record of last evening's meeting here at No. 10 with the British Independent Steel Producers Association.

I am sending copies of this letter to the Private Secretaries to Members of E Committee, Richard Prescott (Paymaster General's Office), John Stevens (Office of the Chancellor of the Duchy of Lancaster), Ian Maxwell (Lord Chancellor's Office), Bill Beckett (Law Officers' Department) and David Wright (Cabinet Office).

Yours ever.

Tim Lankester

I.A.W. Fair, Esq.,
Department of Employment.

CONFIDENTIAL

Hartley Godfrey

5.2.80

STEEL DISPUTE: WORLD AT ONE INTERVIEW WITH SIR CHARLES VILLIERS

Question: Given the decision of the safety men, has the steel dispute reached the crunch point?

Sir Charles Villiers: Certainly not. I am bound to say who is fighting for this industry. It is the managers and the staff who are going to keep these blast furnaces and coke ovens going. We have had to do it before, in the miners' strike in 1974, they are a most dedicated and devoted lot and I very much hope that they will be supported by some of the men who work the plant anyway.

Q: If they weren't supported by the men who work the plant what would happen then?

Sir Charles: Well it would be very much harder for them and the longer it goes on the more difficult it becomes.

Q: Well if the unions did succeed and closed down some of the blast furnces how great would the losses be?

Sir Charles: Well these furnaces cost about £100 million - the new Redcar blast furnace cost about £100 million. A new battery of coke ovens cost very nearly £100 million. We just don't have the money in order to build other ones if they have to be scrapped. And indeed the cost of repairs is something that would strain us very greatly at a time when our finances are being tightened in a very, very sharp way.

Q: So the potential loss could be how high?

Sir Charles: Oh I am not going to give a figure to it. It is not possible to calculate at this time but if you think of 21 blast furnaces at a cost of £100 million each, and if you think of 15 coke ovens at the best part of £100 million, you have-got a tremendous lot of money involved.

/Q: Could

Q: Could I press you on this point. Is there any hope of keeping the blast furnaces working if all the workers support the union?

Sir Charles: Yes, yes there is. It would certainly make it much more difficult but there is.

Q: And if outside unions supported the steel unions you could still keep it going?

Sir Charles: Yes the managers and staff can keep it going but it does become very difficult after a time and it puts a tremendous strain upon them and I think it is quite unfair that they should be put in this position.

Q: Is this the most serious point the strike has reached so far?

Sir Charles: No. No, no. Certainly not. No we can cope with this.

Q: Sir Keith Joseph said that he hopes talks will take place. Why aren't talks taking place right now?

Sir Charles: Well we would very much like talks to take place but there are those who say that there must be more money on the table before talks can begin.

Q: But talks will have to start sooner or later, won't they?

Sir Charles: Oh yes. Of course.

Q: But you say you can't offer more money. The unions say they must have more money on the table so something has got to give.

/Sir Charles:

Sir Charles: Yes something has to give.

Q: If something has to give though mightn't it be the Government who has to give way, in some way by relaxing limits so that you can in fact offer more?

Sir Charles: Well that is a question you would put to the Government. But my information is that they have no intention of giving on this at all.

Q: Sir Charles, could we now turn to the television programme last night "World in Action". It was suggested then that last summer you were preparing a pay rise for the workers of more than 10 per cent but Government action prevented you offering this and therefore you knew then that a strike would take place.

Sir Charles: Well. That wasn't what was said on the programme. And it isn't true so I don't know why you say these things. The truth of the matter is that in the summer we were making our provisions for the coming year and we felt that a proper provision would be 10½ per cent.. Following that, unfortunately, a number of things went extremely wrong. The inflation in this country went up to a rate of 17/18 per cent; the market for steel dropped by about one-third. In the present six months we expect the demand for steel in this country to fall by over £1 million. The pound sterling moved steadily up from its then level - which was about $2.06 - up to $2.27 now which made importing very attractive and exporting practically impossible. And all the way round our customers were asking for less steel. Cars coming right down to the level of production of - when do you think? - 1957. It is terrible. Ships - I mean they are down now to the level of 30 years ago. So there isn't the demand for steel. And so we had to say that our pay instead of being what we hoped it would be around 10½ per cent we had to say that it will have to be for productivity. And that was nothing to do with the Government it was just our own commercial feeling that we cannot sell steel as it has become so expensive.

/Q: But

Q: But originally you were preparing to offer a pay deal far in excess of that which you eventually offered.

Sir Charles: Oh my goodness, if you look back over the years of course we were able to offer better pay deals.

Q: You were last summer, in fact.

Sir Charles: And before that. But we live in today we don't live in last summer. Last summer has gone. We live in today - in February. And it is March rough, tough, stuff.

Q: Can I now ask you a personal question? With the way the strike has gone and the various difficulties, have you at any time thought of resigning?

Sir Charles: No. Never. I never ever thought of resigning. I have a job to do and I will go on doing it while I am there.

/There followed

There followed an interview with Mr. MacNair Wilson, supporting HMG's policy and Mr. David Crouch who recently asked

"How can the Government stand aside and watch a harsh economic plan take its effect on the loyal workers of a great industry who have not been in strike for over 50 years?"

I (Mr. Day) asked Mr Crouch first was he saying that the Government should provide more taxpayers' money to settle the steelworkers' pay claim?

Mr. Crouch: What I said was that I did not think that the Government could stand back and not intervene in a major dispute that we have now got. I said that two weeks ago and now the dispute is getting worse, the impasse is bigger, and the strike situation is not only getting worse but it could get nastier. There is a real danger ahead for us now which we need not have had in my opinion.

Q: In saying that, may I put the question again, are you not saying - or does that statement not mean - that you think the Government should be prepared to offer more money - taxpayers' money - in order to settle this strike?

Mr. ~~MacNair Wilson~~ Crouch: The money will have to be stretched out, or rather the time will have to be stretched out, on the question of redundancies and I think we need to look at the money available in BSC to see what can be done to prevent this strike developing into something very much worse. I say it because I do not think the steel workers want to stay on strike. We are on the brink of a settlement. But we could be on the brink of something very serious indeed.

Copied to Master set

CONFIDENTIAL

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE BRITISH INDEPENDENT STEEL PRODUCERS ASSOCIATION AT NO. 10 AT 1715 HOURS ON TUESDAY, 5 FEBRUARY, 1980

Present:

Prime Minister
Secretary of State for Employment
Secretary of State for Industry
Mr. Derx, Department of Employment
Mr. S. Gross, Department of Industry
Mr. D. Wolfson
Mr. C. Whitmore
Mr. B. Ingham
Mr. T. Lankester

Mr. J. Paterson (President)
Mr. A. H. Mortimer (Director-General)
Dr. D. Hardwick
Mr. Peter Lee
Mr. I. J. Blakey
Mr. S. Williams

* * * * * *

Mr. Paterson said that he and his colleagues were grateful to the Prime Minister for the opportunity to meet her to explain their difficulties. The private steel industry was faced with an increasingly horrific situation. They had been brought into a dispute between BSC, BSC's workers and the Government in which they ought not to be involved at all. The only real victims of the dispute were likely to be the private companies. They were losing about £10 million per week, and great damage was being suffered especially by those companies who had been investing heavily. They had met the Secretary of State for Employment on 16 January and had suggested to him the need for immediate legislation to outlaw secondary picketing. Mr. Prior had indicated that it would not be possible to rush this through Parliament. Now that they were faced with a full strike, they were asking the Prime Minister if the Government would enact urgent legislation to make both secondary picketing and secondary striking unlawful.

CONFIDENTIAL

/ The Tory

The Tory Manifesto had indicated that the Government were going to deal with all forms of secondary action; but so far they had done nothing, and furthermore, it appeared that the Employment Bill currently before Parliament would deal with only one aspect of secondary action - namely picketing. Even if it were not possible to rush through the Bill to help deal with the present strike, they hoped that it would at least be toughened up. There was no guarantee that, against the background of heavy redundancies at BSC, there would not be similar strike action later in the year. The private companies felt that at present they had no protection at all. He hoped the Prime Minister would be able to indicate what legislation the Government now intended to enact in the light of recent events.

Mr. Mortimer said that BISPA fully endorsed the Government's policy that BSC should achieve early viability. It was important that BSC should operate without subsidy so that the private companies could compete. But they were dismayed by the inadequacy of the current law which seemed unable to protect those who were brought out on strike against their wishes. The ISTC had torn up all their procedural agreements with the private companies and instructed the employees of these companies to strike even though there was no dispute. It was clear that they did not really want to strike since, as soon as the union had withdrawn the strike instruction after the Court of Appeal decision, there had been a 100 per cent return to work. Mr. Paterson added that the threat of losing their union cards was unfortunately decisive. Working class solidarity also had had an important effect - the private sector workers tended to live in the same communities as BSC workers. Moreover, those who failed to accept the strike call would often face intimidation.

The Prime Minister said that, while the Government had the greatest sympathy for the private companies' difficulties, there was no possibility of rushing legislation through to deal with the current strike situation. But the Government would like to ensure that it would not happen again. She

 / asked if the

asked if the Association had any particular proposals. For example, would the private sector workers have gone on strike if there had been a secret ballot?

Mr. Prior said that Lord Denning had tried to establish the principle that immunities against breaches of contract should not extend beyond the first customer or supplier of an employer in dispute. If this principle were enacted in law, would the private steel companies be protected? He understood that some companies had a first customer/supplier relationship with BSC; others not. Mr. Blakey said that all the companies had some contractual relationship with BSC. The Prime Minister said that, in that case, it did not appear that drawing the immunities line at first customer/supplier would help. Mr. Paterson agreed; immunities in his view should not extend to secondary action at all. Furthermore, the unions should suffer financial penalties if they breached agreements, or if their members broke the law. The Prime Minister commented that the unions ought perhaps to be financially liable for breaking agreements in situations where there was a closed shop.

Mr. Williams suggested that secondary action should only be lawful if there was first a secret ballot. Alternatively, it might be made unlawful for a union member to lose his union card if he refused to take part in secondary action. Mr. Prior said that he doubted whether it would help to make secret ballots compulsory. But there could be a provision in a statutory code which would say that expulsion from a union was unreasonable if there had not been a ballot. However, he would consider this and any other ideas which the Association might have.

Mr. Mortimer said that he had understood from Mr. Prior that the Government thought it would be a mistake for legislation to come into effect while the current dispute was on. He disagreed with this point of view.

The sooner the law was rectified, the better.

/Mr. Prior

Mr. Prior said that it had been the Government's policy all along to "take the steam" out of their proposals by consultation and the step-by-step approach. So far this appeared to have been successful since the unions seemed unable to decide whether the Government's proposals were modest or radical. It would be far better for the legislation to come into effect in the summer when, on past form, there were likely to be a few months of industrial calm. If the legislation had gone through now, it would immediately have been threatened by Scargill and others. The Prime Minister added that there was no question of the Government holding up the legislation; but it had to be right, and they were looking for BISPA's and others' advice on what new clauses should be added to the Bill. It was essential that the Government had the employers' support since they would have to enforce it. She hoped that BISPA were in touch with the CBI.

Mr. Paterson said that management morale in the industry was being destroyed by the inadequacy of the current law. If the present strike continued, the larger companies would survive, but there would be less investment and fewer jobs in the future. Too few union members understood this. Only when companies actually collapsed did people begin to face up to reality. He repeated that the Government must outlaw all forms of secondary action, and make the unions liable for their members' actions.

The Prime Minister said that the Government were urgently considering what further changes were needed in the Employment Bill, and they would certainly take into account the views expressed by BISPA.

TL

5 February 1980

JD

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

T Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

5 February 1980

Dear Tim

MEETING WITH BISPA

As agreed, I attach a brief for the Prime Minister on the issue of early legislation to deal with the concerns of the private steel producers.

I am sending a copy to Ian Ellison, and I understand DI are sending you briefing on the current state of dispute as regards the private steel producers.

Yours sincerely

Ian Fair

I A W FAIR
Private Secretary

BRIEFING FOR THE PRIME MINISTER'S MEETING WITH THE BRITISH INDEPENDENT STEEL PRODUCERS ASSOCIATION

1. The Prime Minster is meeting the British Independent Steel Producers Association (BISPA) today in response to their letter of 2 Feburary. BISPA's purpose in seeking the meeting is to register the serious consequences of spreading the steel strike to the private producers and to ask for immediate legislation to outlaw secondary action.

Points to make

2. In reply the Prime Minister might like to make the following points:

Government proposals

- the Government is seriously concerned at the damage which is being done to the private steel producers first by secondary picketing and now by spreading of the strike itself;

- there are already proposals to make secondary picketing unlawful in the Employment Bill, which is currently before Parliament. The Bill's proposals would limit lawful picketing to a person's own place of work and enable an employer faced with secondary picketing which is damaging his business to seek an injunction to restrain the pickets;

- the Government is also considering urgently amending the law on trade union immunities by including an amendment in the Employment Bill. The recent House of Lords judgement in the case of Express Newspapers v. MacShane (which seems to have been confirmed by the House of Lords in the recent steel case) shows that the immunity now allows too wide a scope for secondary action against employers and employees not involved in a dispute. Changes are essential to provide greater protection to innocent parties.

Timing of legislation

- there is, however, no possibility of rushing legislation through Parliament in time to help the private steel producers in the present dispute. Bills can only be hurried through Parliament in a few days with the agreement or at any rate (as with the Rhodesia Bill) the acquiescence of the Opposition. There is no possiblity of the Opposition agreeing to let through an immediate Bill on immunities. On the contrary they would fight it at every step.

- but, even if a Bill could be got through quickly, the Government do not think that it would be right to appear to be legislating for a particular dispute. Any legislation which was passed to deal with the circumstances of a particular dispute would become the focus of trade union hostility and opposition and this would greatly reduce its chances of working effectively over a period of years. The overriding need is to get some stability into the law on industrial relations. That means that changes in the law must command a wide measure of acceptance industrially in the longer term. They will only do that if they provide remedies employers are prepared to use and restrict industrial action in ways that the trade union movement can eventually learn to live with. If the Government were to go too far too fast they would risk provoking a sustained trade union campaign to undermine the legislation and make it unworkable, inflicting severe economic damage on the country in the process.

ANNEX

The House of Lords judgement in the case of Duport Steel and others v. Sirs and others

1. The House of Lords last Friday overturned the Court of Appeal's decision to grant an injunction to the private steel producers to stop the ISTC executive spreading the steel strike to the private sector.

Court of Appeal's judgement

2. The Court of Appeal granted the injunction on the grounds that there was a clearly triable issue to be argued at a full hearing. Lord Denning distinguished two kinds of dispute: one between BSC and the unions overy pay and one between the union and the Government over the financing of BSC. The second was not a 'trade dispute' within the meaning of the Trade Union and Labour Relations Act 1974, and therefore the strike at the private steel producers in furtherance of the dispute was not covered by the immunity for inducing breach of contract.

House of Lords decision

3. The full House of Lords judgement will not be available for several weeks. But it seems that the House of Lords rejected the arguments about two disputes. Lord Diplock in giving his decision said that the circumstances were the same as those in the MacShane case and were covered by the House of Lords judgement in that case.

Express Newspapers v. MacShane

4. In the MacShane case, the House of Lords put virtually no limitation on the words "in furtherance of a trade dispute". The majority of their Lordships said that the test of 'in furtherance' was purely subjective: an act was in furtherance of a dispute if the person taking the action genuinely believed that it would further the dispute. Lord Wilberforce thought there was an

objective element in 'in furtherance' which the courts would apply, but added that they would be reluctant to substitute their own assessment for that of a responsible and experienced trade union official.

SUPPLEMENTARY BRIEF

BSC PAY DISPUTE

BISPA's letter says that the Association supports the Government's general policy towards BSC, but individual members (eg Mr Norton of Hadfields) have suggested publicly that the Government should now act to settle the dispute. If this is raised, points to make are:-

(a) responsibility must rest with the BSC and the unions and talks are in train;

(b) ACAS continues ready to provide further assistance as necessary;

(c) the length of the strike reflects the enormity of the problems of the nationalised sector and the critical need to secure agreements which will improve its performance;

(d) the Government is determined not to intervene in the negotiations, or to facilitate a settlement at the expense of the taxpayer; this could only be to relieve the parties of their responsibilities.

JU

Not Cat

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Secretary of State for Industry

5 February 1980

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Tim,

... I attach a copy of the briefing prepared by the Department for the Prime Minister's meeting with the British Independent Steel Producers Association which is due to take place at 5.15 pm this afternoon.

I am copying this letter to Ian Fair in the Department of Employment.

Yours ever,
Pete

PETER STREDDER
Private Secretary

PRIVATE SECTOR STEELMAKING

PRODUCTION

1 Private sector steelmakers account for about 17½% of Britain's crude steel production. Its re-rolling and further processing activities bring the private sector's UK market share of semi-finished and finished steel products to some 24% - a figure maintained during recent years against strong import competition. E.g. The average figures of deliveries of finished steel products per week to UK customers are:

		%
BSC	170,000 tonnes	54
Private Sector	75,000 tonnes	24
Imports	70,000 tonnes	22
TOTAL	315,000 tonnes	

TURNOVER

2 Total annual turnover of BISPA companies is in the region of £1,500 million. (BSC's turnover for 1978/79 was approximately £3,300 million). Despite the harsh market conditions of the last five years, overall profitability has been preserved, but profits have been at very low levels and have not kept pace with inflation nor generated sufficient funds for new investment.

NUMBERS EMPLOYED

3 The total workforce in the private sector is around 60-65,000; some 15-20,000 are members of the ISTC.

PRESENT STRIKE SITUATION

4 ISTC workers, with two exceptions have stopped steelmaking and rolling at private sector companies. The exceptions are Sheerness Steel on the Isle of Sheppey and Round Oak in the Midlands. The workers at these companies will be holding meetings in the next day or two to decide whether they are going to join the strike. Private sector operations carried out by members of other unions (mainly TGWU and GMWU) are continuing. Thus some processing, finishing and deliveries to customers are still being made.

FUTURE IF STRIKE NOT SETTLED

5 Supplies of steel for further processing will be reduced by continued ISTC action. It seems probable that the majority of the private sector companies will eventually be forced to close (including all the significant producers). BISPA have repeatedly warned that if this happens there could well be some permanent casualties.

TELLEX
THE BROADCAST REPORTING SERVICE
REPORT

THE STEEL PAPERS :

RUSH

For : BRITISH STEEL CORPORATION.,	EILEEN WILKES.
Prog: WORLD IN ACTION.	Service : ITV Serial: 20066/AGS
Date: 4.2.80. Time: 2030-2100	Duration: 27minutes.

REPORTER:

This weekend Sheffield and Stocksbridge steel workers march in the first national steel strike since 1926. The strike against this year's pay offer from the nationalised British Steel Corporation is now in its sixth week. Last Friday the House of Lords overturned Appeal Judge Denning's ruling preventing the unions from spreading the strike to privately owned firms. Now the strike is hotting up and picketing is stopping the movement of steel all over the country.

UNION ORGANISER:

I'm a fulltime official. These decisions have not been taken lightly. We didn't want the strike. We did not want this dispute. We only wanted to work and maintain our standard of living.

REP:

For the union the strike is not just about money. They believe they are victims of the Government's tough new industrial policy with cutbacks on public investment and the loss of thousands of jobs.

UNION ORGANISER:

It is nothing short of a lie for senior Ministers in high office to say that they're not intervening in the steel dispute. They have intervened not just from day one but before day one. The reason that the strike ever was promulgated I believe was a direct result of Government intervention. They created the conditions in which the BSC could not succeed. They want to cripple our public steel industry and they want to hive it off. But the message of this rally today, if it's going to be any message at all, is that they are not on. Thank you. (applause)

REP:

Last week a number of documents came into the possession of World In Action. They are letters, memos and internal reports from the BSC. They were drawn up over the last five years and none of them was ever intended for publication. Tonight we examine these papers and the new light they appear to throw on the Corporation strategy and the Government's declared policy of non-intervention.

Good evening. The union's decision to strike against the BSC pay offer was taken against the background of deep crisis within the steel industry. BSC have made it clear that any wage settlement will depend on the total acceptance of the ending of 52,000 jobs in the steel industry by the end of this year. That is one-third of the entire BSC workforce. The Secretary of State for Industry

Sir Keith Joseph has repeatedly stated his views on the underlying problems in the steel industry.

SIR KEITH JOSEPH:

The steel industry can become, the British...the nationalised steel industry can become competitive, can hold its market if only the steel workers will raise their productivity. After all, it takes two British steel workers now, despite the most modern plant, to produce one ton of steel compared with our rivals in Western Europe, let alone...let alone compared with Japan. It's up to the steel workers to improve their productivity so that they can earn more and so their industry can be competitive and flourish.

REP:

In the House of Commons on January 14th, after the strike had lasted two weeks, he insisted:

SIR K.J:

During these last four years the gap between our productivity and that of our European competitors has not narrowed, it has grown wider.

REP:

Moreover:

SIR K.J:

The kindest thing for the steel workers is to persuade them that it is in their own interest to increase their productivity and become competitive.

REP:

The Chairman of the British Steel Corporation Sir Charles Villiers has also laid emphasis on the efficiency of the workforce as the key problem. At the beginning of the strike he said:

SIR CHARLES VILLIERS:

Although these gentlemen showed very great sincerity and thought they were not able to overcome the money problem which is what BSC has. We do not have the money to pay new increases. We have to get it from self-financing from the greater efficiency.

REP:

For the workforce now on the picket line outside a steel stockholder dealing in imported steel, the story is different. They say the reason for BSC's failure is bad planning.

PICKET:

They've built machinery that...that's never been used. They put in - I'm going back a few years now but they put in a desulphurisation plant in the melting shop. It never operated and

they tore it down within five years. It was never operational. They've got equipment on there that's never ever produced what it was designed to do and they can't make a profit on it; unless you utilise it to the full capacity you can't make a profit. Yet they are going ahead and building these plants.

INTERVIEWER:

Do you think that the machinery could be fully used?

PICKET:

It could if places like this didn't exist. How can we produce steel for Britain when you've got Immingham out there with one million tons of foreign steel coming in. It was on the news the other day, they were shipping in stainless steel rolls from Germany, what's up with Sheffield, they can produce it quite easily.

REP:

Steel men from Scunthorpe have picketed the docks at Immingham. There they say they've found a million tons of steel and iron imported from all over the world including Eastern Europe. BSC, they say, has failed to protect its own share of the home market.

TED HARDACRE: (Scunthorpe Strike Committee)

'I think perhaps one of the most galling things is, and if we remember the attitude of Central Government at this moment in time to certain Communist bloc countries, we are stood in a shed that contains coil plate steel over there from East Germany, exactly the type of steel that is made for the car industry, for the manufacture of washing machines and all kinds of other products, and it is steel that can be made very, very easily in this country. And yet here we're seeing the very base roots of our industrial society being whittled away from under our very feet and we are being told that the reason why the British Steel Corporation is unprofitable is because of these lazy, unco-operative workers. The reason why British Steel Corporation's unprofitable is there, that's the reason. Make no mistake about it. That's where it is.

(Points to import packs)

The fundamental reasons for this dispute, I believe, lay with the very bad track record of BSC management and Government control stretching back over a number of years. We are dealing, when we talk about BSC corporate management, with a bunch of incompetents. It's as simple as that. They simply are not competent to run the industry and they should go.

REP:

While the unions believe that imports and bad management threaten the industry, management publicly blame poor productivity from the workforce, and yet the BSC documents received by World In Action show that productivity is only one of their problems. In world trade it is the high value of sterling that makes British steel expensive. In fact, our labour costs in this country are lower than those of our European competitors and this low wage bill offsets the productivity disadvantage. One document, from an internal review of BSC performance, makes this clear.

"BSC in 1978 was broadly competitive in terms of total cost for an average product with the other major steel producing countries of Europe. But this situation has deteriorated substantially and will continue to do so if the pound continues at its current level. Comparability with Europe in 1978 however concealed that BSC has markedly lower labour productivity offset largely by labour's lower cost in the UK."

The steel papers that World In Action has examined barely mention the problems of productivity; many of the papers, in fact, refer to the setting of new output records often with outdated machinery. This is a report to the Chief Executive:

"High output levels were sustained in most processes throughout the month, culminating in all time weekly records. At Cleveland basic iron making beating a six year record, at basic oxygen steel shop again beating a six year record."

Another report, this time from Teesside:

"End August and September has seen an acceleration of output to near record levels. This continual clay lane performance is most pleasing when seen against the background of high levels of inexperienced labour and very aged furnaces."

Another report now, this one from the Welsh Division:

"The plant outputs of iron steel slab and hot rolled coil were the best recorded for the plant."

Despite these successes the Corporation is planning redundancies on a vast scale, and yet the steel papers refer to specific labour shortages as a serious problem. Last September they listed:

"Shortage of craft labour for peak maintenance requirements. Shortage of instrument technicians. Lack of available experienced labour to avoid mishaps. An extreme labour shortage has been a major factor in restricting throughput in certain finishing mill units."

The steel papers detail example after example of failure to meet targets because of mechanical breakdown and design faults. BSC must count the cost of these mistakes. In the key field of exports British Steel's serious administrative problems last Autumn were damaging the order books:

"The commercial and shipping functions believe that the lateness and inaccuracy of export documentation has reached such serious proportions that action must be taken quickly to rectify the position. Both functions believe that the situation is generally worse than is realised within manufacturing divisions and that it must be now costing the Corporation very considerable sums of money, almost certainly millions of pounds. These costs arise from, a) customers dissatisfaction leading to lower export prices to take account of our poor service. This has been estimated by some overseas officers at as high a figure as £5. per ton on export sales. b) The cost of ships being delayed awaiting the arrival of documents. A recent single example costing in excess of $ 100, 000."

Managerial problems have plagued BSC for years. In 1974 the new Chief Executive Bob Scholey convened a series of senior management seminars at Heathrow. The steel papers include the dossier on this top level conference, where Finance Managing Director Leonard Kingshott reviewed their recent performance:

"In every year since 1969 our annual operating planned forecast of liquid steel production had proved to be over-optimistic, whether the economy had been on an upturn or a downturn. All divisions have shown a steady movement away from reality over the years and there was no excuse for invoking strikes and disruptions."

Bob Scholey was not hopeful:

"Many of the Corporations problems were caused by weaknesses in forecasting which Mr.Scholey attributed to misplaced optimism, adding that phrase took a lot of working out but it's the politest one I could print."

The huge planning failures of the Corporation led to this declaration by the Finance Director:

"Mr.Kingshott pointed to a graph showing errors of estimation up to £200 million, with the comment you couldn't sell this record to a group of bankers in the City. I think it's a pity in a way that the Corporation can't go bust and that we can't all lose our jobs."

In reality 52,000 jobs will go, that's one-third of BSC's workforce. That's the target of one of the papers now in World In Action's hands. It's called - quote - "A Business Proposal." Apart from redundancies it gives a hint of the scale of waste involved in the forced abandonment of BSC's 10 year modernisation plan that was launched back in 1973. Under the column "Abortive Expenditure" the total of 353 million is due to be written off, money down the drain. This sum includes the bill for a wide range of very costly projects which are now useless. In the Government's view enough is enough. The money has run out. The Department of Industry has told the British Steel Corporation just how much public money they can have this year. The effect will be to make 52,000 workers redundant. Sir Keith Joseph sees these cash limits not as interference but as overall guidelines within which the Corporation is free to run its own affairs. He now expects BSC to move into profit in the financial year '80/'81. The steel papers show how Sir Keith asked the BSC board for a plan that would meet his cash limits. They then drew up a new document called "The Radical Review." The BSC board papers proposed still more closures, reduction in output but a continued export drive. At the first BSC board discussion of"The Radical Review" one member insisted that even that didn't go far enough:

"Even under "The Radical Review" BSC would still be overmanned and the aim should be to match the three most efficient steel

companies in the world. Finally he said that discontinuance of some operations raised strategic issues, such as whether to continue to make steel for the motor car industry or heavy forgings and castings at the River Don works, and only the Government could take these decisions."

Sir Keith Joseph felt that "The Radical Review" didn't go far enough. He asked the BSC to prepare a tougher contingency plan for running down the industry. This new plan was called "A Business Proposal for 1980/'81" and the steel papers make clear Sir Keith's continuing involvement in BSC's forward planning, as it was heading for the biggest demanning exercise ever seen in British industry.

"At the meeting with the Secretary of State on the 26th September we were requested to see him again to set out that which we considered to be the core of our business."

A top BSC executive made the Government's influence plain in an internal memo to his divisional directors:

"On October 5th I wrote to you describing how we intended to undertake an exercise to define the core business which can live within the borrowing limits determined by Government for 1980/'81."

One of the first victims of the cash squeeze was BSC's money for the coming wage round. The steel papers show that BSC originally planned for pay increases of 10½% and 13% in 1980 and 1981. This planning document of November last year mentioned an even bigger increase of around 14%. Such figures were quite beyond the restraints imposed by the cash limits, and in a memo of July 1979 Bob Scholey spelt out the implications of a lower offer and predicted that strike action might result.

"It means a difficult approach to the annual pay round of expectations related to the increased cost of living and claims of 15 to 20%. It involves the possibility of disruption with its attendant risk of loss of market share."

And Scholey repeated that point in September:

"Given the scale of the cash crisis facing the Corporation a radical change in the annual round is considered necessary. The Corporation's negotiators will therefore seek to persuade the unions at the outset of discussions that the pressure of cash limits makes it wholly unrealistic to consider an unfunded general increase along traditional lines."

The BSC Industrial Relations Department had already warned that the offer finally put to steel workers would lead to trouble.

"It would be extremely difficult to negotiate and might even be regarded as provocative."

A personnel director wrote of the new offer, which was referred to in BSC circles as the zero increase:

"This carries quite serious risks of industrial action, especially if trade union leaders perceive it as reflecting Government's influences upon the Corporation."

And that is exactly how union leaders did perceive it: back-door Government intervention. They rejected the zero increase out of hand and the later offer which was conditional on acceptance of a huge demanning exercise was also rejected. This was"A Business Proposal"and 52,000 jobs would go. Secretly the details of "A Business Proposal" were finalised after pay talks broke down on the 3rd December. The steel papers show that before the strike began BSC Chairman Sir Charles Villiers found that Sir Keith Joseph was willing to relax the cash limits. Money intended for new investment could now be diverted to redundancy payments. Cash denied to BSC for the purpose of keeping jobs was to be handed over to end them. The day after the strike began Sir Charles Villiers had some entirely unexpected news for the BSC board. He told them:

"They're proposing the following timetable of events. One, lay before the House of Commons in February 1980 an order to increase the borrowing limit. Two, assuming that by the middle of 1980/'81 there is clear evidence of a return to profitability then prepare a bill for a capital reconstruction to be introduced

at the earliest possible moment in the new Parliamentary session commencing in November 1980. The time required for going through all stages in both Houses is about three to four months. Such a timetable would permit the Corporation to reflect the capital reconstruction in the published annual accounts for the year 1980/'81."

On the face of it this looks like a major U-turn. The steel papers appear to show that the doctrine of no more cash has been overturned in secret by Sir Keith Joseph himself. And BSC is to be rewarded for its massive cutbacks in manning demanded by the Government by having its debts reduced. This won't necessarily make British Steel profitable though. Another of the steel papers shows how at least one BSC executive sees the future:

"I have prepared the attached note setting down my views on the effect of a strike on our closure plans. There will come a time, as the strike continues, when our prospects in the home market become so damaged that the 15 million ton plan is no longer reality. I gauge this as beginning to occur after four to eight weeks of strike. At this point actual and/or booked imports of steel become so great that the nine to 10 million ton home sales in the 15 million ton plan are irrecoverable."

The strike is now in its sixth week. Here to discuss the implications of the steel papers Sir Charles Villiers, Chairman of BSC.

Sir Charles, first of all do you feel that your decisions on both pay offers and redundancies were taken over the last six months as a direct result of Government policy?

SIR CHARLES VILLIERS:

These decisions which were very important ones were considered by my board several times over and they were taken first because we cannot add to the cost of the steel, which is already very expensive in this country, and we cannot add to it by putting up the wages. Secondly, there is the question that the cash would not cover it and the cash was fixed by Government. But the third reason was to get back to profitability and eliminate those dreadful losses, over a million pounds a day, as fast as possible.

REP:

But, your original plans to get back to profitability, according to some of your secret documents, were to take a certain amount of time. Is it not true that it was Government pressure which forced you to, say, make the redundancies by the end of this year?

SIR C.V:

Our plan was to get to profitability by March 1980, and that's only six weeks off, and we shan't do it for various reasons, but we have to get there as soon as possible and that is not a Government intervention. That was our decision.

REP:

Surely it is a Government intervention since they determined the cash limits and said there was no more cash? At some point in May of last year you were still expecting a little more cash, weren't you?

SIR C.V:

I would have liked to have had a bit more cash but I didn't get it and that's what happens when you go to your bankers, you don't always get it.

REP:

Well, your bankers in this case are the Government and therefore the Government are essentially controlling your policy-making.

SIR C.V:

Everybody has some sort of cash limit. There is no such thing as a bottomless purse and our cash limit for this year, which is just going to begin, is 450 millions interest free. Last year it was 700 millions interest free. This gives us an advantage over most steel companies in Europe.

REP:

Several documents have your officials and executives referring to the fact that they have to consult the Government on this and on that. Does that not make it sound a little strange when Sir Keith Joseph says he is not intervening in the steel dispute?

SIR C.V:

I don't know what documents you're referring to and we shall see perhaps before very long. But I can tell you that as far as I'm concerned I see Sir Joseph...see Sir Keith about every two months and he lays down policies such as how much money we can have and then we get on with it, and that is the only intervention that

I've had.

REP:

But, he also told you last summer that you couldn't have any restructuring of the debt. Did he leave any alternative last summer available to you but redundancies?

SIR C.V:

On the debt both the Labour and the Conservative Government have said we will not restructure your debt, your capital and relieve you of debt until you have got to profitability and we have not got there yet and when we have it will be great.

REP.

Sir Charles, can you tell me if there were any other alternatives left to you but 52,000 redundancies and a low wage offer after Sir Keith Joseph's decisions on cash limits?

SIR C.V:

We have to get to profitability. We fixed that target in May 1978, during the days of the Labour Government, and we have hung onto it as tightly as we could. We've missed it by a margin but we've got to get there, and we do it, I must tell you this, in conditions which are frightfully unfavourable to us. Cars, for example, our customers, do you realise that we are importing 60% of our cars? And ships...

REP:

(Interrupting)...I..I..I..I understand your problems, I understand your problems...

SIR C.V:

....and these are the real things ...

REP:

....but outside of the import market in the home market your share has dropped from something like 80 to 50% in many areas, and the share of private industry's has gone up. Doesn't that imply, together with all the other things we have heard, that you have management problems which are not touched in your plans.

SIR C.V:

Well, chum, you've got your sums wrong. I have to correct you. We have held 54% of the home market for the last four years and the share of the home market has not altered and we have done a tremendous sales effort to hold onto that. Now whether we'll be able to in the face of this strike is another matter. But what really actually kills us is the car market going for a burton, and we are going to produce this year just one million cars, in 1972

it was two million cars, what about the steel we were already for? Ships, do you know that the keels laid down this year will be the lowest for 30 years? Do you know that we're importing more manufactured things that we now export?

REP:

(Interrupting)...Why...why, Sir Charles...

SIR C.V:

...never happened before in history.

REP:

Why, Sir Charles, aren't these problems mentioned more often? Almost constantly you talk of worker productivity problems, that is a constant thing, why do you not mention the other problems and management problems? Do you accept you've had management problems?

SIR C.V:

Of course, everybody has management problems. If you're faced with a situation of this sort, a declining market, very strong pound, very high inflation, of course we have management problems, absolutely bound to do so. But on productivity, why does it, I ask you, take nearly twice as long to make a ton of steel per man in Britain, in the BSC, than it does in Europe?

REP:

One could argue that it is because in Germany, for example, they have twice as much machinery per man behind them, and in Japan they have four times as much machinery per man which implies bad investment policy throughout the '70s by BSC management.

SIR C.V:

But you can also argue, which would be perfectly right, that we have had £3 billion spent recently, 2 billion of it interest free, I may say, in the last two years and the coming year, and that's more than other people have had in Europe, and we have some of the finest kit in Europe but we don't operate it properly. And, let me tell you this, four years ago we agreed with our unions on the 23rd January a deal that was going to give productivity all the way through, and it was signed, I've got a copy of it here, signed by Mr.Sirs and Mr.Scholey, all signed, sealed, but we've never been delivered, we've never had it.

REP:

When you began....

SIR C.V:

And that's what we're trying to get now.

REP:

When you began to talk to them about 52,000 redundancies didn't you expect those kind of deals to go out the window?

SIR C.V:

No...

REP:

Well, we have seen forecasts from inside your Corporation where your top executives say these offers and these suggestions will create disruption and trouble.

SIR C.V:

They didn't. They said it could do...it could, they didn't say they will. You read it wrong.

REP:

Didn't you...well, all right, could do, did you not take notice of that?

SIR C.V:

Of course we did, of course we did, but our whole plan is to strengthen the steel industry not to destroy it.

REP:

Do you not think final...we're getting near the end, do you not feel that those...the..as it were, the problems of the steel industry are being increased by the strike which was made inevitable by these measures, inevitability was forecast, the strike has come and, according to one of your people, we are now within a week almost of the end of the steel industry?

SIR C.V:

I certainly think that's absolute nonsense. It can only be described as rubbish. We are not anywhere near there at all and, what is more, we are not in the business of distributing money by pay that we do not have, or giving awards that we cannot honour, that no businessman will do and you won't find us doing it.

REP:

A final question then: do you feel, getting back to that intervention question, that the Government and Sir Keith Joseph have determined your policies? Do you feel at any point in the last year you had any other way out but to follow that?

SIR C.V:

The only direction that we have had is that our cash limit is 700 million for the current year and 450 million for next year, and within that we have to live.

REP:

Sir Charles Villiers, thank you. We'll have to leave it there, obviously a debate which will I'm sure continue, for you particularly. We say that's all from World In Action tonight. We'll be back next Monday night at 8.30. Goodnight.

** **

The reporter was Tony Wilson.

MR. HOSKYNS

cc. Mr. Whitmore + MW.
Mr. Wolfson
Mr. Gaffin

Steel Strike

You said you would value my comments on your paper of January 24.

2. The position is now somewhat different from that against which your paper was written. We have had the muddy legal waters stirred up by Denning and the Lords' appeal; the ISTC and NUB are in negotiation with the BSC and are under pressure to settle by the other unions and the TUC; and we have had the private sector brought out on strike again. Meanwhile, the CBI is doing a reasonably good job in containing calls for Government intervention, though it is presumably aided by the fact that the strike is not yet really biting.

3. There are other new elements:

- the projected working document on the proposed new immunities material for the Employment Bill;

- the worries generated by the Lords' Denning appeal decision over the adequacy of the Employment Bill;

- the signs of growing TUC dissatisfaction with the Government as evidenced by last week's meeting with Ministers and the TUC's subsequent questions in writing to the Government; and

- the Prime Minister's decision to do a PPB in mid-March.

4. The prime need now is to get the steel settled on acceptable terms before steel shortages begin to erode support for the Government and before other potential conflicts begin to coagulate around it.

5. Two points are now crucial to the conduct of our presentational affairs:

/ - the

- the amount of time left before the Government comes under pressure to settle the steel strike; and

- the extent to which the trade unions choose to exploit the steel dispute (with the brakes now off as a result of the Lords' judgment) to try to delay or shelve the slimming of industries (and notably steel) and to campaign against the toughening up of the Employment Bill.

6. In short, life has become much more complicated. We are sitting on a powder keg and the prime need is to extinguish the fuse - the steel strike - in terms which demonstrate that the Government's policy is intact. In these circumstances, I am far from convinced, at this stage, of the need for a major new initiative and I am definitely not in favour, at this stage, of involving the Prime Minister beyond the messages she wishes to impart through Prime Minister's Questions.

7. As I see it, we now need to turn our minds to:

(i) our presentational approach if the steel strike is not soon settled;

(ii) our approach immediately the steel strike is settled. This will depend on the terms, but I think there would then be a case for the Prime Minister accepting an invitation or two from the media - notably an interview by Robin Day and perhaps Jimmy Young (aimed at the women's audience) and a major interview with the Sunday Telegraph.

8. The latter would give the Prime Minister an opportunity to hammer home the lessons of the steel dispute; to advocate (and defend) her overall economic policies; and to rally support for

/her

her approach to the reform of industrial relations.

9. It is my hope that she will go over on to the offensive immediately the steel strike is out of the way and before another dispute gets underway. It is, of course, a help that the water and sewage workers have settled.

10. I shall be commenting separately on your comprehensive draft material for a Prime Ministerial broadcast.

S. Walmsley

pp B. INGHAM

4 February, 1980

BISPA

The British Independent Steel Producers Association

5 Cromwell Road · London SW7 2HX

Telephone: 01-581 0231

Telegrams: Bispalon London SW7
Telex: 262134

R42.

2nd February, 1980.

The Prime Minister,
10 Downing Street,
London, SW1.

Dear Prime Minister.

Mr Scott: no reply needed

TL 6/2

Private Sector Steel Strike

You will know that strike action in the private sector of the steel industry has once again been ordered by the Iron and Steel Trades Confederation - on this occasion within three hours of the House of Lords judgement. This is despite that fact that there is no dispute between the union and these Companies.

Last Saturday (26th January) injunctions were obtained in the Court of Appeal against the first strike and other disruptive actions ordered by the union against private steel Companies. Generally work people indicated their willingness to come to work normally last Sunday, but union officials would not allow this on the grounds that the Orders of the Court had to be confirmed by the union's Executive Council.

Last Tuesday's Executive Council fell in with the Court Order and sent instructions to their branches by post. In most private sector works the news transmitted by the media was considered sufficient for a willing return to work, but in other areas union officials prevailed on their members to await the post!

We could at any time last week have pursued those named in the injunction for contempt of Court but considered that this was unlikely to aid the practical outcome we sought, namely an early return to work.

After the House of Lords decision yesterday, made for precise reasons we shall not know for some weeks, our employees are now torn between union instructions to strike and their knowledge that some of their Companies and so their own jobs are in real jeopardy if they strike again. They know the effects of the last fortnight of intermittent strikes and other industrial action. They also know first hand the poor overall steel market situation. They may well doubt, as we do, the concern for their plight of a union Executive Council which comprises seventeen British Steel Corporation employees and only four private sector representatives.

We have explored legal remedies to the limit and found them wanting. We are bound to wonder why the House of Lords Judicial Committee deemed it necessary so quickly to assemble on an exceptional day to consider the minutiae of the law in this case. A pause for reflection after the Court of Appeal's decision would have assisted all those concerned with real industrial problems. We shall not for some time know whether there is any element in the Law Lords' judgements which offers hope for our employers and employees.

Contd.

The Prime Minister. 2nd February, 1980.

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minutes attached

You will know that we met the Secretary of State for Employment on 16th January. At that time secondary picketing was the principal problem affecting private steel Companies. We suggested to him at least the urgent enactment of Clause 14 of the Employment Bill even though this would only make secondary picketing actionable at the victims hazard in the courts. We also indicated that urgent implementation of the Government's intention to deal with all secondary action was imperative. Mr. Prior rejected our suggestion because of the Government's more gradualist approach to industrial relations legislation. We expressed our dissatisfaction, but you yourself subsequently confirmed this policy in the House.

Last May your Government undertook to reform the law relating to all secondary industrial action. We have unsuccessfully sought protection in the Courts in our own case, but the Government has done nothing but announce (on the eve of the Lords' hearing) a broad intention to act soon.

We support the general policy that your Government is adopting towards the British Steel Corporation. We feel let down that you have not yet acted - as is in your power - to support by legislation private self-sufficient Companies who are vulnerable under present law to the side effects of this policy.

We urge you to take immediate steps to enact firm legislation to outlaw any form of secondary industrial action. We would welcome an urgent meeting with you to tell you further of the immediate difficulties we face and to discuss the whole question with you.

In view of the urgent public concern endorsed by their Lordships I am releasing this letter to the press.

Yours Sincerely.

A. Mortimer.

Home (445-5355)

(The Stafford Hotel).

2

Mr Sells

T.

10 DOWNING STREET

Prime Minister

You asked about England/Scotland.

There are no obvious plans for Scotland. For England, Sir Keith is planning to spend just £1 3/4 million on remedial measures – £1 million at Consett, £3/4 million at Scunthorpe. He doesn't think more can be usefully spent because – in contrast to S. Wales – the prospects for attracting new industries are simply too bleak.

I don't think the huge differences will stand up politically: more will have to be done in England.

T.L. 4/2

CONFIDENTIAL

a Ind Pol - Mtg TUC
Pt 2

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From The Secretary of State for Wales

Prime Minister
Duty Clerk HR

1 February 1980

Dear Brendan

SOUTH WALES: STEEL REMEDIALS

My Secretary of State agreed yesterday with the Chancellor and with the Secretaries of State for Industry and Employment that in next Monday's Welsh Day Debate he should announce the package of remedial measures to deal with the job losses at BSC's Port Talbot and Llanwern works, following discussion with the Treasury about the necessary financial provision. I now attach a copy of the relevant section in Mr Edwards' speech. I would be grateful to know whether the Chancellor and Mr Edwards' other colleagues to whose private secretaries this is copied, are content.

Copies go to Ian Ellison (Industry), Ian Fair (Employment) and Alistair Pirie (Chief Secretary's Office) and, for information to Mike Pattison (No 10).

Yours ever

Guy Craig

G C G CRAIG
Private Secretary

M A Hall Esq
Private Secretary
HM Treasury
Parliament Street
LONDON
SW1

CONFIDENTIAL

The Government have made it very clear that it accepts the responsibility for cushioning the impact of change and that it will seek to do everything possible to encourage and assist the growth of new industries to the area. BSC's plans are still the subject of negotiation with the unions (which has been delayed by the present industrial dispute) and as I have clearly indicated it is not yet possible to assess the full consequences for coal and other industries. It will therefore be necessary to keep the position under review and anything I say to-day is bound to be provisional.

I am, however, most anxious that an early start should be made in providing the infrastructure needed to attract new industries to the area in Wales affected by BSC's plans. I would add that my Rt Hon Friend, the Secretary of State for Industry is urgently considering what may be necessary in the areas affected in England.

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The prime need is for the acquisition, preparation and development of Industrial sites together with a substantial programme of advanced factories within the areas most affected, and taking advantage of the excellent communications provided by the M4 and the trunk road and high speed rail networks. I emphasise again that judgements at this stage can only be provisional and there will be need for a continuing programme over a number of years which can be worked out as the situation becomes clearer. What is needed now is to launch the first stage of a programme, so that we can get things under way and give people the assurance that action will be taken.

I can now tell the House that the Government are planning to make available some £48m over the next two years for remedial measures of this kind. The major part of these additional resources will go to the Welsh Development Agency, who are preparing detailed plans for this purpose. I have also asked the Cwmbran Development Corporation to discuss with local authorities whether they could develop industrial land in or around the new town, as a contribution to providing alternative jobs in the Llanwern area, I am also in touch with BSC Industry to see what further contributions they can make.

£48 - for Wales?
? for Lib/Land/Scotland ?

CONFIDENTIAL

CONFIDENTIAL

I have discussed the situation with the WDA. My announcement today will enable them to get on without delay with a substantial programme of acquisition and development of industrial sites which will be available for both public sector and private sector development. To give one example, I hope that plans will be brought forward by the West Glamorgan County Council and the Agency for developing the site of Duport Steel works at Briton Ferry. I would again emphasise as I have before that we are determined to obtain an increasing private sector participation in the development of industrial sites, but this will take time and the programme I am announcing is an essential first stage.

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CONFIDENTIAL

Apart from this new programme the WDA will be spending in the coming financial year about £12 million from their normal programme in the areas affected by the closures including £8.5 million in Ebbw Vale and Cardiff, while I have already announced a programme totalling £13 million for the first year (including BSC Industry's contribution) at Shotton.

I would add that despite the overriding necessity about which I have spoken earlier to obtain public expenditure reductions I have defended the key motorway and trunk road programme including the M4 and A55 which will proceed on the basis already announced.

All this is clear evidence of the Government's determination to tackle on a realistic scale the task of providing the infrastructure that will enable modern industries to develop in Wales.

CONFIDENTIAL

I know that there will be anxiety about Assisted Area Status. The Government has already made it clear that these will be reviewed and if necessary changed to take account of the new situation.

But we do not yet know just what the relative impact of closures will be on the travel to work areas most likely to be affected. My rt hon friend the Secretary of State for Industry is reviewing the situation and will be making an announcement as soon as final decisions have been taken by BSC, after consultation with the Unions.

JU

cc A Duguid

2

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

PS/ *Secretary of State for Industry*

1 February 1980

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister
The stocks position, and steel movement, are quite encouraging. TL 1/2

Dear Tim,

... I attach a copy of the 9th Report of the interdepartmental Contingency Group on the Steel Strike.

I am copying this letter to the Private Secretaries to the Members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General and the Minister of Transport.

Yours ever,
Pete

PETER STREDDER
Private Secretary

STEEL STRIKE : 9th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 1 February.

BSC

2 The exploratory meetings in the last two days between the General Secretaries of the ISTC and NUB and the Corporation offer some hope that the ISTC - if not yet the NUB - may be in more of a negotiating frame of mind. No firm date has been agreed for a resumption of full negotiations but contacts are continuing. Meantime the further negotiations which NCCC, TGWU and GMWU are prepared to have with BSC are being held in abeyance. Thursday's meeting between Ministers and the TUC Nationalised Industries Committee seems to have passed off without significantly affecting ISTC's and NUB's attitude, or attitudes in Wales more generally.

Private Sector

3 The ISTC Executive are this afternoon considering the House of Lords' quashing of the private sector employers' injunction. The ISTC General Secretary had been reported as saying earlier that if this happened he would be reluctant for strike action to be resumed in the private sector. Attitudes may be conditioned by the progress that has been made in the Midlands private sector wage negotiations.

They have been called out again - from Sunday

TL

4 The Midlands Wages Board which covers wage negotiations affecting about 20 private sector re-rolling plants (but no steelmakers) in the West Midlands met on Wednesday, 30 January. ISTC rejected an increased offer from the employers (of about 13% without conditions over productivity), but agreed that their members should resume working, and the negotiations were adjourned until next week. The ISTC may well attempt to use the higher offer in the private sector as a further argument in their pressure on the BSC, to increase their own offer. BSC will no doubt argue that the two situations are quite different since the private sector - unlike BSC - is mainly profitable.

5 The situation at the private sector plants has varied widely during this week following the earlier ISTC instruction to its members to resume normal working and cease picketing. Many responded in full on Wednesday or Thursday, especially in Sheffield, at Brymbo (Wrexham), Manchester Steel and at both the major steel plants in West Wales. Some operations and deliveries recommenced at Templeborough Rolling Mills (50% BSC-owned) in Sheffield after having been closed since 11 January. It remains uncertain as to how workers in the private sector might respond to any further recommendations (whether to stay at work or to stop again) from the ISTC Executive following the House of Lords ruling.

Steel Supplies

Private Sector

6 It is difficult to judge the overall effect on steel supplies of the varying levels of private sector steel activity during the current week. A limited amount of steel will have been made and hot rolled, but deliveries of steel that had already been made and hot rolled before the strike began have continued from a substantial proportion of the plants.

Stockholders and Imports

7 Despite continued picketing, particularly in South Wales, good deliveries of steel are being maintained from a large proportion of stockholders in the industry. Stocks of material at stockholders with some exceptions are still being replenished by private sector supplies and some imports.

Movement of Steel

8 Reports from the transport sector confirm that there has been no change in the level of steel movement. In the ports and docks container cargoes appear to be receiving closer scrutiny as the unions have become increasingly aware of the amount of imported steel entering in this way. Nonetheless steel is still moving from the docks which may suggest less-than-wholehearted support from dockers when loss of earnings is at stake.

Effects on Steel Users

9 The latest survey by the Business Statistics Office shows that manufacturing production in week ending 26 January was 96% of normal (99% if the BSC production loss is deducted). It is likely that a similar level will be maintained this week. The only metal-using sector significantly affected is "miscellaneous metal goods" which largely reflects the reduction in tinplate can production levels.

10 There is little or no evidence of imminent problems developing in particular user sectors, except for a deteriorating position in tinplate can production at Metal Box. Resumed picketing at the company's can end factory at Neath has further restricted supplies to other plants in the group. The company expects to lay off workers at Neath, East Midlands, and Northern Ireland during week ending 9 February. Overall tinplate can production within Metal Box is expected to reduce to 50% of normal or somewhat lower during the coming week. There remains no immediate cause for concern over the supply positon for tinned food.

11 The latest assessment of stocks and potential endurance of user sectors show that companies generally have stocks in hand for 3-4 weeks' normal production from now, and in some cases more. There are, however, a number of instances where stocks will last 2-3 weeks eg some shipyards. In addition earlier indications of potential difficulties in some parts of the motor industry from mid-February onwards still apply. Continuing deliveries by the private sector, stockholders and limited direct imports may be expected to enhance overall endurance, but in a non-uniform manner. Such user sectors as heavy process plant, shipyards and parts of the motor industry are heavily dependent on BSC and their endurance is accordingly more vulnerable.

Attitudes to the Strike

12 BSC report that limited evidence is beginning to emerge of cash shortages and related restlessness with the strike amongst their workforce and local businesses and shops in some steelmaking communities. It is difficult to say how much weight should be placed on this. The CBI have reported general satisfaction among their members at the Government's stance which they believe is being adequately conveyed through the media - though they hasten to add that continuing support cannot be assumed once the end of firms' endurance approaches.

Department of Industry
1 February 1980

FEB 1990

SECRET

1. Nat Ind.

PM Seen

PRIME MINISTER

Steel Dispute

Solly Gross has rung with a further report. Scholey has rung him to say that Sirs has already rung him (Scholey) back following the House of Lords' decision. Contrary to predictions, Sirs is not crowing about the judgement but is having some difficulty with his Executive. So, he does not wish to meet Scholey tonight or over the weekend.

However, both he and Hector Smith are going abroad on Monday and Tuesday for an international meeting (Solly would not tell me the place!) and they have agreed to meet Scholey and Grieves on Monday afternoon in this foreign location - and to negotiate seriously. Scholey says that he thinks Sirs will want to settle - quite possibly at 14 per cent. He thinks that Sirs will be able to bring Hector Smith into line.

Solly emphasised that this meeting is intended to be absolutely secret - Sirs wants it to be abroad to get away from the limelight.

R.

1 February 1980

SECRET

Nat. Ind.

1. 2. 80

LORD DIPLOCK

My Lords. For the reasons which I will give in writing later I do not think that there are any relevant differences between this case and the case of the Daily Express v. McShane that was recently decided by this House. In my opinion the present appeal is governed by that decision and Court of Appeal were wrong in holding that it was not. I would accordingly allow the appeal.

Lord Edmund-Davies, Lord Fraser, Lord Keith and Lord Scarman merely said that they agreed with Lord Diplock and that they too would give their reasons later.

Extract from P.A. Tape 1-2-80.

VICTORY FOR STEELMEN

LORD DENNING'S APPEAL COURT DECISION TO OUTLAW AN EXTENSION OF THE STEEL STRIKE TO THE PRIVATE SECTOR WAS OVERTURNED BY THE HOUSE OF LORDS TODAY.

FIVE LAW LORDS DECIDED UNANIMOUSLY FOR THE MAIN STEEL UNION, THE IRON AND STEEL TRADES CONFEDERATION, AND CANCELLED INJUNCTIONS GRANTED LAST SATURDAY BANNING STRIKE ACTION AND SECONDARY PICKETING.

LORD DIPLOCK, PRESIDING, SAID FULL REASONS FOR TODAY'S DECISION WILL BE GIVEN IN WRITING LATER - POSSIBLY IN ABOUT A FORTNIGHT - BUT ADDED THAT THERE WAS NO RELEVANT DIFFERENCE BETWEEN THIS CASE AND THAT OF EXPRESS NEWSPAPERS V THE N.U.J. RECENTLY, WHICH THE JOURNALISTS' UNION WON.

''IN MY OPINION THE PRESENT APPEAL IS COVERED BY THAT DECISION AND THE COURT OF APPEAL WERE WRONG IN DECIDING IT WAS NOT,'' STATED LORD DIPLOCK.

THE PRIVATE STEEL COMPANIES WHO HAD OBTAINED THE INJUNCTIONS WERE ORDERED TO PAY THE UNION'S COSTS FOR ALL COURT HEARINGS IN THE CASE.

UNION LEADER BILL SIRS SAID: ''THE IMPACT OF THIS DECISION IS ENORMOUS. THE COMMON SENSE OF THE BRITISH STEEL CORPORATION AND THE GOVERNMENT MUST NOW PREVAIL SO THAT THEY MAKE US A REASONABLE OFFER.''

MR SIRS SAID HE DID NOT SEE ANY NEED TO ESCALATE PICKETING AS THIS WAS ALREADY EFFECTIVE. THE UNION EXECUTIVE IS MEETING LATER TODAY TO DECIDE WHETHER TO REINSTATE THE PRIVATE SECTOR STRIKE.

--- 1525

Not Ind.

Seen by the P.M.

1/ii

PRIME MINISTER

Sirs/Scholey Talks

Scholey has reported to Solly Gross on his meeting last night with Bill Sirs. Contrary to Scholey's expectations, Sirs was in a more flexible frame of mind, and appeared willing to restart the negotiations. This was all the more surprising in view of the bad meeting Sirs and the other trade unionists had with the Chancellor earlier in the evening. However, Hector Smith took a tough line - saying "20% or nothing".

The meeting did not get down to discussing figures, but Sirs agreed to meet Scholey again (presumably with Smith) as soon as possible after today's ISTC Executive Meeting and after the House of Lords decision. If the House of Lords decide this afternoon, this could mean a further meeting this evening; if not, probably over the weekend.

It was left that Sirs would ring Scholey back to arrange a meeting. However, Solly will be in touch with Sirs separately to make sure that there is no unnecessary delay.

The craftsmen and other unions have not been back in negotiations with BSC today. Solly says they are waiting to see what Sirs will do in the light of the House of Lords decision. But he is confident that they will resume negotiations with BSC early next week.

TL.

1 February, 1980.

Original in GF.

CF

B/F 6.2.80

31 January, 1980.

I have shown the Prime Minister your letter of 29 January about the unemployment benefit position of workers at the Tube Investments plant at Stourbridge.

The Prime Minister's understanding from Sir Brian Kellett is that the works branch at Stourbridge, which included steel workers, gave its support to the refusal of the loaders there to move steel. If that is the case, the steel workers were surely "directly interested in the dispute", and should not have received unemployment benefit...

I should be grateful if you could let me have a further explanation of this point.

T. P. LANKESTER

I.A.W. Fair, Esq.,
Department of Employment.

TCR

CONFIDENTIAL

FILE

BK

cc: Mr Lugham
Mr Wolfson
Mr Hoskyns

10 DOWNING STREET

From the Private Secretary

31 January 1980

I enclose the note of the meeting on the British Steel Corporation which was held here at No. 10 yesterday evening.

I am sending a copy of this letter and enclosure to Ian Fair (Department of Employment), Ian Ellison (Department of Industry), Bill Beckett (Law Officers' Department) and David Wright (Cabinet Office). Please could you ensure that circulation of the note is on a "need to know" basis only.

T. P. LANKESTER

John Wiggins, Esq.,
HM Treasury

CONFIDENTIAL

CONFIDENTIAL

s/c Master Set

BRITISH STEEL CORPORATION: FINANCE

Note of a Meeting held at No 10 Downing Street, at 6:30pm on Wednesday 30 January 1980.

PRESENT

THE PRIME MINISTER

CHANCELLOR OF THE EXCHEQUER

SECRETARY OF STATE FOR EMPLOYMENT

SECRETARY OF STATE FOR INDUSTRY

ATTORNEY GENERAL

SOLICITOR GENERAL

MR D B SMITH	-	Department of Employment
MR S J GROSS	-	Department of Industry
MR M J KERRY	-	Department of Industry
MR N J MONCK	-	Treasury
MR C W WHITMORE	)	
MR T LANKESTER	(	
MR J HOSKYNS	)	No 10 Downing Street
MR D WOLFSON	(	
MR B INGHAM	)	
SIR ROBERT ARMSTRONG	)	
MR P Le CHEMINANT	(	Cabinet Office
MR P MOUNTFIELD	)	

The Meeting considered a note, (MISC 34(80) 1) prepared by a group of Ministers and Officials under the Chairmanship of the Secretary of State for Industry, about the options open to Ministers in re-constructing the British Steel Corporation.

The following points were made in discussion:

(a) Ministers had no power to dismiss the present members of the Board, except when they were judged to be unfit to carry out their duties. Although some of the present members had forfeited the confidence of Government, this was not a ground on which Ministers could safely rely. It would be preferable to seek the resignation

CONFIDENTIAL

of the members concerned, and if necessary offer financial inducements (which might need in some cases to be sizeable) to encourage them to resign. They would in any case be entitled to considerable sums of compensation if they chose to press their legal entitlements. It was likely that the members concerned would be prepared to go, subject to adequate compensation, once the Government made its position clear. It would be undesirable to force them to go until the present pay dispute had been settled. They could not be expected to bring the negotiations to a satisfactory conclusion once it was known that they had lost the confidence of Ministers.

(b) Preliminary approaches had been made to a potential new chairman, and there were strong hopes that he would be prepared to take on the job. He had the necessary qualifications and enthusiasm.

(c) It would be desirable to consult the new chairman before making any structural changes in the Board or making further appointments. Only if the Government's hand were forced, by premature disclosure of the financial condition of the Corporation, might it be necessary to make an interim appointment of a temporary Board or re-construction Committee.

(d) The nationalised industries were not incorporated under the Companies Acts, and the Government was under no legal obligation to meet the liabilities of the British Steel Corporation. Nevertheless the reality was that Government could not avoid standing behind a nationalised industry's liabilities. Moreover, there was no legal way in which a nationalised industry could be made bankrupt under existing legislation. There was in any case no immediate cash crisis.

(e) There was no sign of an early settlement to the pay dispute. Despite attempts to bring them back to the negotiating table, the ISTC and the NUB were not yet prepared to resume negotiations with BSC. The uncertainties created by the Court of Appeal

judgement, and the separate dispute involving the steel industry in South Wales, contributed to their reluctance. Nevertheless the General Secretary of the ISTC was coming under pressure from the TUC to resume talks; and he must be aware of the size of the financial penalty which his members were incurring. Meanwhile, the other unions involved were close to a settlement, although the General Secretary of the TUC was trying to arrange for resumed negotiations covering all parties, including the ISTC and NUB. The gap was still too wide to be bridged by mediation or conciliation by ACAS. At this juncture it was best for Government to say as little as possible.

(f) Once the House of Lords had decided whether to allow leave to appeal and had settled any resulting Appeal, the Government would be bound to make some public reaction. Recent events created an opportunity to secure public support for further amendments in the law. There were strong grounds for wishing to introduce fresh amendments to the Employment Bill, to remove or modify the existing immunities of trade unions (Section 14 of the TULRA, 1974). But this was an extremely delicate territory so far as the trade unions were concerned, and it would be necessary to proceed with great caution. The Secretary of State for Employment was appearing on television later that evening, and would take the opportunity to make it clear that the Government was shortly going to make further proposals for modifying the law on picketing and secondary action. Ministers collectively would need a further opportunity to consider those proposals in detail, before any consultations started.

(g) Ministers should not issue any instructions to BSC, on the lines of Annex B to the paper before them.

THE PRIME MINISTER, summing up the discussion, said that the Meeting agreed on the need to find a new Chairman to succeed Sir Charles Villers. An approach would be made to the individual concerned later that week. If he was prepared to serve, he could probably be available at short notice, and he would want and need to be consulted further about the remaining changes

proposed in MISC 34(80) 1. Ministers should avoid any further comment on the immediate pay dispute, and would respond to the House of Lords judgement on the lines which the Secretary of State for Employment proposed to develop later that evening on television. Ministers would need a further opportunity to consider the Secretary of State's detailed proposals before they were made public. Every effort should be made to prevent the information about the financial position of the BSC becoming known before a settlement had been reached in the pay dispute.

The Meeting -

Took note, with approval, of the Prime Minister's summing up of their discussion.

31 January 1980

cc Mr Wolfson
Mr Hoskyns
Mr Lyder

Prime Minister
Interesting that the stoppage was confined almost entirely to nationalised industries - NCB, BSC, BR and National Bus Company.
TL 30/1

INDUSTRIAL ACTION IN WALES: MONDAY, 28 JANUARY 1980

1 Numbers involved. Union estimates are 250,000 involved in industrial action in Wales on Monday: 100,000 on strike and 100-150,000 taking "other" industrial action. MSC estimated only 60,000 on strike but Welsh Office prefer 100,000. (Broad employment totals in S. Wales are 30,000 in coal mining, 40,000 BSC and 30,000 in transport industries). Welsh Office is sceptical of possible 150,000 employees taking "other" action (eg token stoppages).

2 Location. Effects of action mainly felt in, though not confined to, South Wales. Reports describe support in North Wales as "patchy"; Welsh Office say strike was "hardly noticed". Of the 2 collieries in North Wales, one (near Prestatyn) operated an overtime ban, the other (near Wrexham) was given union dispensation to work normally. Most factories worked normally and trains and buses were not affected.

3 Coal. Universal support by members of all unions in South Wales pits (including NACODS) except BACM (and skeleton safety staff).

4 Railways. All trains cancelled. No reports of railwaymen turning up for work.

5 Other industries.

(a) Buses were reported generally working as usual. Municipal buses largely unaffected but some National Welsh Bus Company (longer distance) services affected in Gwent and mid-Glamorgan.

(b) Wales CBI said that "only a handful" of private firms were affected by industrial action. Four major firms closed: ALCOA, Mettoy (Swansea), 3Ms and Thyssens.

(c) Newport, Barry, Cardiff and Swansea docks also reported shut.

(d) Public administration. Substantial numbers of civil servants on strike at DVLC Swansea (history of militancy and threatened by cuts). Some press reports of protest action in Inland Revenue and local authorities (NALGO). But civil service generally unaffected.

6 General. Union branches represented at the demonstration included NUS, UCATT, FBU, AUEW, NALGO, SCPS, TGWU, NUPE, Tailors and Garment Workers, NATFHE, Inland Revenue, ASTMS and ABS. But this is no clear guide to either official policy or membership support.

7 Absenteeism is always high in Wales compared with UK generally; and Monday is a bad day. Decision to take strike action would not have been difficult for many employees.

30 JAN 1990

Nationalised Industries

10 DOWNING STREET

Prime Minister

Sally Grove has rung to say that Sir has agreed to meet Scholey privately tonight.

I am passing this information also to Sir Keith.

TL

(30.1.80?)

FILE

Original filed Ind. Pol (Reg) Pt 2.

NOTE FOR THE RECORD

The Secretary of State for Employment called on the Prime Minister at 15.30 hrs today.

Mr Prior said that the purpose of his coming to see the Prime Minister was to warn her of the head of steam which he saw building up on the unions' side against the Government. The unions' mood had changed markedly for the worse since Christmas. This was because of a number of developments, but in particular: the steel dispute and BSC's closure plans, the rumours of deindexation of social security benefits, public service manpower cuts, problems in the coal industry arising from the steel strike, the Employment Bill, and the rising unemployment trend. In his view, the unions would be putting increasing pressure on the Government, and the situation could well be dangerous. He was amazed at the ease with which the ISTC had managed to call out the private steel workers, and the one-day of action in Wales on Monday was also indicative of the worsening situation. The unions were, of course, also upset at the lack of dialogue with the Government, and this - together with the other factors he had mentioned - were enabling them to unite against the Government.

Mr Prior went on to say that he was not arguing against the Government strategy nor against the particular measures - e.g. on the public expenditure front - Ministers were intent on implementing. But it was important to orchestrate the presentation of these measures very carefully. For example, it would be best not to announce any further public expenditure cuts while the steel strike was continuing; and he hoped that the Chancellor would not have to draw attention to the deindexation of social security benefits in the budget and that he should concentrate instead on the cash increases.

The Prime Minister said that she did not altogether share Mr Prior's pessimism, but she took note of his view.

She then asked Mr Prior why ACAS were not doing more to bring BSC and the unions together in the steel dispute. It appeared that they were not even trying to appoint a mediator. If it was impossible to get the unions to agree to talk to BSC directly or to get the two sides to agree to a mediator, ACAS should surely come out in public and say so.

/This

This would put pressure on the unions. Her own impression was that ACAS were not up to the job of conciliating in this dispute. If so, it was worth considering whether they really had a role.

Mr Prior said that ACAS had not been inactive and that it was very difficult for them to act effectively in a dispute of this magnitude. However, he agreed with the Prime Minister that ACAS ought perhaps to be putting pressure on ISTC by "going public", and that they also ought to be doing more to consider the appointment of a mediator. He would take urgent advice on this, and report back to the Prime Minister at the meeting on steel later this evening.

R.

30 January 1980

cc:- Mr Wolfson
Mr Hoskyns

CONFIDENTIAL

Ref. A01276

PRIME MINISTER

British Steel Corporation: Finances

(MISC 34(80) 1)

BACKGROUND

At your meeting on Monday you commissioned a note on the options for management changes. The paper circulated as MISC 34(80) 1 is the result. It was put together last night by a group of Ministers and officials under the chairmanship of Sir Keith Joseph.

2. The paper lists the pros and cons of four options, but makes no definite recommendation. The options are:-

(a) Leave the Board as it is without any changes in membership.

(b) Seek the resignations of the three senior executives: the Chairman, Chief Executive and Managing Director (Finance).

(c) Seek the resignation of the whole Board and replace it by a much smaller Board.

(d) Seek the resignation of the three senior executives, but establish a new "Reconstruction Executive" consisting of a small number of people from the Board (including the new Chairman) and from outside.

HANDLING

3. The main issues for discussion are:-

(i) Options: Is it possible to take firm decisions (at least between (b), (c) and (d)) about the preferred option, before a new Chairman has been lined up and his own views sought on the Board structure? (Sir Keith Joseph could be asked to report progress on obtaining a replacement Chairman). Are Ministers prepared to reach provisional views on their preferred option, to be tested against the views of the Chairman-designate? If so, which option or options do they prefer? And can any of the options be eliminated now?

(ii) Personalities: What choices exist for new appointments and when might they become available? If, as seems possible, neither of Sir Keith Joseph's two favoured candidates accepts appointment, are there any circumstances in which it might be preferable to retain Sir Charles Villiers? Or would it be presentationally impossible to retain him once news of the financial position became public?

(iii) Sacking: If the three top men - or any of them - prove reluctant to go, how should they be removed? The Ministerial Group suggests requests to resign with compensation; but the Department of Industry have been seeking advice and may have more information to give.

(iv) Timing: Ministers would no doubt prefer to leave reconstruction of the Board until the strike is over. But what happens if the financial position leaks out after the Board meeting on Thursday but before the negotiations have produced a settlement? Would the Government's hand be forced - assuming (and it is a big assumption) that new Board members had been lined up? Does thought need to be given now to a holding statement?

(v) Select Committee hearing: Sir Keith Joseph was going to seek Sir Donald Kaberry's agreement to a postponement of the original date of 13th February. Has he succeeded?

(vi) BSC Finances: See Annex A. The figures on the first page of the Annex show that the extra loss this financial year will depend on the length of the strike which is the main cause of deterioration. The figures on the second page show that for next year the £330 million deterioration (from £45 million profit to £285 million loss) is largely due to factors other than the strike. Even adding the extra wage costs to the strike effects only explains half the deterioration (£160 million out of £330 million). The auditors think the loss next year could be a still bigger one than the figures shown. No decisions are needed now; but, when the figures break, attention is bound to be concentrated on the continued viability of the £450 million limit on

External Finance. You will want Sir Keith Joseph's view on the practicability of recovering the extra lost ground in 1980-81, as regards both the £450 million limit and the parallel obligation not to make an operating loss. What reply will the Government give to questions on these limits?

(vii) The Government's commitment to stand behind BSC's debts: Some members of the BSC Board are worried lest they should be trading in circumstances which would be illegal in a private company. The question turns on whether the Government, despite its statements on cash limits, regards itself as bound in the last resort to pick up the tab. In practice the Government has no choice (it is morally bound by Section 332 of the Companies Act and previous Governments have acknowledged the fact). But something may need to be said at the appropriate moment. Sir Keith Joseph might be asked to consider what form a reassurance to creditors might take.

(viii) Reconstruction of BSC: The Treasury were asked last night to seek further information on the feasibility and implications of making BSC subject to provisions equivalent to bankruptcy in a private company. Is there anything to report yet?

(ix) Wage negotiations: What is the latest view of the prospects for a settlement?

(x) Proposed message to BSC Board: See paragraph 17 and Annex B. Considerable doubt was expressed last night about the wisdom of sending such a message, and the issue was left for discussion at your meeting. The main argument against is that the message could be misunderstood as insisting on a hard line and endanger the prospects of a settlement.

CONCLUSIONS

4. These will depend on discussion, but you may care to use the points above as a check list.

RTA

(Robert Armstrong)

30th January, 1980

Original in OR.

CC

COVERING CONFIDENTIAL

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820

CF

Prime Minister

You asked for a note on the point raised by Brian Kellett.

If the Stourbridge steel-workers were really not interested in the dispute,

I suppose this benefit had to be paid. But it is infuriating that a small group of workers can inflict this cost on the tax-payer.

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

T L Lankester Esq
Private Secretary
No 10 Downing Street
London SW1

29 January 1980

Dear Tim

I attach a note by officials about the unemployment benefit position of workers in the private sector of the Steel Industry last week, which was raised with the Prime Minister by Sir Brian Kellett.

29/1.

Yours sincerely

Bernard

They have not made the point - which was that the large group of workers actually voted for the strike has been laid off by the action taken out of work. Please refer back

CONFIDENTIAL

UB POSITION OF WORKERS IN THE PRIVATE SECTOR STEEL INDUSTRY UP TO 26 JANUARY 1980

Section 19(1) of the Social Security Act 1975 provides that a person who has lost employment as an employed earner by reason of a stoppage of work which was due to a trade dispute at his place of employment shall be disqualified for receiving unemployment benefit so long as the stoppage continues but this subsection does not apply in the case of a person who proves -

> that he is not participating in or directly interested in the trade dispute which caused the stoppage of work.

The UB adjudicating authorities have to decide -

(a) whether the unemployment was due to a trade dispute at his place of employment, then

(b) whether the claimant has shown that he was neither participating nor directly interested in the dispute.

In the case of workers laid off in the private sector up to 26 January, the adjudicating authorities generally took the view that unless the workers concerned refused to obey management instructions, eg on movement of steel, there was not a trade dispute. If (as at Tube Investments at Stourbridge) a small group of workers took such action and as a result others were laid off, the adjudicating authorities limited the disqualification to those actually in dispute. The view was taken that the other workers were neither participating nor directly interested in the dispute at their place of employment and benefit was payable.

The role of DE has been to ensure that all claims where the trade dispute disqualification might be appropriate have been put to the adjudicating authorities and title to benefit reviewed if circumstances change. The law and the operation of the adjudicating machinery are matters for DHSS.

cc Mr Wolfson
Policy Unit

Prime Minister

2

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

PS/ *Secretary of State for Industry*

29 January 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

29/1.

Dear Tim

STEEL STRIKE: 8th REPORT OF
INTERDEPARTMENTAL CONTINGENCY GROUP

... I enclose a copy of the 8th Report.

I am copying this letter and enclosures to the private secretaries to the members of E, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and to Sir Robert Armstrong.

Catherine Bell

CATHERINE BELL
Private Secretary

STEEL STRIKE : 8th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 29 January.

BSC

2 Negotiations between BSC and TGWU, GMW and NCCC unions on Sunday, 27 January made some useful progress on the productivity aspects of a new agreement, and a further meeting has been arranged for Friday, 1 February. Left to themselves, these unions might then settle on terms giving BSC a fair degree of productivity offset; but they are afraid of being upstaged by the separate negotiation of better terms by the ISTC and NUB. Despite strong efforts by the TUC General Secretary to have the two latter join in Friday's negotiations it seems all too likely that Mr Sirs's ovation in Wales yesterday and the prospect of victory over Lord Denning in the House of Lords will make him obstinate.

Private Sector

3 The House of Lords Judicial Committee will be considering on Thursday, 31 January the ISTC's request for allowing an appeal to the House of Lords against the Court of Appeal's ruling that the ISTC must withdraw its strike instruction to employees in the private sector. The timing of any hearing of the appeal by the Lords, if they decide to allow an appeal, is uncertain; it could be Friday or early next week.

4 The ISTC executive is meeting today, Tuesday 29 January, to decide what action to adopt in the light of the Court of Appeal's ruling. Even if they decide to withdraw their strike call for the time being - it is unclear what effect this will have in practice at the private sector plants. The fact that there is believed to be a strong chance of the Lords reversing the Appeal Court's decision may be used as an argument by those on the ground against calling off the strike for the time being.

Steel Supplies

Private Sector

5 Despite the extension of the strike into the private sector, a substantial proportion of private sector steel companies have remained open, although with some operations at a standstill. Generally speaking, operations largely staffed by ISTC members (such as melting and hot rolling) have been stopped, while other operations reliant on labour wholly or partly from other unions (such as cold rolling and finishing) are remaining open and are delivering steel. There is a wide variation between companies as to the effects of the strike action.

Stockholders and Imports

6 Picketing of stockholders continues, but good deliveries to customers are being maintained. In the ports, there are some signs that unions are examining further whether they can limit imports of steel passing through dock gates in containers.

Endurance of Steel Users

7 There is little evidence of any change from that indicated in earlier reports of potential endurance well into February before serious problems occur in particular user sectors. The CBI have indicated privately that during the last 2 weeks production levels in major companies have been less than 1% lower than normal. However, compared with a week ago, companies have reported somewhat reduced stocks on the ground and an increased number of companies expect to be significantly affected within four weeks from now. If serious disruption continues in the private sector this endurance could be reduced, but the extent has not been estimated in any detail.

Further Work of the Group

8 Work is continuing on the longer term effects of the strike and the post-strike recovery period and possible actions. This will be reported on separately.

Department of Industry
29 January 1980

I spoke to John Mathew this evening. He thinks ISTC members on the whole will not obey the Executive's decision to call off the private steel-works strike. He is worried that one or two producers may seek injunctions against individual pickets/workers, and is doing all he can to persuade them not to take any action pending a House of Lords ruling. I said we fully agreed with this line.

T.L.

CONFIDENTIAL

cc D/I
D/Emp
LOD
CO

bcc Wolfson
Hoskyns
Ingham

NAT
INS

10 DOWNING STREET

From the Private Secretary

29 January 1980

Dear Tim.

I enclose the note of last evening's meeting of Ministers and officials to discuss the steel dispute.

I am sending copies of this letter and enclosure to Ian Ellison (Department of Industry), Ian Fair (Department of Employment) and Bill Beckett (Law Officers' Department) and David Wright (Cabinet Office).

Yours ever.

Tim Lankester.

A.J. Wiggins, Esq.,
HM Treasury.

CONFIDENTIAL

cc Master Set

CONFIDENTIAL

NOTE OF A MEETING HELD IN THE PRIME MINISTER'S ROOM AT THE HOUSE OF COMMONS AT 6.00 PM ON MONDAY 28 JANUARY 1980

STEEL

PRESENT:

PRIME MINISTER	
CHANCELLOR OF THE EXCHEQUER	
SECRETARY OF STATE FOR EMPLOYMENT	
SECRETARY OF STATE FOR INDUSTRY	
ATTORNEY GENERAL	
SOLICITOR GENERAL	
MR D B SMITH	Department of Employment
MR N J MONCK	Treasury
MR S J GROSS	Department of Industry
MR C W WHITMORE)	
MR J HOSKYNS)	
MR D WOLFSON)	No 10
MR T LANKESTER)	
MR B INGHAM)	
SIR ROBERT ARMSTRONG)	Cabinet Office
MR P MOUNTFIELD)	

I. Extension of strike to private sector steel industry

The Group was informed that the Iron and Steel Trades Confederation (ISTC) had decided to extend the current dispute with the British Steel Corporation (BSC) by calling out those of its members who worked in the private sector. A number of private sector employers had applied to the High Court for an injunction to restrain the union leaders from this action. A Judge sitting in Chambers had granted this request, and the Appeal Court had upheld his decision. They had therefore granted an interim injunction against the ISTC leadership. They had refused leave to appeal to the House of Lords. The ISTC had applied to the House of Lords for leave to appeal; if this application was granted - as no doubt it would be - the union would seek to overturn the judgement of the Court of Appeal. The House of Lords Judicial Committee would sit on Thursday 31 January to

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consider the application for leave to appeal. If it decided to allow the appeal, this would probably be heard on Friday 1 February. It was unlikely that the private sector employers would take any action meanwhile to enforce the judgement of the Court of Appeal. The union executive was meeting on Tuesday 29 January, and it was not clear what instructions the ISTC would give to its members. Meanwhile, it was agreed that the Secretary of State for Employment should take the opportunity of Committee Stage on the Employment Bill to remind the Standing Committee that the Government had already promised to remedy the existing unsatisfactory state of the law on trade union immunities and privileges. He would stress that this was not a response to the present situation, but a decision which had already been taken and announced well before the judgement in the Court of Appeal.

II. Changes in the Law

It was suggested that the present situation gave the Government its best opportunity to re-define and improve the legal framework. The Government would not be forgiven if, with another major industrial conflict in progress, it missed this opportunity. On the other hand, it was important not to prejudice the chances of the unions in the end acquiescing in this legislation, if that could be avoided. The law as it now stood, in the light of the House of Lords decision in the McShane case, and the current ruling of the Court of Appeal just referred to, was clearly unsatisfactory. It appeared to allow the unions to take any action they thought necessary in furtherance of an industrial dispute, even though this interfered with commercial contracts as well as with contracts of employment. Such action could apparently extend at present not only to the parties to a dispute, but also to their suppliers and customers indirect as well as direct, and to any other employer through whom pressure could be put on the original parties. The Government's present proposals would go some way to restrict these immunities. They would confine blacking to the parties to the dispute and to direct suppliers and customers. They would restrict the right of picketing to the premises of the employer who was party to the dispute. Any individual who tried to take further action beyond these limits would be liable to civil action. But the activities of trade unions themselves would continue to be immune.

An employer's redress therefore lay only against pickets or named officers of the union, in severely restrictive conditions. It was now for consideration whether the immunities of unions themselves should also be limited, by amending or repealing Section 14 of the Trade Union and Labour Relations Act 1974. This would go only part of the way to resolving the problem. It would not solve the problem of intimidation, whether directly or by social pressure, which compelled any trade unionists not directly involved to co-operate with the strikers. Nor would it apply in a situation where the employer himself was reluctant to enforce his common law rights, for fear of spreading the dispute. Nevertheless, some strengthening of the law might be desirable. The Secretary of State for Employment, in consultation with the Law Officers, should consider the possibilities further and report again to the Prime Minister, in good time for Ministers collectively to consider the issues again before the end of the Committee Stage in the Commons.

III. State of the Dispute

The Department of Employment reported that discussions over the weekend had led to near-agreement on a settlement with the steel industry craftsmen, and with those workers represented by the Transport and General Workers' Union (TGWU) and the General and Municipal Workers Union (GMWU). This agreement would incorporate the essential features of the BSC's original proposals, including the lump sum. In the final stages of negotiations at the weekend, cash offers and demands had been compared. The latest previous offer had been 8% on basic rates and a further 4% for productivity. BSC then offered 7%, plus 2% for consolidation under a previous agreement, plus a further 4% for productivity. The unions would not accept the consolidation element, and BSC changed their offer to 8% plus 5% for productivity. The unions in turn demanded 10% plus 5%. Discussions ended at this point. The position had been reported to the General Secretary of the TUC, who had said in public that there was now a good chance of progress. He was understood to be in discussion with the leaders of the ISTC and of the National Union of Blast-furnacemen (NUB), and was seeking to arrange a meeting of all the general secretaries concerned later in the week. Divisions among the unions made this difficult, but it was hoped that by the end of the week all the

other unions (possibly excluding ISTC) would be ready to settle. The Advisory Conciliation and Arbitration Service remained in the wings, ready to intervene if called on. The eventual price of a settlement might be slightly more than 14% but BSC might well be wise to settle at that level.

IV. Financial position of BSC

The Group had before them a letter dated 25 January from the Private Secretary to the Secretary of State for Industry to the Private Secretary to the Prime Minister. This letter reported that the financial position of BSC had deteriorated significantly since the strike began.

THE SECRETARY OF STATE FOR INDUSTRY said that BSC had agreed to abide by an external financing limit of £700 million in 1979/80 and of £450 million for 1980/81. They had freely accepted these targets, which had not been imposed by the present Government. There had been doubts among the part-time Board members for some weeks whether these targets were still realistic, and as a result BSC had sought advice from their auditors. The preliminary findings, subject to confirmation by the Corporation at its regular meeting on 31 January, were that for 1979/80 the deficit would exceed the £300 million financing limit by about £100 million. As for 1980/81, the auditors considered that the estimate of the 'down-side risk' of £200 million should have been added to the central forecast, which together with the effects of the strike and the latest estimate of the likely pay settlement, led to an operating deficit of up to £150 million for the year, and a total financing requirement of £550 to £600 million. These forecasts had been circulated to the Board of BSC and might become publicly known at any time. After the Corporation's meeting on Thursday, it was likely that the Chairman would report them formally to him, and the Government would then have to decide its action. It was of course possible for him to ask for time for consideration, but this could not be prolonged.

In discussion, there was general agreement that, if these estimates were confirmed, the Government could no longer have any confidence in the existing management of BSC. The Corporation would, if it operated under the Companies Acts, be technically bankrupt. Although it seemed that it could probably meet its cash requirements for the month of February from moneys accruing,

without further recourse to the Government, it should not undertake any fresh commitments unless the Government was prepared to underwrite it. It was desirable that these figures should if possible be kept confidential until a settlement in the pay dispute had been reached, though in certain circumstances they could be used to put further pressure on the negotiators. Thereafter, the Government would have to move fast. It seemed essential that the resignations of at least the Chairman, Chief Executive and Finance member should be required. The Government had no power to dismiss these Board members, and it was possible that they would press for compensation. It was for consideration whether this claim should be resisted; but regard would have to be had to the effect which this could have on the willingness of people to take up Board appointments in this or any other nationalised industry.

Once the existing management had been removed, a number of options were open. The Corporation could not technically go bankrupt, and there seemed little doubt that the Government had to stand behind its existing liabilities. It was for consideration whether, once a new Board had been appointed, the Government should make further funds available, and if so on what scale. The reconstruction of the Board could take a number of forms. At one extreme, urgent legislation could be rushed through, to make it possible to declare the Corporation bankrupt, and to break it up into a number of operating companies and profit centres. Another possibility would be to appoint a new and smaller Board (in the process, getting rid of some or all of the worker directors) and giving them a role analogous to that of a Receiver. They would have the task of liquidating as many as possible of the assets of the Corporation and running down its activities, possibly as a preparation for breaking up into smaller units when legislation for that purpose could be passed. This would be seen as an interim solution, clearing the decks for a new management; but anything which smacked of "receivership" or "liquidation" could have very serious effects on the morale of the workforce. A more positive approach would be to regard the new and smaller Board as a 'Committee of Reconstruction', although giving it a somewhat similar mandate. Some such shock treatment as this was necessary to bring home to the Corporation's management and workforce the desperate nature of the

problems it faced. It would be difficult to find suitably-qualified people to undertake this task, although a number of names were under consideration separately. All these options, with variants, needed urgent consideration, so that decisions could be taken before the Corporation's meeting on 31 January.

THE MEETING agreed that a group of Ministers, under the chairmanship of the Secretary of State for Industry, and including the Chancellor of the Exchequer, the Secretary of State for Employment, one of the Law Officers, and if necessary the Minister of the Department of Trade, together with officials as required, and a representative of the Central Policy Review Staff, should prepare detailed proposals. These proposals would be considered by the Ministers then present at a further meeting on the evening of 31 January.

29 January 1980

CONFIDENTIAL

NAT LAB

Ref. A01257

PRIME MINISTER

Steel

There will be two aspects of steel to discuss at your meeting this evening:

(1) The Denning judgment and its implications.

(2) The financial position of the British Steel Corporation (BSC) as set out in the Department of Industry letter of 25th January, which you saw over the weekend.

2. I understand that it will be a day or two before the House of Lords decides whether to allow an appeal to them from the Court of Appeal, and another day thereafter before the appeal itself is heard. In the meantime, the Court of Appeal judgment stands. You will wish to get a clear picture from the Attorney General about what this means. One possibility is that the ISTC will obey the judgment and rescind the strike action in the private sector. The other possibility is that they will prefer to defy the Court of Appeal judgment, pending the hearing of the House of Lords appeal. What would follow from this second course? Would it be open to the employers to try to take action to enforce the compliance with the injunction? What would that action be? Are we in danger of confrontation between the unions and the law, or even martyrdoms (for instance Mr. Sirs going to gaol for contempt of court)? We presumably want not to prejudice whatever chances there are of an early settlement of the dispute by actions of that kind. Is there anything the Government can do to avoid them?

3. As to finances of BSC, once the BSC report the position as described in the Department of Industry letter, the Government's position of "no more cash beyond £450 million in 1980-81" will be untenable. There will have to be a hard look at what this means. The following questions will arise:

(a) If the Government has to find more money for BSC next year anyway, what has it to say about the possibility of finding more money to finance higher pay? Would it be, for example, a tenable line to say: "No more cash to finance pay increases" - implying that there might be more money for other purposes, if increased productivity was available to finance pay increases.

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(b) It does not look as if disposal of assets could conceivably be available on the scale required to meet the deficit. Another option is further closures. But we may have reached the point at which further closures would cost more in 1980-81 than keeping plants open.

(c) Does the new financial forecast call in question the level of redundancy pay agreed? Presumably there can be no going back on redundancy payments already agreed. It is a question for the future. If BSC were a private sector concern, it would be bankrupt, and presumably there would be no question of paying more than the statutory levels. Hitherto, by contrast, the policy has been one of providing redundancy payments at a sufficient level to bring about voluntarily the redundancies required.

4. The implications of all this are very large, and it will obviously be impossible to take decisions this evening. I suggest that you will want to ask the Department of Industry, in consultation with the Treasury and the CPRS, to review the new situation as a matter of great urgency, and to produce a report to be considered by Ministers as soon as it can become available. The first obvious occasion is Cabinet on Thursday; but I think that it would be better not to go straight to Cabinet without some prior discussion, if time will allow, and I suggest that we should arrange for the report to be considered either by E or by a smaller ad hoc group of Ministers, to be arranged at short notice as soon as the documents are available.

RtA

ROBERT ARMSTRONG

28th January, 1980

Financial Times Monday January 28 1980

Will Denning's law survive the Lords?

THE WEEK IN THE COURTS

BY JUSTINIAN

WHILE STEEL WORKERS strike, judges work overtime might be the flippant comment on the Court of Appeal's ruling, after a whole Saturday's sitting, at the Royal Courts of Justice in the Strand, on the steel unions' attempt to spread industrial action to the private sector of the steel industry.

But the ruling will not only have far-reaching implications in the protracted struggle between the British Steel Corporation and the Iron and Steel Trades Confederation over pay increases for steel workers in the public sector. It will also arouse once more the growing opposition, in both political and legal circles, to Lord Denning, who at 81 is thought to have long since outstayed his judicial term of office.

For the legal profession the immediate question is whether the ruling is sound in law and will survive scrutiny at the hands of the Law Lords; and, if the case either survives that appellate review or is not taken on appeal by the unions, what effect the decision will have on the Government's declared policy to amend the Trade Union and Labour Relations Act 1974 to control secondary blacking and secondary picketing.

There were two distinct steps in the reasoning of the Court of Appeal, leading to its decision to grant the injunctions requested. First, was the action in calling out the steelworkers in the private sector "in furtherance of a trade dispute"? If there was any doubt about that, should the court, pending the trial of that issue, grant relief to the private steel companies on the basis that the balance of convenience pointed to stopping the secondary strike action rather than leaving the parties to enjoy and suffer respectively the consequences of industrial action?

The Court of Appeal was faced with the recent ruling of the House of Lords in *Express Newspapers Ltd. v. McShane** which laid down the test for answering the question. "Is it sufficient for those claiming the trade union immunity from legal action simply to have a genuine intention to further an existing trade dispute?"

The majority of the Law Lords in that case said that the test was a subjective one and means that if the trade unionist acts with the purpose of helping his cause to achieve his objectives in an honest and reasonable belief that it will do so, he is acting in furtherance of a trade dispute. Nobody denied that the ISTC had a trade dispute with BSC. Why then was the threatened strike action prompted by the officers of ISTC, among private sector workers who had no dispute with their employers still not a furtherance of the primary trade dispute, at least in the honest belief of Mr. Bill Sirs?

Because, Lord Denning observed, the action of the union was to get the Government to change its policy of non-intervention, and that was not a trade dispute. "It could not be said on the present evidence," he said, that bringing pressure to bear on the Government—"to bring them to heel"—so that they would provide more money to BSC was a trade dispute.

Lord Denning justified his interpretation of the evidence on the footing that the judgments in the McShane case "are not nearly so clear as some would believe." But in that case the extension of the trade dispute between the National Union of Journalists and the Newspaper Society, representing the proprietors of provincial newspapers, to NUJ's call to its members to take industrial action against the Press Association, which supplies news to all newspapers with whom there was no dispute, appears to preclude any distinction.

The fact that British Steel Corporation is a public corporation answerable to a Minister and sustained by public funds means that the Government is ineluctably linked to its statutory creature, whether or not it involves itself with the latter's labour relations. But arguably Lords Justices Lawton and Ackner thought there are two separate disputes, one with BSC and the other with the Government. And if the point was arguable, it could not be said that the unions were overwhelmingly likely to succeed in sustaining their immunity at trial.

In those circumstances, should the court take the view that, until trial, the private steel companies should be allowed to protect their businesses against industrial action, where they themselves had no dispute with their workforce? A further provision of the 1974 Act states that the court, in exercising its discretion whether to grant an injunction, shall "have regard to" the likelihood of the immunity of the trade union being upheld at trial. The provision does not state that it must have regard to the near certainty or high probability that the defence will succeed to the exclusion of all other factors.

While the court would be reluctant to grant an injunction pending trial if the union was very likely to succeed in getting it discharged at trial, it might be less reluctant if the claim to immunity is in doubt. Where the outcome of the issue whether the union was or was not acting in furtherance of a trade dispute (or honestly believed that its action was to further its trade dispute) is in doubt, other factors may weigh with the court in deciding that labour injunctions should issue.

The Court of Appeal said that the ISTC action was one of those cases where the effects on the country would be so disastrous that the injunction should be granted. In the McShane case, Lord Scarman had postulated a case where a trade dispute so endangered the nation, or put at risk such fundamental rights, such as Press freedom, that the courts might restrain the industrial action pending trial.

But the Court of Appeal seems to have put its decision to grant an injunction more on the principle of a balance of convenience that is the ordinary rule in other types of legal action. In *American Cyanamid Company v. Ethicon Ltd.*† the House of Lords laid down that the court, in exercising its discretion as to granting or refusing an interlocutory injunction, ought not to weigh up the relative strengths of the parties' cases on the evidence, necessarily incomplete at that stage.

Once the court decides that there is a serious question to be decided—here it would be, if anything, the question whether the dispute over governmental policy of non-intervention was in furtherance of ISTC's trade dispute with BSC—it ought not to try to resolve conflicts of evidence, or even legal argument based on that evidence, but decide the issue of the injunction on the balance of convenience to the parties pending the trial.

Ironically, Lord Denning in a series of judgments has shown a hearty dislike for the American Cyanamid ruling, and thinks that it has led too readily to interlocutory injunctions being given. Now he appears, by implication, to have followed the authoritative line of thought.

The ruling will at least give the Government some breathing space while it reflects on what legislation it would like to bring in to amend the law to achieve the kind of result produced by the Court of Appeal. It is well known that legal draftsmen are finding acute difficulty in framing language apt to outlaw secondary blacking and picketing, without in some way damaging the generally acknowledged right of trade unions to their immunity for industrial action against those with whom they are directly in industrial dispute.

If the House of Lords were to uphold Saturday's ruling—and that seems wildly improbable, if only because the McShane ruling envisaged just such a situation that would be covered by the statutory immunity — the Government would feel relieved of the unenviable task of finding the apt formula. The judges would have done the job for them.

The only problem then would be that subsequent industrial action — sympathetic strike, secondary blacking and picketing — would always be a candidate for litigation, on the basis that no two cases are alike and lawyers are always adept at finding recondite distinctions even where there is no discernible difference: which is how some knowledgeable commentators would describe Lord Denning's latest excursion into law-making.

* *[1980] 2 W.L.R. 89.*
† *[1975] AC. 396.*

ASSN.

Mr Mugham

Saturday, 26th January, 1980.

DRAFT JUDGMENT FOR REVISION

R

291.

A

DUPONT STEELS LTD. & ors.

v.

WILLIAM SIRS & ors

B

THE MASTER OF THE ROLLS: It is important to distinguish between the public sector and the private sector of the steel industry. The public sector is under the control of the British Steel Corporation. It accounts for 40 or 50 per cent of the production of crude steel and the processing of it. But there is an important private sector which covers about 20 per cent of the rest of the industry. It is run by many private companies. The turnover is something in the region of £1,500,000,000 a year in the private sector.

At the beginning of this year there was a dispute between the workers ~~with~~ the the British Steel Corporation and ~~with~~ their employers the British Steel Corporation itself in regard to wages. Through their union, the Iron and Steel Trades Confederation, the workers in the public sector demanded higher wages. As they did not achieve what they desired, they called a strike (I think the first for many, many years in the industry) on the 2nd January of this year. They called out all the workers in the public sector: and brought the whole of that great ~~industry~~ sector to a standstill.

The strike does not seem to have achieved the objective which the union desired. So, on Wednesday, 16th January, an important decision was made by the union or its representatives. They made the decision that they would call out the members of the union who were employed in the private sector.

Let it be said at once that those workers in the private sector had no dispute

whatever with their employers ~~in the private sector~~. All was peaceful and contented. They were ready to go on, and wanted to go on, with their work - processing the steel, making it, supplying it, and so forth. When ~~it was~~ the Union suggested - indeed ordered - that those in the private sector should come out, ballots were taken in some cases, these showed ~~showing~~ that the workers in the private sector did not want to come out. We know that the majority in a secret ballot did not. There is other evidence to show that many others of them did not want to come out. Nevertheless, if ordered to do so by their union, they would have no option: because, if they did not obey the union call, they would lose their union card and in due course their employment.

On the 16th January of this year there was a meeting of the Executive Council of the union. They came to ~~the~~ a decision to extend the dispute into the private sector. They decided to call out all those men: and the date they chose for this action was the 27th January, 1980 at 6.00 a.m.

Meanwhile, ~~long before deciding to call the men out,~~ the union the movement of all steel throughout the United Kingdom was to cease from 6.00 a.m. on Thursday, 17th January, 1980.

So there was a most important decision. The Iron and Steel Trades Confederation decided to call out the men, who had no quarrel whatever with their own employers - or between the employers and the men. They decided to call them out in regard to a dispute with which they were not in any way concerned. So the question must be asked, and is asked: Why did the trade union extend the strike to the private sector?

It is amply shown by a letter~~s~~ which ~~were~~ was written by Mr. William Sirs on the 17th January, 1980 and by instructions

ASSN.

which were given to all the branches. I will read a sentence or two from the letter: because it is quite plain to my mind that by this time the trade union had determined that the one way in which they could achieve their ends - or might hope to achieve their ends - was by bringing pressure to bear on the Government. They knew - as is indeed so by an Act of Parliament - that the British Steel Corporation is in many respects under the general direction and control of the Secretary of State. That appears in the Iron and Steel Act 1975, section 4, which provides:

"The Secretary of State may, after consultation with the Corporation, give to the Corporation directions of a general character as to the exercise and performance by the Corporation of their functions (including the exercise of rights conferred by the holding of interest in companies) in relation to matters which appear to him to affect the national interest; and the Corporation shall give effect to any directions so given".

They knew that the government had declined to print any more money for the purpose of increasing the wages of the workers. In these circumstances, the trade union seems to have directed its attack on the government.

On the 17th January, 1980 Mr. Sirs wrote to the Independent Steel Employers Association. He said: "... whilst agreeing that there is no dispute with any independent steel employer, (they) were firmly of the opinion that this dispute is becoming politically stage-managed by the Conservative Government. We feel that with not being made an offer of any new money, that we are being singled out for a direct Government and British Steel Corporation attack. It is because of the political intervention that my Executive Council feel that

ASSN.

we should now take the action of involving the private sector in the public battle against the Government attitude".

A They knew that they were going against all the industrial agreements ~~immunities~~ which had been made ~~given~~: because the letter goes on to say: "I recognise the fact that our procedure agreements do

B exist and we do not have a dispute with you, nevertheless these points have been made to our Executive, who have ultimately taken this decision".

That letter was sent ~~out~~ by Mr. Sirs to the independent employers.

C Then on the 28th January Mr. Sirs sent out a general direction to the union branches. "It was apparent, "he said", that the strike was developing into a confrontation between the government and the trade unions. It was also apparent that the continued operation

D of the private sector was not only having the effect of prolonging the trade dispute: but was creating a feeling of injustice within ~~the~~ other trade unions."

~~I need not go further: but~~ There ~~is~~ was further ~~ample~~ evidence, such

E as a statement broadcast on the B.B.C. on the 16th January. The Trade Unions "decided to stop of this business this afternoon" said: ~~They made it quite clear~~ It no doubt that their aim was to force the

F government ~~to~~ intervene. Passage after passage in the newspapers, and on the evidence, show that the action taken against the private sector was in order to bring pressure to bear on the government: so as to make the government alter its policy and increase the payments to the British Steel Corporation - out of the taxpayers' money, I suppose.

G That action taken was ratified, we are told, unanimously by all the 21 members of the Executive Council on the 24th January, which was last Wednesday. This action is timed to

H take place at six o'clock tomorrow morning.

There is evidence of the disastrous effect which this

ASSN.

action will have, not only on all the companies in the private sector, but ~~to~~ on much of British industry itself. The private sector, as I have said, has a turnover - if it continues to work - of £1,500,000,000 a year. The turnover in the private sector is about £30,000,000 a week. If the men are called out in the private sector, all these companies would have to shut down at enormous loss. Not only will they have to shut down, but all the firms which they supply will not be able to carry on with their work. They will not be able to make their steel. British Leyland, who depend on 80 per cent of their supplies from the private sector, will have to shut down much of their works too. Not only that: we will lose trade here in this country, and our competitors abroad will clap their hands in anticipation of being able to send their products into England: because our industry is at a standstill.

In these circumstances, it is not surprising that 16 of the big private steel companies in this country have come to the courts - hoping they can get here in time - to restrain the three principal members of this union (Mr. Sirs, Mr. Bramley and Mr. Makepiece) calling this disastrous strike, which is going to injure British industry so much.

The judge below heard the application yesterday afternoon. He felt that he had to refuse it because of the recent case in the House of Lords of Express Newspapers Ltd. v. McShane (1980) 2 Weekly Law Reports 89. He inferred from that, that the majority of the House held that the test was purely subjective: and that if the trade union leaders honestly believed that what they were doing was in furtherance of a trade dispute, they would have complete immunity: and the courts can do nothing, because they would be exempt from judicial review.

We have gone through that case, and have read the judgments. They are not nearly so clear on the point as some would believe: but I will deal with them as we come to consider the case. But, first, there is a preliminary point to be considered: What was the dispute here? Was it a trade dispute? Section 29 of the Trade Union and Labour Relations Act 1974 defines a "trade dispute". It is quite plain that the dispute between the workers and the employers of the British Steel Corporation was certainly a trade dispute. It was "a dispute between employers and workers ... connected with ... terms and conditions of employment". Beyond all doubt, it was a trade dispute. In regard to any acts done in contemplation or furtherance of that dispute, they were entitled to immunity under section 13 of the 1974 Act.

But was that the only dispute in this case? On the evidence which I have read, it seems to me that there is good ground at least for thinking that, besides that initial dispute, there was a second dispute: not between the union and the private steel companies, because they were all in agreement and were happy working together: but a dispute between the union and the government of this country. I have read enough already to show that the union leaders were complaining of 'political stage management' by the Conservative government. They were engaged 'in a public battle against the government's attitude'. There was 'a confrontation between the union and the government'. All this goes to show that there is evidence that there was a second dispute here: a dispute between the union and the government, in which the union were seeking to bring pressure to bear on the government to make them change their attitude and provide more money, or take other steps in relation to the

British Steel Corporation, so as to bring them to heel.

It seems to me that that second dispute cannot be regarded as a trade dispute within section 29 at all. In so far as the acts done - or the calling out of these workers - was in furtherance of that second dispute, they are entitled to no immunity whatsoever. It is not a trade dispute. It is a dispute between the union and the government.

Then it was suggested by Mr. Melville-Williams that in any event it was in furtherance of that earlier dispute with the British Steel Corporation. That may be a question on the facts. It ~~is hardly a matter of~~ does not depend on a state of mind, or anything of that kind. I must say that it seems to me arguable that this step taken of calling out all the employees in the private sector - stopping all the movement of steel into and out of the country - was taken in furtherance of a dispute with the government. To try and bring the government to heel - and not in furtherance of the original dispute. If that be so, then they are not protected: because they are only protected for acts done in contemplation or furtherance of the original trade dispute.

That is the first part of the case. But I would say at this point that there was only one member of the House of Lords who dealt with the question of remoteness. That was Lord Wilberforce: and he certainly expressed the law as I have always understood it to be. He said at page 94:

"... it is always open to the courts - indeed their duty - with open-ended expressions such as those involving cause, or effect, or remoteness, or in the context of this very Act, connection with" - or, I would add, "in furtherance of" - "to draw a line beyond which the expression ceases to operate. This is simply the common law in action. It does not involve

the judges in cutting down what Parliament has given: it does involve them in interpretation in order to ascertain how far Parliament intended to go".

In the cases which we have had very recently in this court, particularly in Associated Newspapers Group Ltd. v. Wade (1979) Industrial Cases Reports 664, we granted an injunction especially because the act was too remote to be considered in furtherance of it. It is significant that ~~not one of these cases (there were three of them) was~~ the cases were overruled by the House of Lords ~~or~~ nor was it said to be erroneous. I need only repeat what I said in the case of Associated Newspapers v. Wade at page 694: "Some acts are so remote from the trade dispute that they cannot properly be said to be 'in furtherance' of it. When conduct causes direct loss or damage to the employer himself (as by withdrawing labour from him or stopping his supplies) it is plainly 'in furtherance' of the dispute with him. But when trade unions choose not to cause damage or loss to the employer himself, but only to innocent third persons - who are not parties to the dispute - it is very different. The act done may then be so remote from the dispute itself that it cannot reasonably be regarded as being done 'in furtherance' of it" - I cite Breaverbrook Newspapers Ltd. v. Keys (1978) Industrial Cases Reports 582; ~~Express Newspapers Ltd. v. McShane (1979) Industrial Cases Reports 210~~ and United Biscuits (U.K.) Ltd. v. Fall (1979) Industrial Relations Law Reports 110 - "Thus when strikers choose to picket, not their employers' premises, but the premises of innocent third persons not parties to the dispute - it is unlawful. 'Secondary picketing' it is called. It is unlawful at common law and is so remote from the dispute that there is no immunity in regard to it".

~~As I say~~, The House did not say that ~~any of those~~ cases ~~were~~ wrongly decided.

A ~~Departing~~ From that ~~for the moment~~, it seems to me, as I have said, that it is arguable in this case that there is no immunity for these acts done in calling out the private sector, because those acts were done in furtherance of the dispute with

B the government. It was not a trade dispute at all. It is arguable that they were not done in furtherance of the original trade dispute with the British Steel Corporation.

C ~~Having said~~ It is arguable, ~~that brings~~ me to the other point in this case ~~which~~ ~~is raised by~~ the amended section 17 of the statute, which is in the Schedule to the Employment Protection Act 1975. That section says, in respect to an interlocutory

D injunction, that "the court shall, in exercising its discretion whether or not to grant the injunction, have regard to the likelihood of that party's succeeding at the trial of the action". That section was much considered by the House of Lords

E in two recent cases - N.W.L. Ltd. v. Woods (1979) Industrial Cases Reports 867; and the recent case of Express Newspapers Ltd. v. McShane (1980) 2 WLR 89. It is very interesting to see how the House of Lords have been dealing

F with section 17. They point out that it does not mean that the likelihood of success is to be the paramount or sole consideration in granting or refusing an injunction: there are other

G matters to be considered. In particular, damage to the employers or to the public, or even to the nation can be considered in considering whether to grant or refuse an injunction. Although he put it in the form of a double negative, I would quote what

H Lord Diplock said (removing the double negative and putting it into the affirmative) in N.W.L. v. Woods at page 881:

"... there may be cases where the consequences to the employer or to third parties or the public and perhaps the nation itself, may be so disastrous that the injunction ought to be granted, unless there is a high degree of probability that the defence will succeed".

Then Lord Fraser speaks to the same effect at page 883. He said that the likelihood is not to be regarded as overriding or of paramount importance. And Lord Scarman, on that point, said at page 890:

"... I do not rule out the possibility that the consequences to the plaintiff (or others) may be so serious that the court feels it necessary to grant the injunction; for the subsection does leave a residual discretion with the court".

That seems to me to be the view of the majority of the House in the case of N.W.L. v. Woods. It was taken up by Lord Scarman in particular in the McShane case. It had not been raised by counsel in the court, but he thought it so important that he brought it up himself. He referred to that passage, which I have quoted, ~~by~~ from Lord Diplock, and went on to say (page 105):

"... in a case where action alleged to be in contemplation or furtherance of a trade dispute endangers the nation" or puts at risk such fundamental rights as the right of the public to be informed and the freedom of the press, it could well be a proper exercise of the court's discretion to restrain the industrial action pending trial of the action. It would, of course, depend upon the circumstances of the case: but the law does not preclude the possibility of the court exercising its discretion in that way".

– that is the point here & endangers the nation' "

Those passages which I have read from the judgments of the House of Lords do show that there is a residual discretion in

the courts to grant an injunction restraining such action as in this case, where it is such as to cause grave danger to the economy and the life of the country, and puts the whole nation and its welfare at risk. In those circumstances, the courts have a residual discretion to grant an injunction: unless it is clear - or in the highest degree probable - that there is a defence which is likely to succeed.

I have said enough in this case to show that there is a very good ground for argument that the so-called defence - the immunity - is not likely to succeed. To call out these private steel workers, who have no dispute at all with their employers, would have such a disastrous effect on the economy and well-being of the country that it seems to me only right that the court should grant an injunction to stop these people being called out tomorrow morning: to stop all this picketing: and to stop all these people who are preventing the movement of steel up and down the country.

It seems to me that this is a case where, in our residual discretion, we should grant the injunction in the terms asked. I would allow the appeal.

Reid
Dem

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PS/Secretary of State for Industry

25 January 1980

Tim Lankester Esq
Private Secretary to the Prime
Minister
10 Downing Street
LONDON SW1

Prime Minister.

The steel supplies picture is rather more cheerful than before.

AMH
25.1.80

Dear Tim,

... I attach a copy of the 7th report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this letter to the Private Secretaries to members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

Yours ever,
Pete

PETER STREDDER
Private Secretary

7th REPORT OF INTERDEPARTMENTAL CONTINGENCY GROUP

This Report summarises the position on 25 January.

Industrial Relations

2 The prospects for ending the strike seem again to have receded. Private meetings between BSC and the ISTC and NUB have failed to break the deadlock. However, the Corporation are to resume negotiations with the TGWU, GMW and NCCC unions collectively on Sunday 27 January. A successful conclusion ought to put the two steel unions under pressure.

3 The ISTC confirmed yesterday their decision to extend strike action to the private sector steel producers from this weekend, and it still seems probable that most ISTC members will feel obliged to follow the instruction. The effect of this would be to severely curtail the main private sector steel production activities.

3 Sixteen firms in the private sector, led by BISPA, have today sought an injunction requiring Mr Sirs and other ISTC members to "withdraw their politically-motivated strike call and their inducement to other parties to interfere with private producers' operations." If today's hearing does not grant an injunction, the companies are likely to appeal. It would remain to be seen how far union members on the ground would accept the results of any judgment in BISPA's favour.

4 The wider one-day strike organised by the Wales TUC in protest against the BSC's demanning plans will go ahead on Monday 28 January and the threat remains of a longer stoppage starting on (but not, it seems, before) 10 March.

Steel Supplies

5 The general picture appears slightly brighter than had been forecast earlier this month. Whereas at the start of the strike there were signs that some steel-users might begin to get into difficulties within a month, it now looks as if many firms will be able to get through most of February without serious effects, though with one or two important exceptions. This assessment reflects the fact that picketing seems to have had limited practical effect and that many supplies continue to cross the picket lines, in particular from stockholders. There are some signs that picketing may be getting perfunctory. Evidence from the CBI supports the view that steel supplies and users' production is holding up well, and that most companies have stocks on the premises to sustain continued production for 3-5 weeks.

6 One example of a slightly improved position is at BL, who are now likely to be able to continue full production of cars until mid-February and commercial vehicles until late February. Metal Box has now managed to make some deliveries from their Neath factory to other tinplate can producing plants in the Group, which is now expected to produce at 65% of normal this week, compared with the earlier forecast of 50%. There continues to be no immediate cause for concern over stocks of tinned food.

7 The survey by the Business Statistics Office shows that industrial production was 97% of normal in the week ending 19 January and is likely to be 96% this week; when account is taken of the effect on the national picture of BSC's non-production, this implies near-normal economic activity.

Public Attitudes to the Strike

8 This remains very difficult to gauge. The CBI has indicated that it remains keen that the Government should not intervene. There is less coverage of the strike in the media. The BSC is finding it difficult to assess the attitude of any significant groundswell of anti-strike opinion developing, even in particular localities. BSC consider that if this were the case they would have been picking this up through local management contacts in the community.

Department of Industry
25 January 1980

✓ MAP. Nat. Ind. ✓ MS

DEPARTMENT OF TRANSPORT
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CONFIDENTIAL

Nick Sanders Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON SW1

25 January 1980

Dear Nick

As I told you over the phone our Driver and Vehicle Licensing Centre at Swansea will almost certainly be affected by the one day strike which the Welsh TUC have called on 28 January.

I understand that the main Civil Service unions (CPSA, SCPS and CSU) have recommended their members to support the strike. We think it likely that many of our people employed at DVLC will respond. Others may not be able to get to work. There may be little work for those who do go in if Post Office staff in Swansea also respond to the strike call, and there are no postal deliveries.

We do not expect that a one day disruption of operations will materially affect the service to the public.

I am sending copies of this letter to Ian Ellison at Industry, Ian Fair at Employment, Geoffrey Green at Civil Service Department, Richard Prescott at the Paymaster General's Office and David Wright, Cabinet Office.

Yours ever

Barbara

MRS B E RIDDELL
Private Secretary

CONFIDENTIAL

Mr. Whitmore

MR. LANKESTER

Steel Dispute

This note records points I gleaned from my lunch with Keith Harper, Labour Editor, The Guardian. Mr. Harper succeeded me on that newspaper and is a personal and frank friend. This information should therefore be protected.

First of all, he had the clear impression that the Government had selected steel for a showdown. I vehemently rejected this notion so far as the Prime Minister was concerned. I said that my impression was that the Government, the unions and BSC had not wanted the strike.

Mr. Harper told me:

(i) BSC's relations with the press were abysmal; he had evidence where they had entirely contradicted themselves overnight. (I had prior evidence from other journalists that a) they could not get hold of a press officer after 5.30 p.m. and when they did get them at home, were not welcome; and b) an official of the Labour and Industrial Correspondents' Group is keeping a record of BSC's failures);

(ii) he sat next to Grieve, BSC Personnel Director, at a lunch who expressed surprise (and protested that no such arrangements had been made) that Scholey was to see the unions later in the day (at a meeting which Grieve attended); this raised doubts about BSC's management, even taking into account the problems of communication in large organisations;

(iii) Bill Sirs was being fed information by BSC officials who were sympathetic to him; this gave him an enormous advantage in negotiations - Mr. Harper instanced the productivity argument as a case in point. (N.B. This is very sensitive).

(iv) He confirmed that Mr. Sirs had not wanted a strike and was very worried about its progress.

(v) The TUC moderate group were very concerned lest the country slid into a general strike and would want to get something out of their meeting with the Chancellor and other Ministers; they were fairly desperate to establish a dialogue with the Government. (In response, I said that no one slid into a general strike; it required a positive decision and trade unions had some responsibility for their own actions in this world. I added that a dialogue was one thing; negotiations were another and unfortunately the Government, whatever its colour, found it impossible simply to discuss matters with unions).

(vi) He agreed that the general level of trade union leadership, including Murray, was indifferent to poor; no one ever knew what Basnett was talking about and he had no follow through; Murray had no charisma and was not a leader.

(vii) He was not surprised the unions cut an unimpressive figure at the NEDC, which the Prime Minister chaired.

(viii) There was evidence that the trade unions were increasingly drawing attention to the Government's pro-South orientation to the detriment of the North; he said leaders of the footwear and hosiery workers' unions had separately made this point to him this week. (N.B. - If this is so, we need to get the Prime Minister out and about in Britain).

(ix) Returning to steel, he said that Scholey ("Black Bob"), while knowing the industry, was autocratic and difficult. I took the opportunity afforded by Mr. Harper, who said Mr. Scholey wanted to be Chairman but did not expect to be, of asking what would be the effect on trade unions of his being Chairman. He was taken aback by the idea and felt that while it would be welcomed as an appointment from within the industry, it would not necessarily make much difference. I got no answer to a follow up question as to what union attitudes would be if they felt they had to deal with Mr. Scholey for a number of years.

B. INGHAM

25 January, 1980

JU

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PS/Secretary of State for Industry

25 January 1980

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Prime Minister

No progress - and some bad news about BSC's financial position (see minute attached).

Dear Tim,

We have had reports on today's pay negotiations between BSC and the ISTC and NUB from both Mr Bob Scholey and Mr Bill Sirs.

R
25/1

Mr Sirs reported that, at this morning's meeting, BSC offered 8% against a central agreement with strings that he considered still to be quite onerous, plus 4% lump sum bonus schemes including a lead-in payment in the first quarter of 1980. BSC had indicated the possibility of a "little more" being available should this be needed to conclude an agreement to bring the offer up to the 2% "free money" (against consolidation) plus 7% against the central agreement plus 4%. The Managing Directors of Scottish Division and the Tinplate Division attended to give details of how the lump sum bonus payments could reach appreciably above 4% (7% in the case of Scotland and perhaps up to 7% or 8% in the case of South Wales).

Mr Hector Smith continued to insist on 20% without strings. Mr Sirs had indicated that he might be prepared to accept 9% without strings plus 4% against lump sum bonus schemes. The meeting broke up on that point. Mr Sirs said that he would be available for talks on Tuesday or Wednesday if the BSC were "in a position to make an improved offer". Mr Scholey's account of the meeting was similar except that he insisted that the ISTC gave no indication of the terms they might accept.

BSC are to meet the other three unions (TGWU, GMWU and NCCC) on Sunday. BSC hope that they might reach an agreement which will bring pressure to settle on Mr Sirs. According to Mr Scholey, Mr Sirs expressed himself unmoved by that prospect.

Yours sincerely,
Peter Stredder

PETER STREDDER
Private Secretary

25 JAN 1980

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PS/ *Secretary of State for Industry*

25 January 1980

Must discuss with Kent

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Dear Tim,

A critical situation is looming in connection with BSC finances in 1979/80 and 1980/81. The Department monitors BSC finances and the most recent estimates we received from BSC were prepared early in December. These forecast losses of a little over £300 million for 1979/80 but with BSC still keeping within the external financing requirement of £700 million. For 1980/81, BSC forecast a profit of £45 million after depreciation, interest and a contingency allowance of £110 million but with downside risks of £210 million. A cash requirement of £500 million was to be met by external financing of £450 million plus £50 million from disposals, stocks etc. These figures were presented to the BSC Board in December.

Since December, the part-time businessmen Members of the BSC Board have become increasingly concerned about the credibility of these estimates, particularly those for 1980/81. They asked for the views of BSC's auditors. We shared these doubts and my Secretary of State told the Chairman on 20 December that he proposed to introduce, as from March 1980, much more stringent monthly monitoring of BSC's use of cash. Sir Charles has not yet replied to this letter.

Following these developments, BSC executives have reviewed the estimates with their auditors. The results were presented to the newly constituted BSC Finance Committee, of which Mr Gross is a member, yesterday evening. The revised estimates forecast a loss of £402 million and a cash requirement of £~~884~~ 864 million in 1979/80 assuming a 4-week strike or a loss of £427 million and a cash requirement of £888 million if the strike lasts 8 weeks. The external financing requirement this year is £700 million and the difference can be covered either by seeking more money from Government or by deferring March payments into the 1980/81 financial year (which would, of course, worsen the position then).

For 1980/81, the revised estimates (after allowing for the proposed closures at the planned dates) show a loss of £285 million, and a cash requirement of £715 million, ie an excess of £265 million over the external financing limit of £450 million, plus any spill over from 1979/80. The strike and its aftermath explain perhaps a

/third ...

third of the difference between the December and the January estimates. Most of the balance is accounted for by the auditors' conclusion that the December "downside risks" should really be part of the central estimate.

In essence, the Finance Committee, including the Chairman, concluded yesterday that BSC were faced with a cash deficit of between £300 and £500 million between now and 31 March 1981 over and above the present external financing limits. (Sir John Buckley considers the deficit could easily be a good deal more.) BSC therefore seem likely to make losses in 1980/81 of about the same order as in recent years despite all the closures and other productivity improvements of which we have been told.

The Chairman told the Committee that this cash deficit could be met in four ways:

(a) reductions in stocks

(b) reductions in capital investment;

(c) disposals of assets, including mainline assets;

(d) the creation of a "closure account";

(e) reductions in the interest burden.

Mr Gross said that the Government would not oppose (a), (b) or (c) and there might be opportunity for a minor reduction in (e) through earlier redemption of overseas loans against more Government money - which would involve no net increase in the external financing limit. However, on present instructions, (d) was not a starter if it involved an increase in the limit.

Other Members noted that, while disposal of assets in 1980/81 was a credible cash source for say £50-150 million, disposals did not constitute a reasonable expectation of raising cash of the order of £300-£500 million, since disposal of mainline assets of the kind suggested by the Chairman (Tubes Division, Stainless Steel, Tinplate and Cumbria) could prove difficult, particularly if prospective purchasers were repelled by the employment terms and conditions of the BSC workforce. Accordingly, the question would arise whether, if the Board accepted the revised estimates, the Corporation could properly go on accepting new liabilities on a "going concern" basis, without an assurance of additional financial support from Government.

In practice the Government has no option but to back the debts of the Corporation. But my Secretary of State envisaged last summer that, if BSC failed to meet the 1980/81 financial target of breakeven which he then set them (itself a less onerous target

/than ...

than the Board had set itself, with the previous Government's support, in April 1978), drastic remedial action would be needed. My Secretary of State has not yet had time to consider the detailed implications of this drastic alteration in BSC's circumstances. He thought the Prime Minister should know at once. He intends to give urgent consideration to radical changes at the top of BSC.

Timing will be important. The Department is aware of the new estimates only through Mr Gross's membership of the Finance Committee and has not yet officially received them. The estimates have still to be approved by the BSC Board, which is meeting on Thursday 31 January. The two Government Directors consider that some of the detailed figures are open to challenge and may be a shade pessimistic in some areas but do not dispute their general validity. My Secretary of State clearly cannot act before Sir Charles Villiers has reported to him the outcome of the Board meeting on 31 January. Equally, drastic changes will be difficult while the strike is still on. On the other hand, the Government may well need to act, or at least be ready to do so, before 13 February, when Sir Charles Villiers is due to appear before the Select Committee on Industry and Trade. He will not be able to parry questions on financial estimates if the revised figures are approved by the Board.

In view of the sensitivity of this information, I am copying this letter only to Martin Hall (Treasury), Ian Fair (Employment) and to David Wright.

Yours ever

Ian

IAN ELLISON
Private Secretary

CONFIDENTIAL

cc: Mr. Whitmore
Mr. Wolfson
Mr Hoskyns

PRIME MINISTER

Scholey to PM

25/1

STEEL - SITUATION REPORT

As you know, the craftsmen, the TGWU and the GMWU had discussions with BSC at ACAS yesterday afternoon; and they have agreed to sit down for negotiations with BSC at 12 noon on Sunday.

As you also know, the ISTC and NUB Executives decided to bring out their members at the private steel works as from 0600 on Sunday.

ACAS were still trying yesterday to get Bill Sirs and Hector Smith in for talks along with BSC. But both Sirs and Smith continued to refuse.

It seemed last evening that the further private talks which had been envisaged after Wednesday's private meeting might be jeopardised by the ISTC and NUB Executive decision on the private steel workers. BSC were unable to reach Sirs, and thought that he was avoiding them. In fact, he was not; but was unwilling to get in touch with BSC himself. Solly Gross finally got in touch with Sirs late last night; established that he was willing to continue with the private talks; and then told Scholey. Scholey and Sirs finally agreed (at around midnight) to a further so-called private meeting at 1030 this morning - I say 'so-called' because it has now been reported that the meeting is taking place apparently with both their agreement.

BSC obviously hope that Sirs and Smith will agree to a resumption of formal negotiations on Sunday along with the other unions. Solly thinks it is unlikely they will be willing to sit down with the other unions, but he thinks there is a chance that they will agree to a separate meeting - notwithstanding the fact that the private steel workers are due to come out that day. Solly believes that the decision of the other unions to meet may put pressure on Sirs and Smith to agree to meet also. He also says that, if Sirs were to get what he wants in the talks today, he could probably call off the private steel workers strike without going back to his Executive.

25 January 1980

CONFIDENTIAL

Have we pps? Possibly not, so short search only refuse

T/L to see

MAP 28/1

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

24 January 1980

Dear Sir Leonard

Thank you for your letter of 18 January about picketing during the present steel dispute.

In the circumstances I think the most helpful thing I can do is to send you the enclosed copy of some remarks I made recently at Carlisle, which received a good deal of attention in the press but which you may not have seen, about the role of the police in relation to picketing. You will see that I made clear what the police can and cannot properly be expected to do about picketing. In brief, they are responsible for enforcing the criminal law and maintaining order, no more and no less. They are not responsible for enforcing the civil law (the Employment Bill, of course, alters the civil not the criminal law). I also emphasised that, if those who wish to go to work are prevented from doing so by pickets obstructing the public highway, then it is the duty of the police to uphold the criminal law and so enable such people to go to their place of work.

I am, as I said at Carlisle, being kept regularly informed of the implications of current picketing for the police. Contrary to the impression you seem to have gained from the media, my information is that the police are in no way failing in their duty to enforce the criminal law and to maintain order. If you have any evidence of any specific case in which this is alleged to have happened, I would urge you to draw it to the attention of the Chief Constable of the force concerned.

Moreover, if you have evidence generally to support the impression you have formed, you might wish to bring it with you

Sir Leonard Neal C.B.E.

/and .....

and discuss it with me. I am bound to say that the detailed and regular information which reaches me from all the areas chiefly affected (not to mention the evidence of prosecutions which have been brought and of continued steel movements) suggests the picture you have been given is quite mistaken, and unfair.

I am copying this reply to the Prime Minister.

Yours ever

Margaret Thatcher

Home Office

NEWS RELEASE

50 Queen Anne's Gate London SW1H 9AT
Telephone 01-213 3030/4050/5050

213 3000 (Night line)

EMBARGO: NOT FOR RELEASE BEFORE 7.30 PM, FRIDAY, JANUARY 11, 1980

January 11, 1980

PICKETING: HOME SECRETARY'S CONFIDENCE IN POLICE CAPACITY TO ENFORCE CRIMINAL LAW

In an address to Carlisle Magistrates tonight, the Home Secretary spoke of the role of the police in preserving order in the context of industrial disputes. He said: "The independence of the judiciary and the magistracy in the exercise of their powers is one of the cornerstones of our system. It finds a parallel in the unique arrangements for policing which as a nation we have devised, I believe with signal success, in the last century and a half. The shared responsibilities in this field of the Home Secretary, the local police authorities, and the chief officers of police, have given us a police service which is independent of political control yet accountable for its efficiency and integrity to the local communities which each force serves, and which accepts central support and guidance without enduring central direction and control.

"I think it right to place particular emphasis today on the neutrality and independence of chief officers of police and their forces because of the sensitive task which some of them have to face in dealing with strikes and picketing. Today, some forces are having to cope with the situation created by the steel industry dispute. Their task of preserving public order and upholding the criminal law while retaining the confidence of all sections of the community is especially difficult to discharge in a situation such as this.

"The best help we can all give is to be clear about what they can, and also what they cannot and should not, be expected to do in the context of industrial disputes.

"First, the police have a duty to preserve order, to prevent the criminal law being broken, and to deal with those who do break it. The criminal law affects picketing, however, only where behaviour in itself

criminal, such as unlawful intimidation, or obstruction of the public highway, or breaches of the peace, may occur. If an offence such as obstruction, or intimidation amounting to a criminal act, takes place - and there can be no justification or excuse for such behaviour - the police have a duty which I know they fully accept to deal with it. It is for Governments, through Parliament, to establish the framework of the criminal law; it is for the police to enforce it.

"Second, the police are not there to serve the interests of one side or another, or to act to enforce claims or complaints by one or another party to a dispute. These are matters which have to be dealt with through the civil law.

"Third, it is not in general the concern of the police to say who may or who may not picket, or where. However, when public order may be threatened, for example by excessive numbers, or where criminal acts including obstruction are suspected, the police may then have a proper concern with the numbers and behaviour of pickets. If those who wish to go to work are prevented from doing so by pickets obstructing the public highway, then the duty of the police to uphold the criminal law and so enable such people to go to their place of work is clear.

"I know that Chief Constables are determined to discharge their responsibilities for enforcing the criminal law and maintaining public order impartially and effectively. I have every confidence in their capacity to do so, and naturally they have my full support in this task. I am, of course, kept informed about the situation".

(Note: The Home Secretary was speaking at the Carlisle Bench Forum annual dinner held at Shepherd's Inn, Carlisle.)

25 JAN 1980
25 JAN 1980

CONFIDENTIAL

MR LANKESTER

STEEL STRIKE: BSC TALKS WITH ISTC AND NUB

Following some needless coyness on each side, Messrs Scholey, Greaves, Sirs and Hector Smith have now agreed to meet for negotiations at 10.30 tomorrow (Friday) at the Industrial Society, Carlton Terrace.

S J GROSS
Iron & Steel Division
Department of Industry

24 January 1980

cc:- Employment
Industry

CONFIDENTIAL

IN THE HIGH COURT OF JUSTICE 1980 D. No. 222

QUEEN'S BENCH DIVISION

B E T W E E N

(1) DUPORT STEELS LIMITED
(2) DUCTILE STEELS LIMITED
(3) BRITISH ROLLING MILLS LIMITED
(4) BRYMBO STEEL WORKS LIMITED
(5) GLYNWED STEELS LIMITED
(6) SHEERNESS STEEL COMPANY LIMITED
(7) GKN (SOUTH WALES) LIMITED
(8) GKN WIRE PRODUCTS LIMITED
(9) GKN REINFORCEMENTS LIMITED
(10) FIRTH BROWN LIMITED
(11) LEE STEEL STRIP LIMITED
(12) HADFIELDS LIMITED
(13) OSBORN STEELS LIMITED
(14) OSBORN STEEL EXTRUSION LIMITED
(15) EDGAR ALLEN BALFOUR STEELS LIMITED
(16) WILLIAM OXLEY & CO.LIMITED Plaintiffs

and

(1) WILLIAM SIRS
(2) LESLIE BRAMLEY
(3) E MAKEPIECE

On their own behalf and on behalf of all members of the Executive Council of The Iron and Steel Trades Confederation Defendants

ELIZABETH THE SECOND by the Grace of God, of the United Kingdom of Great Britain and Northern Ireland and of Our other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

WILLIAM SIRS
LESLIE BRAMLEY
E. MAKEPIECE On their own behalf and on Behalf of all members of the Executive Council of the Iron and Steel Trades Confederation

all of Swinton House, 324 Gray's Inn Road, London W.C.1.

WE COMMAND YOU that within 14 days after the service of this Writ on you, inclusive of the day of serve, you do cause an appearance to be entered for you in an action at the suit of

DUPORT STEELS LIMITED
DUCTILE STEELS LIMITED
BRITISH ROLLING MILLS LIMITED

DIRECTIONS FOR ENTERING APPEARANCE

BRYMBO STEEL WORKS LIMITED
GLYNWED STEELS LIMITED
SHEERNESS STEEL COMPANY LIMITED
GKN (SOUTH WALES) LIMITED
GKN WIRE PRODUCTS LIMITED
GKN REINFORCEMENTS LIMITED
FIRTH BROWN LIMITED
LEE STEEL STRIP LIMITED
HADFIELDS LIMITED
OSBORN STEELS LIMITED
OSBORN STEEL EXTRUSION LIMITED
EDGAR ALLEN BALFOUR STEELS LIMITED
WILLIAM OXLEY & CO.LIMITED

and take notice that in default of your so doing, the Plaintiffsmay proceed therein, and judgment may be given in your absence.

Witness QUINTIN McGAREL BARON HAILSHAM OF ST.MARYLEBONE

the 24 day of January 1980

Note: This Writ may not be served later than 12 calendar months beginning with the above date unless renewed by order of the Court.

DIRECTIONS FOR ENTERING APPEARANCE.

The Defendant may enter an appearance in person or by a Solicitor either (1) by handing in the appropriate forms, duly completed, at the Central office, Royal Courts of Justice, Strand, London WC2A 2LL or (2) by sending them to that office by post. The appropriate forms may be obtained by sending a postal order for 14p. with an addressed envelope, foolscap size, to the Clerk of Accounts, Vote Office, Royal Courts of Justice, Strand, London WC2A 2LL.

THE PLAINTIFFS' CLAIM is for:-

1. An injunction restraining the Defendants and each of them, by themselves, their officers, servants or agents or otherwise, from instructing members of the Iron and Steel Trades Confederation to break their contracts of employment with the Plaintiffs or any of them or from inducing or procuring such members to break their said contracts of employment by striking or interfering with the supply or delivery of steel or steel products to, from or on behalf of the Plaintiffs or any of them or by taking any other industrial action.

Yes

2. An injunction restraining the Defendants and each of them, by themselves, their officers, servants or agents or otherwise, from interfering with the business of the Plaintiffs of any of them by instructing

Yes

or inducing or procuring members of the Iron and Steel Trades Confederation to break their contracts of employment with the Plaintiffs or any of them by striking or interfering with the supply or delivery of steel or steel products to, from or on behalf of the Plaintiffs or any of them or by taking any other industrial action.

3. An injunction restraining the Defendants and each of them, by themselves, their officers, servants or agents or otherwise, from instructing members of the Iron and Steel Trades Confederation to interfere with the business of the Plaintiffs or any of them by picketing at or adjacent to the premises of the Plaintiffs or any of them. No

4. An injunction ordering the Defendants and each of them to withdraw and revoke any instruction or advice to members of the Iron and Steel Trades Confederation to engage in any strike [~~or picketing~~] or to interfere with the supply or delivery of steel or steel products to, from or on behalf of the Plaintiffs or any of them or to take any other industrial action in breach of their contracts of employment or in any way that would interfere with the business of the Plaintiffs or any of them. Yes

5. Damages.

6. Further or other relief.

7. Costs

This Writ was issued by Allen & Overy of 9 Cheapside, London EC2V 6AD, Solicitors for the said Plaintiffs whose registered

offices are respectively situated as follows:

(1) DUPORT STEELS LIMITED, Tipton Road, Tividale, Warley, West Midlands.

(2) DUCTILE STEELS LIMITED, Planetary Road, Willeshall, Staffordshire.

(3) BRITISH ROLLING MILLS LIMITED, Brymill Steel Works, P.O. Box No.10, Tipton, West Midlands.

(4) BRYMBO STEEL WORKS LIMITED, Brymbo, Nr.Wrexham.

(5) GLYNWED STEELS LIMITED, Headland House, New Coventry Road, Sheldon, Birmingham.

(6) SHEERNESS STEEL COMPANY LIMITED, Sheerness, Kent.

(7) GKN (SOUTH WALES) LIMITED, P.O. Box 40, Castle Works, Cardiff.

(8) GKN WIRE PRODUCTS LIMITED, P.O. Box 40, Castle Works, Cardiff.

(9) GKN REINFORCEMENTS LIMITED, P.O. Box 40, Castle Works, Cardiff.

(10) FIRTH BROWN LIMITED, Atlas Works, Savile Street, Sheffield.

(11) LEE STEEL STRIP LIMITED, Trubrite Steelworks, Meadow Hall, Sheffield.

(12) HADFIELDS LIMITED, East Heckla Works, Vulcan Road, Sheffield.

(13) OSBORN STEELS LIMITED, Nether Lane, Ecclesfield, Near Sheffield.

(14) OSBORN STEEL EXTRUSION LIMITED, Nether Lane, Ecclesfield, Near Sheffield.

(15) EDGAR ALLEN BALFOUR STEELS LIMITED, Nether Lane, Ecclesfield, Near Sheffield.

(16) WILLIAM OXLEY & CO.LIMITED, Nether Lane, Ecclesfield, Near Sheffield.

Indorsement as to service

This Writ was served by me at

on the Defendant

on , the day of 19

Indorsed the day of 19

(Signed)

(Address)

Nat Inds.

PRIME MINISTER

Seen by the P.M.
24.1

cc Mr Wolfson
Mr Ingham
Mr Lankester

Steel Strike: Last Night's Talks

Mr. Gross has just telephoned to say that he has now managed to get Mr. Sirs' version of last night's talks between the BSC and the unions, and this provides a less optimistic view of matters than Mr. Scholey's report. Mr. Sirs gave Mr. Gross no indication at all that he had tentatively accepted the terms of a draft central agreement, as Mr. Scholey thought he had. Nor did he mention any figures. On the contrary, he said that BSC were still being excessively awkward. He was not hopeful, but nonetheless he was prepared to carry on, and had therefore agreed that publicly known negotiations should resume.

Mr. Gross believes that Mr. Sirs is a shrewder negotiator than Mr. Scholey and may well have used yesterday's talks to ratchet-up the BSC's offer. Mr. Gross also thinks that Mr. Sirs might have been ready to agree to the resumption of negotiations to give himself a pretext for postponing calling out the private sector workers on strike.

24 January 1980

CONFIDENTIAL

Prime Minister 2.

23/1/80

MR. LANKESTER

MT.

STEEL STRIKE: TONIGHT'S TALKS

Mr. Scholey reports that tonight's secret talks between BSC, Mr. Sirs and Mr. Hector Smith went better than he had expected. After much discussion, Mr. Sirs appeared to accept the terms of a draft central agreement with productivity elements. In return, BSC offered 2% for consolidation, plus 7% against the agreement, plus 4% for local lump sum bonus schemes on same terms as previously, though minor variation may need to be agreed later. The union leaders considered these terms sufficiently promising for them to seek tomorrow authority from their joint executives to hold publicly-known talks on Friday between the same four as this evening. If those talks resulted in a provisional agreement, Mr. Sirs would recommend the terms to a meeting of the negotiating committee as soon as possible thereafter, ie on Saturday or early next week. Meanwhile, ACAS will be held in reserve.

S.J. Gross
Iron and Steel Division,
Department of Industry.

23 January 1980

Copied to: Private Secretary to Secretary of State for Industry
" " Secretary of State for Employment

CONFIDENTIAL

Original returned to P. Rock

Patrick Rock

10 DOWNING STREET

Prime Minister

STEEL STRIKE

Thankyou note!

I had a conversation with Tony Rudd of Rowe Rudd & Co. about the steel strike. He made the point that US steel stocks have risen sharply in price in the last week or so. This is because people are expecting an increase in demand for steel arising out of new rearmament programmes, caused, among other things, by the Afghanistan crisis. It may well be, therefore, that we can expect to need more steel capacity than we thought even a month ago. This might be a justification, if one was needed, for showing some flexibility over the steel workers' pay claim and over the timetable for steel works closures.

- Note. Partially as Clarence are being kept partly in mothballs so that they can be run up to full capacity again.

Patrick

24 January 1980

Patrick Rock

We just don't need that capacity now.

cc: The Rt. Hon. Sir Keith Joseph, Bt. MP.
The Hon. Adam Butler, MP.
John Hoskins, Esq.
Norman Strauss, Esq.
Andrew Duguid, Esq.

cc Ind VB

C.F. to note and keep?

NAT IND.

23 January 1980

Dear Mr. Norton

Thank you for your letter of 16 January offering the services of your group to run the British Steel Corporation.

You will know of my concern not to intervene in the management of BSC; but in any case I think it would be inappropriate to consider making major management changes in the middle of a serious industrial dispute.

As it happens, the present Chairman's contract expires in September, and the new Chairman, when appointed, will no doubt wish to consider himself how the Corporation can best be managed.

I am very glad that your company have been able to continue to work normally despite the secondary picketing which you have experienced. I am of course equally concerned about the efforts which are now being made to involve private sector steel workers in the BSC dispute: I can only hope that they will recognise that it is not in their own interests, or in the country's, to become involved.

Yours sincerely

MT

Derek Norton, Esq.

jfh

MR WHITMORE

Prime Minister

AMW
23.

cc Mr. Wolfson
Mr. Lankester

Mr. Rowlands of Lonhro rang at 1115 a.m. about his Company's subsidiary in Sheffield, Hadfields.

Mr. Rowlands wanted the Prime Minister to know that Lonhro were not prepared to subsidise their steel makers in Sheffield (Hadfields employ 4,000) and Newcastle with funds from elsewhere in the Company.

(3000)

Lonhro, he said, have been in touch with Sir Charles Villiers recently about the possibility of their taking over certain BSC plants in the Sheffield area and he claims that arrangements to this end would be welcomed on all sides.

The workforce at Hadfields are, he reported, determined to keep going to the last and the Company therefore propose to continue operating until midnight on Saturday. The workforce had asked the Company to arrange trains to bring them to London on Sunday to demonstrate in support of their wish to keep operating if necessary. Lonhro would have to close down Newcastle as well as Sheffield if the private sector workers were called out from next week.

But I now learn that he has spoken to Sir Keith's office. They will advise.

Mr. Rowlands therefore wished the Prime Minister to press Bill Sirs not to call out the private sector for a week or two while attempts to settle the steel strike continued. He was not interested in approaching Sir Keith Joseph's office with this message: he took the view that he quite understood Mr. Sirs' reaction to Sir Keith Joseph's role in the steel strike.

I told Mr. Rowlands that there was no prospect of any further contact between the Prime Minister and Mr. Sirs, given the outcome of Monday's meetings, where the Prime Minister had told BSC and the union side to get back to serious negotiation. But I undertook to report what he had said.

Mr. Rowland can be reached on 606 9898.

MAP

23 January 1980

1.

PRIME MINISTER

STEEL DISPUTE

Solly Gross telephoned this evening to relay a gloomy report from Scholey on his meeting this afternoon with Sirs.

The meeting was almost totally sterile. It lasted for about three hours and the two of them talked round and round the situation, going right back to the 1976 Agreement.

Sirs kept asking for an increase of 20 per cent. He was prepared to consider not unfavourably some of the individual elements which might eventually go into a comprehensive agreement between the two sides, but Scholey felt that he might shy off if all those elements were set down together on one sheet of paper at this stage.

Scholey decided not to offer 13 per cent because he thought that to do so would lead to a prompt breach of the talks. His assessment is that Sirs is in difficulties both with his own militants and over what to do about the private sector. He does not know how to move and so he is sticking to a claim of 20 per cent.

Scholey asked Sirs where he thought they would go from here if there was no agreement between them and raised with him the possibilities of using ACAS or some other form of mediation or arbitration. Sirs replied that he had no objection to continuing to meet ACAS but he rejected other forms of arbitration or mediation. (BSC are in fact seeing ACAS at 0830 tomorrow morning),

Despite the lack of progress today, Scholey and Sirs agreed to resume their talks, still in secret, at 1800 tomorrow at the same place when they will attempt to get down to more detailed negotiations.

FRW.

22 January 1980

cc: Mr. Wolfson
Mr. Ingham
Mr. Lankester

cc A. Duguid

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

PS/Secretary of State for Industry

22 January 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Prime Minister

Dear Tim,

... I attach a copy of the Sixth Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this letter to the Private Secretaries to the members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

Yours ever,
Pete.

PETER STREDDER
Private Secretary

STEEL STRIKE : 6th REPORT OF INTERDEPARTMENTAL CONTINGENCY GROUP

This Report summarises the position on 22 January.

General

The prospects for ending the strike fairly soon depend initially on further meetings between ACAS and each side in the dispute, following the recent separate meetings between Ministers and unions and BSC management. As Ministers have recognised in their public comments, even if further talks can be arranged, the process seems likely to take several days at least. BSC are still some way apart from the union leaders, who in turn may be readier to settle than some members of their executives.

2 As earlier reported, steel supplies remain adequate to prevent major disruption to user industries until early to mid-February even if the private steelmakers are brought into the strike. Some topping-up of user stocks goes on. But there could now be some disruption to some users even if the strike were settled within the next two weeks.

Industrial Relations

3 The meetings with Ministers have probably improved the atmosphere at senior Trade Union levels. On the ground variations in mood seem common, with attitudes perhaps harder in South Yorkshire (reinforced by Monday's Sheffield rally) and South Wales than elsewhere.

4 It is unlikely that the ISTC will withdraw their threat to extend the strike to private sector steel manufacturers as from next weekend and BISPA expect most members reluctantly to respond. So far this week most private steelworkers are operating almost normally despite heavy picketing. Four companies have laid off a total of 2700 men.

Steel Supplies

5 Picketing remains generally peaceful and its effects seem to have changed little in the last few days. It is notable that despite picketing of stockholders, steel does seem to be getting through from stockholders to users.

6 There is little change in picketing of ports. Imported steel continues to be discharged. Generally it is not being transported from ports to stockholders or users, but in a few ports, eg Kings Lynn, some steel is being taken away, even in open lorry loads. It is likely that the number of shipments being sent is dwindling. The relatively small amounts of steel which are transported in containers are generally unaffected.

*and tinplate can producers

7 At this stage it is difficult to estimate the full effects of a private sector strike on user industries, mainly because a number of important producers are major suppliers to user companies within their own Groups, eg Tube Investments, GKN, Duport.

8 Disruption to production still seems likely first in British Leyland*. BL are expected to have to adjust production progressively from about now (though because of generally large stocks of finished vehicles the main financial effects will be limited this month but increasingly felt in February). We are covering the financial implications of the strike for users in more detail in a separate note later this week. One major vehicle component manufacturer, Rubery Owen, an important supplier to BL, expects difficulties by mid-February.

9 In tinplate can production, Metal Box expect to produce about 50% of normal this week; this figure may well be further reduced next week. It still seems unlikely that this will have any immediate effect on stocks of canned provisions in the shops, given that food canners carry can stocks for a few days, and have a minimum of 2-3 weeks of canned products being processed.

Publicity

10 Ministers' statements during the weekend - for example the Secretary of State's interview on "Weekend World" - seem to have helped to get across effectively the Government's position in the dispute. There continues to be little sign of pressure from industrialists for Government intervention to end the dispute.

Further Action

11 As already indicated, we aim to report in the next few days about the longer term (including financial) effects of the strike on user industries.

Department of Industry
22 January 1980

23 JAN 1980

PART 3 ends:-

Silkin PQ 22.1.80

PART 4 begins:-

Hansard 22.1.80