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NB 8 February 1980

Tim Lankester Esq  
Private Secretary to the Prime  
Minister  
10 Downing Street  
LONDON SW1

*Handwritten signature:*  
P. Stredder

*Dear Tim,*

... I attach a copy of the 11th Report of the  
Interdepartmental Contingency Group on the Steel  
Strike.

I am copying this letter to the Private Secretaries  
to the members of E Committee, the Secretaries  
of State for Scotland and Wales, the Paymaster  
General, the Minister of Transport and Sir Robert  
Armstrong.

*Yours ever,  
Pete*

PETER STREDDER  
Private Secretary

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STEEL STRIKE : 11th REPORT OF THE INTERDEPARTMENTAL  
CONTINGENCY GROUP

This report summarises the position on 8 February .

BSC

2 Negotiations were resumed today between the Corporation, the ISTC and NUB, but broke down once again. Negotiations with NCCC, TGWU and GMWU remain in abeyance.

Private Sector Producers

3 Almost all ISTC members are on strike at private sector plants, the exception being at Sheerness, where normal production is continuing. ISTC members at Hadfields are due to meet on Sunday, 10 February, to decide whether they will defy their Union instructions and return to work. A considerable number of workers in other unions are now laid off in the steelmaking and rolling plants. It is estimated that just over half the 60,000 employees in the private sector are now either on strike or laid off. Some processing, finishing and deliveries of steel to customers have continued but at a level estimated to be only 10-15% of normal, and this is only a limited product range.

Steel Supplies

4 The marked reduction in deliveries from the private sector will have particular effect on engineering users and on component manufacturers eg companies making drop forgings for automotive applications. Stockholders continue to receive a trickle of imports and have so far generally maintained good levels of delivery to users. However, reduced deliveries to stockholders will increase further the imbalance already becoming evident in their remaining stocks. Severe picketing of stockholders in Wales has almost completely stopped their deliveries to customers. Some direct imports are being received by users.

Movement of Steel

5 Reports from the transport sector indicate no change in the movement of steel. About 10,000 drivers who normally work on movement of raw materials and steel products are now laid off because of the dispute. At the ports, where scrutiny of cargoes has been intensified, there has been no reduction in the volume of imports in containers. However, at some ports there is evidence that imported steel put into storage is approaching saturation point.

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Effects on Steel Users

6 The latest survey by the Business Statistics Office shows that manufacturing production in the week ending 2 February was maintained at 96% of normal (99% if BSC production loss is deducted), similar to the previous week. 9% of the 426 companies included in the survey indicated that they were being affected to some degree by the steel strike; this is in line with the indications reaching the CBI. Estimates for this week are that overall production will be little affected by the extension of the strike to the private sector, but loss of production in the metal-using sector will be anything up to 2%.

7 Estimates of the potential endurance of companies and user sectors still indicate that no serious general interruptions to production are expected before the third or fourth week of February, despite further reductions in stock levels. But there is increasing expectation of short-time working and lay-offs in some user sectors.

8 In the metal container sector, which includes tinplate can production, Metal Box have now laid off one third of their workers in this part of their business. They do not expect tinplate stocks to last much beyond the end of February. Reads, the other major tinplate can producer for the food industry, expect to begin laying off some workers during the next two weeks. There remains no immediate cause for concern over tinned food supplies.

9 The drop forging sector, identified above as being particularly vulnerable to the reduction in private sector steel supplies, has a number of companies on short time. Despite the fact that the average stock levels are sufficient for 4 weeks' production, the position varies widely between companies and some layoffs are expected in the next two weeks. Drop forgings require varying degrees of further processing eg machining, before use as finished components in automotive or other manufacturer production. Thus, depending on stocks of components, the effects of restricted output at the drop forging companies will take time to work through to ultimate users.

10 British Shipbuilders are in discussion with their Unions with a view to the introduction of a 3-day week from 18 February at Austin and Pickersgill (Sunderland) for 3,000 workers. Swan Hunter and Scott Lithgow are likely to follow suit shortly afterwards. The majority of other shipyards have stocks to sustain normal operation for some weeks.





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Financial Position of Companies

11 There are few reports, as yet, of companies seeking additional finance from the banks because of the strike. The Bank of England is confident that the banks will meet any pressure which is likely to arise in the immediate future.

Attitudes to the Strike

12 At any rate until today's breakdown CBI members generally have continued to bring little pressure for a settlement and to endorse BSC's resistance to an unrequited wage claim, if not necessarily their tactics. Criticism seems to be developing in the popular press of the Government's policy of non-intervention.

P W Ridley  
Dep Sec  
717 Ash. 212-6797  
8 February 1980

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