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E(80) 11th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
MONDAY 24 MARCH 1980 at 3.30 pm

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the
Environment

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon John Biffen MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Lord Hailsham
Lord Chancellor
(Items 1 and 2)

The Rt Hon George Younger MP
Secretary of State for Scotland
(Item 3)

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster
(Items 1 and 2)

The Rt Hon Sir Michael Havers QC MP
Attorney General

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

Sir Kenneth Berrill
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr P Mountfield

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1. STEEL STRIKE

Previous Reference: E(80) 1st Meeting, Minute 1

THE SECRETARY OF STATE FOR EMPLOYMENT said that the full negotiating team of the unions concerned in the Steel dispute had called to see him that morning, to discuss the possible establishment of an inquiry into the dispute. They envisaged a three-man inquiry with one member appointed by each side and a neutral Chairman. They had asked him to nominate the Chairman but he had refused to do so, so as not to involve the Government directly in the resolution of the strike. He had instead suggested that either the unions should agree on a Chairman with the BSC, or they should seek the advice of the Advisory and Conciliation and Arbitration Service (ACAS). The unions were divided on the merits of involving ACAS but had asked him if he would be prepared to ^{ask} suggest three names to the Chairman of ACAS from whom ^{A separate 3 memos to side parties} they might choose a neutral Chairman. ~~Chairman might be chosen.~~ After consultation with other interest parties he had agreed to do this. The unions had then said that they would have to consider this suggestion, and the next steps rested with them. He would continue to keep his colleagues informed of developments.

The Committee -

Took note.

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2. TRADE UNION IMMUNITIES FOR SECONDARY INDUSTRIAL ACTION
Previous Reference: E(80) 6th Meeting

THE COMMITTEE considered a memorandum by the Secretary of State for Employment, (E(80) 29) in which he reported the results of consultations with both sides of industry about his proposals for further legislation to limit secondary industrial action, and set out revised proposals for Ministerial consideration.

THE SECRETARY OF STATE FOR EMPLOYMENT said that, as expected, a wide range of views had been expressed on the proposals in the consultative paper, both on the extent to which trade union immunities should be curtailed and on the practical measures needed to achieve this. The Trade Union Congress (TUC) wanted no further limitations. The Confederation of British Industries (CBI) whose Council had overturned the earlier advice from their expert Committees, wanted a complete ban on all secondary action eventually. But in the short term they were prepared to compromise on some further limitations, beyond those set out in the consultation document, and on a firm promise of a Green Paper on trade union immunities later in the year. In his view, it was not practicable to impose a total ban on secondary action, and thus to confine immunities to primary disputes. But it was important to tighten up the proposals in the original document. Those proposals had been criticised as being confusing, and leaving too much discretion in the hands of the courts. The basic principle should be that secondary action was justifiable only to the extent that it put direct pressure on the employer in dispute to settle. To this end he proposed that the amended legislation should make it clear that secondary industrial action should retain immunity only when it had its sole or principal purpose the furtherance of a primary dispute, and that it was reasonably likely to have that effect. He now intended, if the Committee agreed, to table before Easter a new Clause incorporating amended proposals which could be debated immediately after the Easter Recess, and could be incorporated in the Bill at Report Stage.

In discussion, a number of main points were made -

- a. the object of the proposed amendments was to restrict legitimate secondary action to those cases where it would directly further the primary dispute. Thus, if British Leyland (BL) were stopped by a strike, it would be reasonable for the unions to take action to stop deliveries by a

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component manufacturer to BL, but it would not be reasonable for them to stop all supplies to the whole motor industry. Similarly, it would be unreasonable for the union to take action against a supplier of parts to the component manufacturer, which would have the same effect of stopping deliveries to the whole industry. But in some cases it was inevitable that innocent third parties would be damaged as a result of industrial action. For example, shop-keepers in the area might suffer if their trade fell off as a result of reduced earnings during a strike. There was no way in which these accidental consequences could be avoided, or protection given. It was however essential that trade union immunities should extend only to deliberate action taken by the unions which was directly aimed at the parties to the primary dispute;

b. the definition of suppliers and customers where immunity would run had changed since the earlier version of the proposals, to meet a point raised by the Lord Chancellor. It was important to ensure that in the process the definition had not been redrawn too widely. The Secretary of State for Industry would take this point up directly with the Secretary of State for Employment;

c. it was desirable that immunity should run only in those cases where there was a dispute between the employer and his employees. In the recent 'Nawala' case, the dispute had been between the union and the employer, but the Lascar members of the ship's company had not been parties to the dispute. However, it had been agreed not to deal with the Nawala case in this Bill, and it would be simpler to deal with the whole question of merchant shipping separately in later legislation;

d. similarly, it would be desirable not to extend immunity to cases where there was a national dispute in progress involving an organisation of employers, but an individual employer had settled with his own work-force. However, in such cases, where an employer remained a member of a trade association, and such an association remained in dispute with a trade union over national negotiations, there was no way in which the employer could be protected from industrial action. In these cases his remedy was to be from the trade association concerned;

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e. it was highly desirable to introduce the Government Amendment as quickly as possible, and to ensure that the Bill as a whole received Royal Assent by the middle of July. This was necessary, because the Codes of Conduct to be made under the legislation had to be considered by the Advisory Conciliation and Arbitration Service (ACAS) and its last Board Meeting before the autumn would take place on the 24 July. If this date were missed the necessary consultation with the trade unions might delay the coming into force of the Codes beyond the point where the next wage round began. However, given the other pressures on the legislative programme, this plan might not be practicable. Further consideration should be given to the legislative and consultation timetables.

THE PRIME MINISTER, summing up the discussion, said that the Committee approved the Secretary of State's proposal as set out in E(80) 29. In preparing the legislation, he should ensure that immunity for 'blacking' or other secondary action should be limited, so far as possible, to goods supplied to or purchased from the company involved in the primary dispute. No immunity should extend to secondary action taken as a deliberate act by the unions concerned against goods supplied to or bought from other companies, although it was accepted that such companies, not themselves parties to the primary dispute, might be injured as a consequence of the secondary industrial action taken. The Committee also agreed that industrial action in the shipping industry should be reserved for separate treatment in a later Bill. They noted that the definition of those suppliers or customers where secondary action might reasonably be covered by immunities might need to be further amended to avoid an inadvertent widening of immunities. They agreed that the required new clause should be considered by Legislation Committee and introduced as soon as possible, and that the precise timetable for the legislation would need further consideration by the Secretary of State and the Business Managers.

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The Committee -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Secretary of State for Employment to arrange for the draft of a new Clause on the lines set out in E(80) 29, modified on the lines indicated by the Prime Minister, for the new Clause to be considered by the Lord Chancellor and the Attorney General, and then by the Legislation Committee and introduced before Easter.
3. Invited the Secretary of State for Employment to discuss with the Secretary of State for Industry the question of the precise definition of the places where secondary industrial action might in future be covered by immunities.
4. Invited the Secretary of State for Employment to discuss further with the Chief Whip, Commons, and the Acting Leader of the House of Lords, the timetable for the remaining stages of the Employment Bill.
5. Invited the Secretary of State for Employment to bring forward fresh proposals in due course for a Green Paper on the remaining aspects of Trade Union Immunities for publication later in the year.

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5. AGRs AND THE GOVERNMENT'S NUCLEAR POLICY
Previous reference: E(79) 13th Meeting Minute 1

THE COMMITTEE had before them a note by the Central Policy Review Staff (E(80) 30) which reviewed the future of the Advanced Gas-Cooled Reactor (AGR) programme and concluded that the construction of the two new AGR stations at Heysham and at Torness should continue as planned.

SIR KENNETH BERRILL said that, at the Prime Minister's request, the CPRS had carried out a very rapid survey of the Nuclear Power programme, and of the planned orders for the two latest AGR stations. They had carried out a wide range of consultations in the limited time available. The CPRS considered whether the two last AGR orders should be postponed, given the surplus of generating capacity likely to be available for some years in the 1980s, and the heavy capital construction costs which imposed a serious extra burden on the Public Sector Borrowing Requirement (PSBR) at a time when it was under great pressure. But their enquiries had shown the damaging effect which cancellation or postponement, so soon after the announcement of a new ordering programme, would have upon the nuclear industry. The CPRS therefore recommended that the programme should continue on the lines already announced.

THE SECRETARY OF STATE FOR ENERGY, said that he too had started, the previous summer, with a pre-disposition against the AGR programmes. However, after considerable Ministerial discussion, the Committee had agreed in the autumn to a continuing nuclear programme, of which the AGRs were an integral part. To go back on that decision now would demoralise the industry and prejudice the chances of success for the PWR. It would also damage public confidence in the nuclear programme and make it more difficult to secure public support for the PWRs in due course.

In discussion, a number of further points were made -

- a. the CPRS paper, produced at short notice, was only a summary of the work they had done. More information was needed before Ministers could take final decisions;

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b. there was room for argument about the costing methods adopted by the Central Electricity Generating Board (CEGB) and the South of Scotland Electricity Board (SSEB). It was not clear for example that the costings took full account of current costs of new nuclear construction, or that they took sufficient account of the expensive delays which had plagued some earlier stations in the AGR programme. Similarly, in calculating the savings from cancellation or postponement of the AGRs, allowance should be made for any compensation payable to manufacturers.

c. at a time when it was essential to keep down the Public Sector Borrowing Requirement, and to avoid any unnecessary additional burdens on electricity bills, there was a case for postponing as much capital expenditure as possible, particularly since new generating capacity was not needed for some years;

d. alternatively, if the aim was to provide work for the plant manufacturers there was a case for investing in updating and improving existing conventional capacity, until the PWR programme could be started, rather than in constructing any more AGRs;

e. despite the fact that the comments of the Chief Inspector of Nuclear Installations, annexed to E(80) 30, expressly indicated that he saw no difficulty in licensing one or two more AGR's similar to the Heysham II design, his references to the gas baffle could cause public controversy.

THE PRIME MINISTER, summing up the discussion, said that Ministers would need more time in which to carry out a detailed examination of the nuclear programme. She would therefore arrange for the Ministers directly concerned to meet again under her chairmanship to go into the matter more closely.

The Committee -

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

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4. SIR KENNETH BERRILL

THE PRIME MINISTER said that this was the last meeting of the Committee which Sir Kenneth Berrill would attend as Head of the Central Policy Review Staff. The Committee was most grateful to him for many lucid reports and much valuable advice. They wished him well in his new career in the private sector.

The Committee -

Took note, with approval, of the Prime Minister's remarks, and extended their best wishes to Sir Kenneth Berrill on his retirement from the public service.

Cabinet Office

25 March 1980

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