MR. HOSKYNS

cc. Mr. Whitmore

AW
16/i

B.

Steel

Thank you for a copy of your note to the Prime Minister on the steel dispute. I would not, at this stage, wish to enter into a discussion of its substance, though I must say I have serious reservations about "a Prime Ministerial broadcast".

However, a great deal is already going on to influence attitudes through radio, TV and press. One example is the attached briefing note which I produced for last weekend.

You will see it echoed substantially in the piece by Keith Renshaw in last weekend's Sunday Express and in yesterday's leader in The Sun.

Bernard Ingham

B. INGHAM

16 January, 1980

SUNDAY EXPRESS

13.1.80

Mrs Thatcher —'No beer and sandwiches'

MRS MARGARET THATCHER and her Cabinet are keeping their nerve and remain adamantly opposed to intervening in the steel strike, despite Labour Party and trade union pressure for Government action.

Ministers see the situation in British Steel as a prime example of what must be resisted if "Dreamland Britain" is to be banished.

By refusing to intervene Ministers consider they are denying the unions a weapon because, in the past, the prospect of late-night beer and sandwiches at 10 Downing Street has encouraged them to bid-up their demands, and Governments, afraid of becoming unpopular, rushed to the rescue. But those days are over.

Behind the Government's resolution that the steel managers and unions must sort things out themselves lies a whole mass of startling facts which Ministers feel cannot be ignored.

1 A third of every BSC worker's earnings is subsidised by the taxpayer. This year the subsidy amounts to £1,800 per man.

2 Over the past five years the taxpayer has put £3,106 million into BSC. That means £221 from every family in the country and when the £450 million committed to BSC for 1980-81 is handed over it will add another £32 for each family to the tax bill.

3 British steel production, despite massive investment, is running at about only half that of her competitors in Europe and productivity is not improving as quickly as on the Continent.

4 On average the BSC workers earned £110 a week last September which made him £9·50 a week better off than other workers, on average, in manufacturing industry. Average weekly pay of £124 is now on offer by BSC.

These facts convince Ministers that the steel dispute is not essentially about the amount of extra pay but who should find it—the taxpayer or the workers themselves through higher productivity.

The Government believes that there is wide scope for more productivity and Sir Keith Joseph, the Industry Secretary, is expected to detail these hopes when he makes a statement on the steel strike to the Commons tomorrow.

But a huge political row on the Government's attitude to the strike was signalled last night by Mr Michael Foot, Deputy Labour Leader and a former Employment Secretary.

by KEITH RENSHAW

"The steel industry crisis and its repercussions on the whole British economy are going to cost this country hundreds of millions of pounds in lost production, lost jobs and lost skills," he told Southampton Labour supporters.

"The bill must be sent direct to the right address—to 10, Downing Street. It is a case of criminal negligence on the part of the Government in general and Mrs Thatcher in particular.

"Never did Ministers receive a stronger warning of forthcoming calamity."

DON PERRY writes: Britain's employers are pleading with the Government to speed up its plans to outlaw the secondary picketing which is turning the steel strike into an industrial catastrophe.

Critical

Because of intensified picketing employers now face dwindling stocks of all steel products from steel sheet to food cans.

Mr Cyril Coffin, director-general of the Food Manufacturers Federation, said last night that the effect on the nation's food supply lines was "very serious."

One critical plant where output is being severely damaged is the Metal Box factory at Neath, Glamorgan. This firm, in its various factories, makes two-thirds of the nation's food and drink cans, and one third of the can ends needed by the company are normally made at Neath.

Mr Peter Walker, Minister for Agriculture, said yesterday that it was "monstrous" that food supplies should be hit by secondary picketing.

"The only people who will be celebrating will be foreign food suppliers."

DISPUTE - not essentially about the amount; instead about how any pay increase is to be paid for - whether through greater efficiency or by the taxpayer.

PRODUCTIVITY - scope for improvement very considerable by putting modern, efficient plant to best use. On a strictly comparable basis UK productivity is roughly half - and in some cases less than half - of that of our major Euro competitors. Table in NEDC report, signed by Mr. Sirs, confirms this. UK improvements in recent years have not kept pace with our competitors - so UK steel industry has been falling further behind in the efficiency stakes.

IMPORTS - not surprisingly an inefficient industry has lost out to foreign competitors whose share of market has steadily risen from 6 per cent in 1970 to over 20 per cent now.

SUBSIDY - over 5 years taxpayer has put £3,106m. into the steel industry - £221 for each family. Another £450m. committed for 1980-81 representing another £32 for each family.

LOSSES - in spite of these massive injections of public money, cumulative losses over same period £1,400m. Forecast loss of £324m. in 1979-80 amounts to a subsidy by taxpayers of £1,800 per man employed in the industry, representing nearly a third of average earnings in steel.

COMPETITORS' PERFORMANCE - while Euro competitors improved their commercial performance in 1979, BSC's losses may actually worsen. Dutch and German state companies now profitable; Belgian and Luxembourg state companies have sharply reduced their losses and are moving towards profit.

EARNINGS - average earnings in UK steel in September 1979 were £110 a week compared with £100.50p in manufacturing industry. BSC's offer would raise earnings to £124 - 20 per cent above average industrial earnings.

FUTURE - no future for a bankrupt corporation. Only way to salvation - and secure jobs - is to compete on price, quality and delivery. BSC has massive scope for improvement in efficiency and therefore, incidentally, earnings. Union objective of high wage - high productivity industry can be achieved - but only if unions and workers cooperate with management to deliver the goods in the plants.

11 January, 1980

CONFIDENTIAL PCC(80)1

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PRIME MINISTER
Tusa

MJ

THE STEEL INDUSTRY

It is hoped that members will find this brief useful for the debate on an opposition adjournment motion on government policy towards the steel industry on Thursday, 17th January 1980.

CONTENTS

Conservative Research Department,
32 Smith Square, London S.W.1

RH/PS/JH
16.1.80

1. The Historical Background

The steel industry in Britain has a troubled history which forms a backcloth to the present problems of the British Steel Corporation. In 1949 the Labour Government's Iron and Steel Act nationalised all firms making out a given tonnage of pig-iron, ingot steel and hot rolled steel. In 1953 the Conservatives' Iron and Steel Act created the Iron and Steel Holding and Realisation Agency to sell back the Iron and Steel Corporation's assets to private enterprise. All but one of the ISHRA's 71 original firms were disposed of - Richard Thomas and Baldwins. Freed from the dead hand of nationalisation, output in the steel industry rose and by 1960 had reached about twice the level of 1945. Productivity in terms of output per man, rose by 20% between 1954 and 1960.

However, uncertainty about the industry's future was increased by the Labour Party's threat of re-nationalisation. The industry's health had consequently diminished by the time Labour's 1967 Iron and Steel Act nationalised the fourteen largest steel making companies which together controlled 90% of the UK's steel making capacity. Rationalisation within a competitive framework, as advocated by the Conservatives, was delayed by the essentially irrelevant debate concerning nationalisation. Conservative amendments - fifty of which were successful - made important contributions towards achieving better scrutiny of the British Steel Corporation's activities and more competitiveness. However, from the first year of nationalisation, 1967-1968, BSC began to make losses, partly because of depressed demand but partly too because of a lack of flexibility in the response of management to changing world conditions. Industrial negotiations within the steel industry took place within an atmosphere of uncertainty, not decreased but rather increased since its nationalisation. The discipline of the market ceasing to be fully applicable, negotiators remained uncertain as to government decisions on pricing policy and funds for new investment.

In government until 1970, the Labour Party supported the BSC's nationalisation programme; in 1969 the BSC was, under Labour, reorganised into four product groupings in order to speed up the rationalisation process. However, once in opposition the Labour Party quickly revised its opinions and the Party fought the February 1974 election on a pledge to review all closure plans. The heavy investment and restructuring which was carried through under the last Conservative Government required the closure of obsolete plant and the maximising of the use of new processes.

A White Paper of February 1973 (Cmnd. 5226) pledged support for a ten year strategy of development. However, the falling off of steel demand could not have come at a worse time for the BSC development plan. The result is that the Corporation - with other countries' steel industries - was and is left with a major problem of over-capacity; while high manning levels and old plant have dragged down its ability to compete.

This was the situation faced by the last Labour Government. It was one which required firm action to safeguard tax payers' money, to secure the viability of a lower capacity British Steel industry and to increase competitiveness. That action was not, however, forthcoming. Plant closures were held up until Lord Beswick, then Labour's Minister of State for Industry, could report to Parliament in February and August 1975. The review postponed closures at East Moors and Hartlepool and delayed an overdue decision on Shotton. It was not until January 1976 that the trade unions agreed to a reduction in manning levels. In their joint statement, the BSC and unions agreed to practices intended to make the industry profitable, productive and competitive. Sir Keith Joseph, Secretary of State for Industry, has commented on this agreed aim:

"Two things are needed for this. First, capital investment in new equipment and secondly, the proper use of that equipment. The equipment has been provided - at a cost of over £2,250m. in the last five years. In 1979-80 the taxpayer is finding £700m. for steel. In 1980-81 we shall be providing £450m. of taxpayers's money to BSC. BSC is entering the 1980's with equipment as modern and as potentially efficient as any steel industry in the western world.

"But that efficiency has still to be achieved. I quote again from the joint statement of January 1976 by BSC and unions "Changes will have to be made now (that was in 1976) to reach European levels of productivity". And the unions acknowledged in that agreement of almost exactly four years ago, the need for radical changes in manning and in working practices."
(The Times, 15th January 1979)

This failure resulted in no little part from the Labour Government's politically motivated interference in the BSC's affairs. In July 1976 it ordered BSC to review once more its plans to close Shotton. Losses accumulated to the point where the Select Committee on Nationalised Industries carried out a special survey. Its reports of November 1977 and February 1978 were deeply critical of the BSC's bad financial forecasting and of Mr. Eric Varley's and Mr. Gerald Kaufmann's conduct.

The lack of realism shown by BSC and the Labour Government in the face of growing evidence of over-capacity having been duly exposed, closures of plants went ahead. It is worth remarking that in 1978-9 a number of (complete or partial) closures had to be made at East Moors, Ebbw Vale, Shelton, Glencarnock and Bilston. During the year BSC's total workforce was reduced from 164,000 to 155,000. The Labour Government itself admitted in its White Paper, British Steel Corporation: The Road to Viability (Cmnd. 7109, March 1978) that "the over-capacity that would result from unchanged policies would be more costly than either the Corporation or the country can afford". The BSC has accepted (in "Prospects for Steel, April 1979) that it should "break-even" by 1979-80, but without the requirement of Sir Keith Joseph that this must indeed be achieved it is most unlikely that this 'target' would have been taken seriously. Even now the chances of its being attained look increasingly remote.

2. The Problems of the British Steel Corporation

The troubled past of the BSC and the failure of the last Government to take firm action to encourage a return to profitability have contributed to the Corporation's grave predicament. Its losses have been staggering:

BSC LOSSES

	1975/76	1976/77	1977/78	1978/79	£m 1979/80 (forecast)
Loss for the year	(255)	(95)	(443)	(309)	(300+)
Loss before charging interest, tax or extraordinary items	(129)	69	(275)	(137)	(160+)

In the BSC's annual reports for 1977-1978, the chairman, Sir Charles Villiers wrote: "In the last year ended 1st April 1978 the Corporation lost £443 million. Losses on this scale are totally unacceptable and everything possible must be done to eliminate them". They were in fact reduced, but not eliminated. The accounts for 1978/9 make dismal reading too. Sir Charles has summed up the 1978/9 performance of the BSC as "a bad but better year". In the first half of 1979/80 the BSC lost £145.6 million and this bodes ill for the yearly results.

Over the five years 1975/6 to 1979/80 about £3,100 million, representing £221 for each family in the country has gone into British Steel as the following table shows:

	£m
1975/76	659
1976/77	931
1977/78	801
1978/79	715
1979/80	700 (estimated)

Mrs. Thatcher commented on "Weekend World" on 6th January 1980 that in the light of these figures: "The objective is clear, we want the British Steel Corporation to be able to compete with any company in the world on price, on quality, on delivery. If it can't it won't have a future, and if it can't there will be more and more redundancies".

It must immediately be said that the poor financial performance of BSC is not entirely the fault of the management and workforce of the company. UK steel demand last year was at its lowest since 1962-3, though there were signs of the beginning of a slight up-turn. World markets are very depressed and this has had a major impact on all steel producing companies. Japanese steel production, for example, is said to be running at only about a third of capacity. For Japan, of course, the results of the cut-back are in a sense less traumatic because the very rapid growth of steel production there has been quite recent. For instance, between 1960 and 1975 production there multiplied about seven-fold, while European output remained broadly stable. In Britain the steel communities have grown up over a much longer time.

Moreover, while European Steel production has continued to be eased out of the market through stiff competition, European steel consumption in 1978/9 was still about 15% below the 1973 peak and steel production was only about 65% of rated capacity. This has led to the evolution of a common European policy for steel. A Community crisis plan for steel has been in operation since 1st January 1977 in order to mitigate the effects upon employment and production of the slump in world demand for iron and steel since 1973-4. Through the programming of steel production among EEC member countries by the quarter, the use of minimum and guidance prices and the making of arrangements with third countries to prevent dumping and excessive import penetration, the European Commission has tried to allow the steel industry of the EEC a breathing space. It is up to the Government, through the exertion of proper financial discipline, and the management and work-force of BSC through co-operation in necessary demanning and the raising of productivity to see that this "breathing space" is turned to account. The restructuring of the industry throughout Europe in order to accommodate this long term contraction of steel demand would be put in jeopardy if member states simply subsidised their industries in order to stave off realistic decisions about future capacity.

Increasingly attention has been centred upon the need to increase productivity in order to bring the BSC to a viable state of profitability. Recent figures brought before the National Economic Development Council by the NEDC Iron and Steel sectoral working party show that while it is true that productivity rose in the UK steel industry by about 7% in 1978 as a result of plant closures and a reduction in employment of 20,000 jobs, international comparisons show that the gap is widening between British productivity and that of our main competitors. Report 16 of December 1979 shows that the number of man hours required to produce 1 ton of crude steel (manual workers only) is as follows:

	W. Germany	France	Italy	Bel.	Lux	UK
1977	6.5 hrs.	7.2	5.4	6.2	6.1	11.9
1978	5.9 hrs.	6.4	5.2	5.2	4.8	10.9
% Improvement 77-78	9%	11%	4%	16%	20%	8%
% of total workforce made up of manual workers	74%	65%	80%	82%	77%	68%
% overtime working - manual workers (Oct 1978)	48%	n/a	3%	1%	6%	11%

It has also recently been revealed that productivity at two of Japan's modern steel-making plants - the Kimitsu and Oita plants of Nippon Steel - is between three and six times greater than at the BSC's plants (The Times, 8th January 1980)

3. Closures and De-Manning

The need to streamline production and increase output per man in order to avoid further contraction and greater losses has led to the urgent consideration by the BSC of plant closures - total and partial - and de-manning. This led to the announcement in December last year that the Corporation would cut out 30% of its capacity, from 21.5 million liquid tonnes of steel a year to 15 million tonnes. This provoked alarm, particularly in South Wales. BSC aims to shed about 52,000 jobs in iron and steel making and connected activities by mid-1981 and the Welsh Division were asked to comment on three possible options:

1. Closure of either Llanwern or Port Talbot steel-making with a loss of nearly 15,000 jobs.

2. Closure of iron and steel making at one of the works and rolling facilities at the other with a loss of 13,500 jobs.

3. Scaling down steel-making at both works to just over half the present production with a loss of 11,000 jobs.

Other steel works affected are: the Consett Works in Co. Durham (to be closed losing 4,000 jobs), the Hallside Works, Cambusland in Scotland (to be closed, losing 600 jobs), the Anchor Works at Scunthorpe in Lincs. (reduction of employment by 2,800), rolling mills throughout the country (some closures - loss of about 2,500 jobs). The two new steelmaking plants at Ravenscraig and Teeside will have their capacity maximised to produce lower cost high quality and competitive steel.

BSC's statement emphasised:

4. The Trade Unions and the Present Dispute

BSC's 182,000 workers are represented by fourteen separate trades unions. The most important is the Iron and Steel Trade Confederation (ISTC) 90,000 of whose 105,000 members work in BSC. Other leading unions with members in BSC are the TGWU 15,000; National Union of Blastfurnacemen 12,500; AUEW 8,000; General and Municipal Workers 7,000. All are now in official dispute and claim total support for strike action.

BSC's last offer

The latest offer made by BSC management on January 7th and rejected by union negotiators is made up as follows:

i) A general increase of 8% based on a national agreement to include changes essential to improve the efficiency of the industry, particularly flexibility in working practices, reduced manning at ongoing plants, non-recruitment of labour to fill vacancies caused by natural wastage, in order that such an agreement should be self financing.

ii) A further increase of 4% (in lump sum payments) arising from locally negotiated lump sum bonus schemes..."In addition steel-workers directly concerned with traditional productivity schemes would receive further increases. Last year locally negotiated schemes yielded an average of 6 - 7% on top of the nationally negotiated settlement". (Statement by BSC Board 7th January 1980).

This offer would raise average earnings in the industry from £110 to £122 per week. The unions had been seeking an 8% general increase plus 5% for productivity. On 11th January however Bill Sirs, General Secretary of ISTC said "My members want 20% with no strings attached. (Times 11th January 1980).

Union/Management negotiations

The rejection by all unions of this latest offer was the culmination of more than a month's continual bargaining. The main outline of events in the negotiations leading up to the strike runs as follows:

3rd December 1979. BSC offer 2% plus the possibility of a further 10% in locally negotiated productivity deals. This is rejected. by Bill Sirs as 'ridiculous'.

5th December 1979. The Blastfurnacemen and craft union follow the ISTC's rejection.

7th December 1979. The 21 man executive of ISTC decides to call a strike after the expiry of the present pay deal on 31st December

11th December 1979. Renewed negotiations between BSC and ISTC.

12th December 1979. Bill Sirs writer to General Secretaries of National Union of Railwaymen and the traindrivers (ASLEF) to obtain their support not to move steel during any strike. This is duly given.

21st December 1979. BSC raise their offer to 5% plus productivity, in exchange for the union's abandonment of the guaranteed working week which costs an estimated £30m. per year. This too is turned down.

BSC is now at a critical moment in its twelve year life. If it does not tackle its problems with vigour and a sense of reali it will wither, because its customers will turn to imports rather than pay the unnecessary costs of over-capacity, overmanning and non-competitive working practices" (11th December 1979).

There have been some signs of welcome realism - a realism primarily induced by the concentration of minds through the Government's refusal to continue to fund BSC losses in the next financial year:

1) At Corby most of the 6,500 steel workers have told their union, the Iron and Steel Trades Confederation to abandon the battle to save the plant and begin negotiations on redundancy terms as soon as possible.

2) AT Shotton , where the announcement on 12th July that iron and steel making would end with a loss of abour 6,000 jobs, was greeted with threats of non-cooperation by workforce and unions, a similar decision has already been taken.

Shotton itself lost over £27 million in 1978-9. Shotton was losing £24 per ingot tonne. The Welsh Division of British Steel was overall losing at the rate of £19 per tonne. It is said (Daily Telegraph, 29th June 1979) that losses at Shotton may increase to £40 million in the current year. 10,000 workers are employed there. BSC wants to shut down the twelve old open hearth furnaces which are among the last of their kind functioning in Europe. Other operations at Shotton which seem to have a profitable future will continue. The modern coatings complex at Shotton will rapidly build up production. The galvanising line exceeded its design capacity within two months of initiating production. Shotton was within an intermediate Area - currently in receipt of 20% RDG on new buildings and adaptions. It has now been decided to upgrade it to an SDA and the WDA is providing £45 million in factories and sites. Major work on infrastructure development is also to take place. Unemployment is lower at Shotton than the Welsh average: 6.5% compared with 7.3%. But its catchment area is much wider and includes Wrexham, with a rate of 11.2%. The only other major employer in the area is British Aerospace. New jobs will depend particularly on measures to revive small businesses.

However, a realistic appreciation of BSC's problems matched by an understudy of limited job opportunities and scope for wage rises has been less noticeable on two other recent occasions:

1. At Hunterston a dispute between the TGWU and the ISTC as to which union should operate the new Clyde one-terminal supplying Ravenscraig paralysed plant for over 6 months, threatening Shotton's remaining finishing industry and nearly closing down Ravenscraig itself. Only considerable pressure from the TUC and the agreement of the Secretary of State for Employment to designate Hunterston within the dock labour scheme averted this disaster for British Steel.

2. Even though it is widely recognised that imported coking coal would save BSC about £10 per tonne, and so allow the Corporation to offer a more competitive product for sale, the NCB and NUM resist this move. An 18,000 tonne cargo of US coal for Llanwern steel works has already been blacked. It is ironic that this should occur at a time when cuts in BSC's South Wales workforce may, according to the NCB, mean the closure of 11 pits.

24th December 1979. Len Murray calls steel union leaders for talks at TUC headquarters.

28th December 1979. Renewed talks between union management break down. The BSC's offer was raised to 6%. Mr. Sirs says "We would like to see a short, sharp action which would leave neither side defeated. (Daily Telegraph 29th December)

30th December 1979. ASLEF instructs its members to black all steel imports together with the movement of finished products and raw materials to and from BSC plants. Bill Sirs in attendance at ASLEF executive meeting making this decision.

Alex Kitson of the TGWU saysdockers, will black unloading of steel (Morning Star, 31st December).

2nd January 1980. Strike commences.
After a meeting with Bill Sirs, the NUR tightens up previous instructions on blacking the movement of BSC products and some materials. NUR members now told to black movements to private steel works.

7th January 1980 and since: BSC and unions continue with separate contacts with ACAS.

The Conduct of the Strike

In order to try to make its threat of a "short sharp action" effective, steelworkers have placed heavy reliance on secondary picketing of ports, stockholders, private producers and key users of steel. To this end the steel unions have sought the support of rail unions, as mentionedabove, dockers and international transport organisations.

Moss Evans who is in the rare position of having members in BSC, among dock and road haulage workers and among user industries, notably BL and engineering, pledged the support of his dock and transport members not to move or handle steel. The International Transport Workers' Federation which is London based and has members world-wide circulated its affiliates "to use all means at your disposal to see that no steel is moved from or through your country to Great Britain until further notice".

The International Metalworkers' Federation has also promised solidarity action. The Swedish Transport Workers Federation has blacked all steel destined for the UK. With such a surge of unions and tupes of action involved it has proved difficult for the union leadership to control picketing and blacking activity. The ISTC has only 30 full-time officers in its seven national regions. They are largely without experience in organising strike activity.

The TUC, and Scottish and Welsh TUC's have given their full support to the strike. The Scots TUC which is left-wing dominated saw the dispute as an important one not just for steel but for the whole trade union movement. Welsh unions have tried to link the strike pay disputes with the cuts in the steel industry and force a strike by miners and others affected by the manpower reductions. Recommendations by the Welsh NUM for such a combined strike to begin straightaway were rejected by the national NUM executive and by the TUC. At the request of the TUC Nationalised Industries Committee, Monday March 10th has now been set for action.

Secondary Picketing

The TUC issued guidelines for the conduct of pickets at the commencement of the dispute. Len Murray said: "These are for the orderly conduct of picketing. This will be done by the unions and not by every Tom Dick or Harry" (Daily Telegraph, 3rd January 1980).

This hope, shared by Mr. Sirs, has been upset by a number of incidents. Some expamples of secondary picketing are:

a) at Hadfields in Sheffield, a major private steel producer, 12 pickets were arrested last week and one policeman injured in scuffles.

b) at Watson Towers, a private stockyard in Wistow. , Lanarkshire 9 pickets were arrested as they tried to stop vehicles entering and leaving. One picket was reported as saying to a lorry driver: "We will know his face next time we see him and you can bet he will never carry steel again" (Daily Telegraph 11th January 1980)

c) at King's Lynn, Norfolk 12 TGWU drivers at a BSC stockholder, John Lee were laid off as a result of secondary picketing. A Corby strike leader was quoted as saying "We aimto halt all movement of supplies in a Grunwick style operation (Times 12th January 1980).

d) Pickets from Scunthorpe, Corby and South Yorkshire in numbers of over 1,000 per day have been active in picketing east coast docks such as Immingham, Goole, Boston.

The Employment Bill now before the house would make unlawful seconday picketing of this nature. The Bill provides for picketing at an employee's place of work, or by the employee's trade union official accompanying him or an employee dismissed as a result of a trade dispute at his former place of work or in the case of workers with no fixed workplace at the place where their work is managed if this picket is leading to breaches of contracts, then employers will be able to take out an injuction.

Union Attitudes

At first it was believed the ISTC members in some areas such as Lincolnshire were reluctantly supporting their executive. No ballot of members before the strike was held. The decision to take strike action rested in the ISTC with its 21 man executive on the advice of a 60 member negotiating committee. Although the ISTC is a wealthy union, with assets of £11½ million it is paying no strike pay. The TGWU is however payings its striking members £6 per week, the AUEW £9, and the GMWU £10.50 per week per member. The steel unions have no tradition of militancy but their members are isolated in some areas, notably South Wales and South Yorkshire noted for their aggresiveness. Local contacts and attitudes in other unions may stiffen the resolve of ISTC members. Union leaders are under no illusions about the possible length and seriousness of the dispute. David Basnett has said, "We are in a war of attrition which British Steel will lose. The strike will be long and British industry will suffer... Attitudes will harden as the dispute goes on". (Sun, 10th January 1980)

(Sun 10 Jan)

5. Conservative Policy

The Government's decision not to fund any operating losses of the British Steel Corporation in 1980 - 1981 and to leave the management of the Corporation to take the necessary decisions in consultation with the workforce is in line with the 1979 Conservative General Election Manifesto commitment:

"We want to see those industries that remain nationalised running more successfully and we will therefore interfere less with their management and set them a clearer financial discipline in which to work".

The financial target set to the British Steel Corporation recognises this. Resources paid through subsidies for inefficient nationalised industries have to be taken away from other potential growth centres of the economy; thus jobs 'saved' in the area mean jobs aborted elsewhere. Moreover, the government is pursuing goals set not by previous Conservative Governments but by the BSC and endorsed by the trade unions in their joint statement of 1976 and by the last Labour Government.

Mr. Eric Varley, then Secretary of State for Industry put the arguments for rationalisation well in March 1978:

"The present world surplus of steel will last for many years and...the sales opportunities for BSC both at home and overseas on which the ten year development strategy of February 1973 was based, are no longer realistic even on the most optimistic assumptions. In present market conditions the Corporation has substantial over capacity...Neither the Corporation nor the country can afford the cost of the mounting overcapacity that would result from unchanged policies... For the BSC to achieve financial viability, it is necessary for capacity to move more into line with demand. The Government have therefore accepted that BSC should seek to negotiate the closures in 1978-79 of high cost plants, in particular the BEswick review plants...The funds required by BSC inevitably place a heavy burden on the public purse and direct resources from other desirable objectives. This can be justified only if both management and work force can show they are taking the steps necessary to achieve the lasting viability and international competitiveness, which are the Government's firm objective". (Hansard, 22nd March 1978 Col.1511)

The difference between the Labour and the Conservative Government, extends, therefore to action rather than words. As Sir Keith Joseph pointed out on Monday:

"The right hon. Gentleman (Mr. Silkin) said that the fault was all mine for insisting that the industry should break even in the coming financial year and that I was quite wrong to suggest that that was the previous Government's policy. It was the previous Government's policy, as expressed, but they did not have the will power to stick to it". (Hansard, 14th January 1980, col 11).

This Government will "stick to it".

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32 Smith Square, London S.W.1

RH/JMH
14.1.80

ANNEX

The following tables show the financial performance of BSC's foreign competitors. The figures show

1) that all steel industries have been loss makers

2) that most are successfully reducing losses - or as with sacitor making big efforts to do so, increasing competitiveness with BSC.

		PRODUCTION (m tonnes)	PROFIT/(LOSS) (£ million)	PROFIT OR (LOSS)/ TONNE (£ per tonne)
ARBED	1976	4.04	(19)	(4.75)
(LUXEMBOURG)	1977	3.8	(72)	(17)
	1978	4.2	(32)	(6)
	1979	losses sharply reduced in first half of 1979		
ESTEL	1976	10.4	(16)	(1.5)
(HOLLAND)	1977	9.4	(105)	(14)
	1978	10.4	(69)	(6)
	1979	pre-tax profits made in Q2/3 1979		
SACILOR	1976	6.6	(84)	(13)
(FRANCE)	1977	6.4	(267)	(42)
	1978	N/A	(117)	(18)
	1979	further heavy losses expected in 1979		
COCKERILL	1976	5.1	(18)	(6)
(BELGIUM)	1977	4.9	(116)	(24)
	1978	5.4	(106)	(20)
	1979	N/A		
ITALSIDER	1976	10.8	(85)	(8)
(ITALY)	1977	10.2	(258)	(25)
	1978	10.4	(214)	(21)
	1979	N/A		
KLOCKNER	1976	N/A	N/A	N/A
(GERMANY)	1977	3.75	(81)	(22)
(steel interests)	1978	4.2	(62)	(15)
estimate	1979	group now operating profitably		
BSC	1975/6	17.2	(255)	(15)
	1976/7	19.7	(95)	(4)
	1977/8	17.4	(443)	(25)
	1978/9	17.3	(309)	(18)
	1979/80	loss of £300m+ expected		