Note of a Meeting held at
10 Downing Street at 3 pm on
FRIDAY 8 FEBRUARY 1980.

STEEL

Present: Prime Minister
Chancellor of the Exchequer

Mr N Monck - Treasury

Secretary of State for Employment
Mr D Smith - Department of Employment

Sir Peter Carey - Department of Industry
Mr P Ridley - Department of Industry
Mr S Gross - Department of Industry

Mr C Whitmore - 10 Downing Street
Mr D Wolfson - 10 Downing Street
Mr B Ingham - 10 Downing Street
Mr T P Lankester - 10 Downing Street

Sir Robert Armstrong - Cabinet Office
Mr A S D Whybrow - Cabinet Office

1. The meeting was called to discuss the situation arising from the breakdown of the steel pay negotiations during the morning.

2. MR GROSS said that Mr Scholey of the British Steel Corporation had recently had talks on Luxembourg with Mr Sirs of the ISTC and Mr H Smith of the Blast-furnace men's Union. They had agreed to meet on the evening of Tuesday, 5 February. That meeting had not taken place and Mr Scholey had written to Mr Sirs on Wednesday 6 February recording his understanding of the position they had reached. Mr Sirs had interpreted the letter as meaning that the 4 per cent lead-in for local productivity schemes would be guaranteed for the duration of the agreement whether or not local productivity schemes were agreed by a given date. This was not the Corporation's position. What they had intended was some flexibility over the time allowed for reaching local agreements (ie the 3 months might have beeen extended to 4 months and possibly under pressure to 6 months), but they had been quite clear that there must be a cut-off date after which the lead-in payments would cease if a local agreement were not reached. Mr Sirs had said publicly that the new offer represented a U-turn. Mr Gross had told Mr Sirs on 7 February that this was not the case, but Mr Sirs had appeared unconvinced. That morning, 8 February,

the British Steel Corporation had set out their position at the negotiating meeting. Mr Sirs had said that he had been misled into expecting a better offer, and the unions had walked out of the meeting.

3. MR D SMITH said that at the meeting the Union side had asked if the point about lead-in payments was negotiable and the BSC had said that it was not. Mr Sirs and Mr Scholey had both spoken on the BBC Radio programme "World at One" at lunchtime. Mr Sirs had said that he would not re-enter negotiations until there was more money on the table. He was not seeking a meeting with Ministers and he thought that steel closures would now become an issue in the pay dispute. Mr Scholey had expressed surprise at the breakdown of the negotiations and said that the BSC would need to consider seriously some form of arbitration even though the Unions had rejected it in the past.

4. In discussion the following main points were made -

a. The fact that talks had broken down so quickly after 6 weeks of the strike indicated that the two sides were no longer likely to reach a settlement on their own. The Blastfurnace men's Agreement provided for arbitration at the request of either party. The ISTC's agreement did not, but by custom and practice there was recourse to arbitration if both parties agreed. It was open to ACAS to propose arbitration on the lines of the agreements and custom and practice, or to offer their own services or those of some nominated person as a mediator or conciliator. The usual practice was for ACAS to appoint a conciliator, but with an understanding by all parties that he would arbitrate on any points where conciliation proved impossible. It was desirable, but unusual, for the parties to agree in advance to be bound by his findings. The fact that the Unions had previously refused arbitration meant that any third party intervention would need to be described as conciliation or mediation, even if it came to arbitration in the end.

b. A conciliator could be expected to seek BSC's latest financial forecasts. Whether to release them was a question best left to BSC to decide. The forecasts were not "facts" in that they relied on assumptions eg about volume of sales which might be challenged.

c. An arbitrator would not necessarily address himself to the issue of how an award was to be paid for, and the question could arise whether the Government would foot the bill. The Government's position was clear. The 1980/81 Cash Limit of £450M represented the maximum which could be provided by the taxpayer. Any costs beyond that would have to be found from BSC's own resources, which might include increased sales, improved efficiency, and disposal of assets. The previous policy objections to publicly mentioning disposal of assets no longer applied.

4. THE PRIME MINISTER, summing up the discussion, said that the meeting was agreed on the direction in which progress should now be sought; it was set out in an Aide-memoire, the terms which were agreed in discussion (copy attached). The Department of Employment would be guided by the Aide-memoire in further discussions with ACAS. The Press should be told that Ministers had discussed the situation, had learned that ACAS were actively in touch with events, and hoped that ACAS could assist in getting the parties together again. There should be a further meeting of Ministers at 10 am on Monday 11 February, or later that day if a later time seemed more likely to be useful.

The meeting -

Took note with approval, of the Prime Minister's summing up of the discussion.

11 February 1980