

NOTE OF A TELEPHONE CONVERSATION BETWEEN THE CHANCELLOR OF THE  
EXCHEQUER AND THE PRIME MINISTER AT 1700 HOURS ON SUNDAY

23 DECEMBER

The Chancellor of the Exchequer said that he was dismayed by what he had heard from a Treasury representative on the British Steel Corporation Board. The Prime Minister said that she had spoken to the Secretaries of State for Industry and Employment the previous day. She was most concerned that the strike would get under way and prove very expensive. She had said that, as long as a settlement did not breach the BSC cash limit, it would be cheap at the price.

The Chancellor of the Exchequer said that a different message had come through to the British Steel Corporation. This was that Ministers had met and did not want a strike and would therefore be prepared to contemplate a settlement within the norm. The picture was further complicated by Mr. Len Murray's attempts to push a five-point plan, which included productivity payments to be made on account and to be monitored locally by the TUC and others.

The Prime Minister said that she had told her colleagues that she would be prepared to see a 2% or 3% real increase in the offer, in addition to the 2% consolidation and 3% to be found from provision for guaranteed work. There was no question of a norm. The Chancellor said that he had already expressed his concern to Sir Keith Joseph, who would be in touch again with Mr. Prior. Sir Keith would stress his concern, shared with the Chancellor, that Ministers must in no way be seen to interfere. It was a matter for the British Steel Corporation management. They themselves would no doubt see, as did Ministers, that a strike would be most damaging. The Chancellor said it would be most helpful if he could go back to Sir Keith Joseph confirming that the Prime Minister agreed with this line. The Prime Minister said that she would be grateful if he would do this.

31 December 1979

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