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NOTE OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND THE SECRETARY OF STATE FOR INDUSTRY AT 1700 HOURS ON SATURDAY 5 JANUARY

The Prime Minister said that she had seen two notes reporting the previous night's negotiations, and she had had further comments from her own private sources. Were there any other points of which she should be aware?

Sir Keith Joseph said that the union General Secretaries had descended to the level of personal attacks on Sir Charles Villiers. The unions were still trying to get something for nothing, as they had so often done in the past.

The Prime Minister asked why the Corporation had raised its offer as high as 8 per cent in the previous night's negotiations. Sir Keith Joseph explained the package. The Corporation had assured him that all the new money would be strictly tied to productivity. The situation was still dicey. The Prime Minister would know that the full Board was to meet the unions on Monday. He was apprehensive about this. Mr. Scholey had been very robust, while Sir Charles Villiers seemed somewhat less solid. There was a risk of splits in the Board, and he had instructed Scholey and Villiers to arrange for the Board to meet before the 1130 meeting with the unions, in order to establish a line to which they could stick. The 1130 meeting with the unions would be very important, but he feared that the conditions for a settlement did not exist. The unions wanted all the money to be paid immediately, and back-dated to 1 January, even though the detailed schemes would not be worked out for some time. The previous night's meetings had become messy, and Mr. ^{to the press} Sirs had broken the agreement that nothing would be said/about the details discussed. When the unions had outlined the Board's offer, the Board had been obliged to do some counter-briefing.

/ The Prime Minister

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The Prime Minister said that she would have to insist to television that negotiations were still in progress.

Sir Keith Joseph suggested that she should emphasise that the only additional money was that which could be earned through productivity, and that the tax payer had already paid enough to support the steel industry.

The Prime Minister feared that Mr. Scholey was not a particularly skilled negotiator. Sir Keith Joseph commented that Messrs. Scholey and Villiers were in a death or glory situation. They both knew that failure meant that he would ask the Prime Minister to replace them. The biggest problem was that the temptation to offer just a little more in the hope of achieving a settlement was always there. The Prime Minister added that the only alternative was more redundancies.

The Prime Minister had heard that the BSC Board had refused to continue the negotiations into the night, despite union wishes. She felt that the Board must be equipped with more than one or two spokesmen, as the negotiating ability of the five union General Secretaries could wear them down. She hoped that there were no real differences between Sir Charles Villiers and Mr. Scholey. Sir Keith Joseph said that the gap which had appeared to be emerging between them had now been recovered. The unions were desperate to reach a conclusion, but it was not clear whether this was because they smelt victory or feared defeat. The Prime Minister suggested that they might be motivated by a fear of playing into the hands of union extremists. Sir Keith Joseph said that he would ensure that the Board sorted out a firm position, and would tell them that, if necessary, the time of negotiations would have to be set back. The Prime Minister insisted that the negotiations must start on Monday. There was a risk of more highly publicised developments with flying pickets, etc if there was delay. It was important to find an additional skilled negotiator for the BSC, and the part-time members of the Board should be considered if necessary.

MAP

7 January 1980

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