

PRIME MINISTER'S CONVERSATION WITH THE HOME SECRETARY: TELEPHONE:  
2100 HOURS: 3 JANUARY, 1980

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PM The British Steel Corporation met all morning, and went on until nearly 4 o'clock this afternoon. I think the work we did yesterday had borne fruit because ~~the~~ the two Directors that we have on the Board had contacted others and had virtually managed to sell their scheme to them. As a result of which, after very extensive discussions, the British Steel Corporation authorised their Executive to negotiate with the union men on the basis of a lead payment for productivity of a modest sum, but to resume negotiations. After that meeting I understand that Villiers gave a press conference while we had a meeting of Ministers at about 6.15 when the two Directors, who'd clearly done a very good job, told us what had happened, and Sirs had in the meantime made a speech which we also knew was going to take place because my chums were ringing me up the whole time, - Sirs saying look, if there's money on the table in advance of a productivity agreement, he would discuss along that basis. So I rather gathered Villiers has accepted that invitation further to discuss now. And I hope therefore they're beginning to get together next week. It's still to some extent tricky in that they could go too far with, - and offered too much on targets that aren't firm. But in every single way there are dangers.

HS Always in these circumstances there are dangers everywhere.

PM Yes. Also, apparently <sup>that</sup> Villiers had said at first that, oh, the strikers burst the cash limits, and our two chaps say, not it has not. You must still keep within the cash limits, <sup>must be</sup> and, though it's not/repeated outside, Willie, the steel corporation



has very considerable resources, you know, and subsidiaries, and land that it could sell, to meet the cash limits. So in fact, Willie, they've done a doubly good job. First, the steel corporation, the cash limits is a discipline, and you must operate within it. And secondly, that these things just won't cure themselves. We must start to negotiate, and they've sold that to the Board. All the Regional Directors have met, and had decided roughly how much productivity there was on offer locally, which enables them also to negotiate locally. So I think that the meeting we had yesterday, Willie, bore fruit, and they came back in a totally different way tonight.

HS I'm very pleased to hear that.

PM I'm very relieved. It can still go badly wrong. But it looks to me as if the negotiations will recommence next week within the cash limit.

HS Well if that's the case, that will be very good.

PM Willie, have you seen? - You've only just got back .... I haven't seen anything on the news, but there was reason to think that things are moving. And also I think that Len Murray privately was approaching the steel corporation. The private sector is working perfectly well at the moment. The picketing's not bad. 90% of imported steel is moved by lorry and not by rail. So that's reasonable, and at the moment we've got a number of strange things, Willie. I think the steel chaps are cock-a-hoop that their nationalised steel strike is absolute, so it might not



be the world's best moment to get them to agree to a modest settlement. I think the negotiations will have to wander on for some time.

HS I would think as long as they're going on that's alright.

PM I think they'll probably start next week, but certainly Villiers has accepted Sirs' invitation to negotiate, and they've got the basis upon which they can negotiate.

HS Well, that's very good. Well done you.

PM But at any rate I think yesterday's meeting was reasonable. Now, what we're trying to do is to modify the press releases on any wage claims that come out. Soon, January 7, Friday, the nurses are out at 19.3; two stages. I gather that water are balloting on 13%, but that won't be through for about 3 weeks.

HS That's not too bad.

PM That's not too bad. So it could now be reasonable. But we just don't know Willie. All I'm concerned with now is that there are certain negotiations going to take place soon with the trade unions within the cash limit.

HS I'm sure this<sup>is</sup> right. I couldn't agree with you more.

PM I'm very relieved, because at least they've started to negotiate. I was frightened to death that the British Steel



Corporation would look hard, flinty-faced, hostile. Well I think it's now beginning to go the right way. I thought, Willie, that we ought to have an E round about Tuesday.

HS Yes, right.

Farewells.