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cc Industry
Employment

STEEL DISPUTE

RECORD OF A MEETING HELD IN ROOM 11.01, ASHDOWN HOUSE, ON SATURDAY,
19 JANUARY AT 10.30 AM

Present:

Secretary of State for Industry	Mr. W. Sirs (ISTC)
Secretary of State for Employment	Mr. H. Smith (NUB)
Mr. D. Smith (Department of Employment)	Mr. A. Feather (ISTC)
Mr. S. Gross (Department of Industry)	
Mr. J. Woodrow (Department of Industry)	

1. Sir Keith Joseph welcomed the opportunity which had been created by Mr. Sirs' letter to the Prime Minister to hear the points the Union side wished to make. The Prime Minister had not in fact seen the BSC but she was seeing Mr. Sirs and Mr. Smith on Monday 21 January. He wanted to stress that the Government was not intervening in the negotiations; these were a matter for BSC and the Unions.
2. Mr. Sirs wanted to stress that he was not asking for Government money. The Government was, however, putting out stories indicating that he had a fairly fixed point of view and some points made in Sir Keith's Commons statement of 17 January were untrue. He believed that Government policy was wrong and that the present meeting would not be fruitful. There had been a similar position last year with BSC hiding behind Government pay policy and some Labour Ministers had fought in terms of a "victory" over the steel workers. A way out had been found. Mr. Prior interjected that no-one was thinking in terms of "victory".
3. Mr. Sirs believed that the present position flowed from investment decisions taken by the Conservative Government in 1972. The huge sums of money paid to BSC had not gone into the steel workers' pockets as Sir Keith had suggested but into investment. This created debts but, if interest was deducted, BSC would be operating at a profit and returning a substantial amount by way of added value to the Government. Steel workers were not being handed money. The January 1976 agreement to which Sir Keith had referred had been implemented in practice; the previous Government's pay policy had prevented the introduction of Work Measured Incentive Schemes (WMIS's). Mr. Sirs had personally negotiated the loss of 534 jobs at Port Talbot and the proceeds had been split 80% to the steel workers and 20% to the Corporation. Restructuring had been agreed at every other plant except Shotton where BSC had delayed the scheme which saved £300,000 per annum.

/4. Sir Keith

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4. Sir Keith Joseph did not accept Mr. Sirs' views on operating profits. He received his information about the 1976 agreement when in Opposition and was not saying that the unions alone were to blame. The agreement had not worked and management and pay policy shared some of the responsibility. Productivity in BSC was below that elsewhere and was falling further behind. The NEDO report which the unions had helped to produce showed this.

5. Mr. Sirs objected to claims that BSC produced only 100 tonnes of steel per man year (tpmy) as the Government had claimed or even 154 tpmy as BSC said. The ISTC had figures showing that output was 192 tpmy. The comparisons made with abroad were involved because, for example, BSC figures included steel workers who did jobs carried out by contractors elsewhere. Comparisons of Scunthorpe with the Dutch industry showed that BSC was better. Continental steel workers were far ahead on pay and conditions so BSC ought to be doing better. On many production processes BSC had fewer than did the Japanese; take away the extra workers and BSC had some of the world's best manning levels. Output was 300 tpmy at Scunthorpe.

6. Mr. Sirs expected that productivity in some parts of BSC was bad but not on the process side. Productivity had improved by 8% the previous years and numbers had been reduced. The closures were an added sacrifice. His members were in despair at the contraction of the industry which was eating into the core of the business. The ISTC was not fighting against closures but the offer of 1.8% (not 2%) on pay had generated the despairing feeling that the industry was being closed down regardless.

7. Mr. Sirs stressed that the pay deal which the unions had offered would be difficult to achieve. They had offered multi-union productivity bargaining at works on divisional levels which was essential to achieve local productivity deals. The TUC had guaranteed this but BSC had rejected the proposal. Sir Keith Joseph understood that it was BSC which was demanding local negotiations and that the unions were rejecting them. Mr. Sirs said that the unions had asked for only 8% plus 5% for their concession. He estimated it would take six months to set up local multi-union arrangements. There were a number of separate organisations on the union side and one had seven separate components, each of which wanted separate negotiations. The TUC had agreed to exert pressure to get the unions to negotiate together locally but this would take time. Whatever they said, the BSC management had rejected the ISTC proposals for local negotiations and the men, particularly in South Yorkshire, were now talking about much higher pay increases.

8. Mr. Hector Smith rejected the idea of multi-union plant negotiations. The most vital workers were the mortar men and riggers who repaired blast furnaces. He could not agree that NUB was asking something for nothing; work on the blast furnaces was so hard that most men could not do it and miners who had tried it had given up after a few days. There was in fact a shortage of men and his members did over-time to keep the plant going. Ten men at Teeside did the same work as twenty-eight men in Italy where contractors were involved as well. There were many agreements which had resulted in job losses.

/9. Mr. Hector
Smith

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9. Mr. Hector Smith added that his men had promised an industry producing 35m. tonnes a year in the 1980's. This had not happened and he wanted the money now on the basis of what had been agreed in the past. The commercial side of BSC had let his men down; they could fill the streets with steel and yet BSC's customers talked of a shortage of British steel. It had to be remembered that a process worker or a blastfurnaceman worked just as hard whatever volume of steel was produced. The number of blastfurnaces had been reduced from thirty-two to eight, which demonstrated productivity and his men worked flexibly on an eight hour shift/ twenty-one shift week. He was concerned about the loss of shift premiums at weekends etc.
10. Mr. Gross intervened to say that fears about shift premiums were groundless; sinter lines and coke ovens had to work continuously. Mr. Hector Smith however appeared to think that the ability of the plant to produce at high volumes would lead to stock-piling and closures for parts of the week.
11. Sir Keith Joseph stressed that world demand for steel had fallen. Mr. Prior enquired about the scope for joint local negotiations.
12. Mr. Sirs had always said that he would not agree to joint negotiations at national level; he could not deliver the agreement of other unions. However, his offer on multi-union local negotiations was a positive movement since it would bring in maintenance men and craftsmen. He objected to Sir Keith's suggestion that nothing had been offered; if the BSC negotiators did not understand the value of what had been offered, there could be no progress. He would have great difficulty selling his proposals to his men since their basic pay, exclusive of overtime and premiums was only £66 per week when miners got a basic wage of over £80 per week and chocolate workers got over £70 per week.
13. Mr. Sirs said that worldwide more steel was being produced than ever before and BSC's proposals for contraction showed that they had got things wrong. It would be a good idea if individual plants had more responsibility. He would like an enquiry into BSC matters except pay. Mr. Prior said there had been too many enquiries; another would merely cause delay. One of the problems was that companies wanted to second-source away from BSC.
14. Mr. Sirs stressed that ISTC was not political nor was the strike politically motivated. He had no proper relationship with the people running BSC; for example, he had learnt only indirectly of Sir Charles Villiers' plans for decentralisation. The Government however was acting politically by imposing the break-even target. The money set aside for redundancies would do nothing for motivation in the steel industry.
15. Mr. Sirs said that contraction would do the industry no good. Some of BSC's operations were world class and closure of small, efficient and profitable plants which were not burdened by interest or depreciation did harm. Quality and delivery were important but attention had to be paid to the motivation of his men. Those leaving the industry were receiving better treatment than those who stayed. On productivity there was scope for movement on the maintenance side but he was responsible for only 20% of maintenance workers.

/Contraction

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Contraction should go no further; he feared the steel industry would go the same way as motor cycles.

16. Mr. Sirs mentioned that Consett was already streamlined and produced top quality billet. If the ISTC had any money he would buy the plant and was willing to ask his executive to spend up to £1m. Sir Keith Joseph said that if the unions found money themselves or from the private sector to purchase and run Consett, the Government would consider injecting money on the lines of the Chrysler deal in America. He thought Mr. Sirs' idea was the seed of something important. It was agreed that this idea would be pursued separately and would not be discussed publicly.

17. Mr. Sirs suggested that BSC's most recent pay offer was worse than its opening offer because of the conditions attached. Negotiations could not succeed if BSC carried on as they were; the steel workers had been cooperative and this was interpreted as weakness. Mr. Hector Smith said that the productivity of production workers was satisfactory; productivity was built into the system since his men did the same amount of work regardless of throughput. All that was necessary was to increase tonnage.

18. Mr. Sirs said that part of the problem was imports. Overseas suppliers were keeping prices down with hidden rebates. The quality of exported steel was always a bit better which accounted for much of the success of imports to the UK. The German industry had subsidies ^{on} coking coal and on transport which meant it was not competing fairly. Those buying German steel paid lower rates of interest and were given longer to pay. Import controls were needed.

19. Sir Keith Joseph said that the UK industry had had a much larger injection of money than the foreign companies. British Rail was subsidised and so was the Coal Board. This amounted to a subsidy to British Steel but the Government could not say this aloud because of repercussions in America. Some foreign companies were paying higher interest and depreciation charges than BSC.

20. Mr. Sirs said that the future of negotiations was very difficult. He and Mr. Smith were seeing Mr. Scholey in private on Tuesday. It was essential to keep this quiet. The Government should exert pressure on the BSC to be sensible and, if progress was made in private, it might be possible to resume public negotiations. There seemed, however, no chance of agreement if no money was on offer without productivity strings attached to it. The position in the private sector where he had been unable to restrain his workers made the situation urgent.

21. There followed a discussion of the arrangements for and funding of guaranteed week payments. These were funded by the BSC in this country but the Government paid in Germany. Mr. Sirs wanted the burden shifted to Government but it was pointed out that the Government could not consider BSC in isolation and other groups would want equal and expensive treatment.

22. Mr. Sirs stressed that he and Mr. Frank Chapple had managed to stop talk of a national strike.

/23. Concluding

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23. Concluding the meeting, Sir Keith Joseph said pay negotiations were for the BSC and the unions. The Government would not alter the cash limits and would not make money available to finance operating losses next year. The meeting had been useful in clarifying what the unions thought. The question of Consett could be pursued separately.

I.K.C. Ellison
20 January 1980

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