

TRANSCRIPT OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER
AND SIR KEITH JOSEPH ON SATURDAY 22 DECEMBER

Prime Minister: Keith. I'm sorry to chase you on the Saturday before Christmas.

Sir Keith: Not a bit.

Prime Minister: But we've been having varied conversations about steel, Keith, and I'm very worried about it because I don't think the unions want to go on strike and that all my information is in that direction. I think that both Villiers and Scoley are not handling it very well but what I'm fearful of is that if we let them go on strike without making further effort we'll not only have them out, we'll have very, very bad feeling and we'll have British Leyland finished as well and I feel that to avert that - if we could let just a few millions of the investment money go so long as we hold the cash limit I would rather do that. I've just been trying to find out, 1 per cent extra I gather costs 10 million so I would imagine they could let up to 30 or 40 million go - I would say 30 million go - if that in fact would do the trick.

Sir Keith: Well, we could talk to them privately about some way in which that could be done without breaching the cash limit.

Prime Minister: Yes. What I'm concerned about is that they should not breach the cash limit and they should leave a goodly amount left for investment. But I just think that there's too much at stake. You know, if we can get a really low settlement it's to our advantage, if we can carry through the new attitude of unions willing to settle for low settlements, it's also to our advantage. If we can keep British Leyland going for the time being, that's also to our advantage. Now I've been on to Jim Prior and said that I really don't think we can just leave it because I think Villiers and Scoley are both wooden.

Sir Keith: I don't think Scoley is all that bad. He's been handling it.

Prime Minister: Well, I wonder if you could get on to Jim. I've spoken to Jim. He's at his house in Suffolk. He says you have the number because I don't think we can leave it.

Sir Keith: The danger is that once some more is offered, the unions will push for more still and we shall

Prime Minister: well, I think that the negotiations have been very badly handled because you know I have a private line in from some chums and they tell me that it has been extremely badly handled but we can't do it directly but I think Jim's got a line to Len Murray and I think there are one or two suggestions - not that Jim, but three or four of them, should be allowed to get together privately. perhaps aided and abetted by Douglas Smith in their Department whose marvellous. He used to be in the Cabinet Office. Do you think we've got the stupidity that

/they are

they are wanting to settle but that they've got such a wooden management that they can't.

Sir Keith: But you know that the concession of 3 per cent was organised behind the scenes.

Prime Minister: Yes, but that wasn't new money. That was just switching money round and I thought that we might offer 2-3 per cent of new money to get a low settlement. Or we might authorise that which would mean not breaching the cash limit which I would not do but taking just a little - a few millions, a few tens of millions - of the 150 million investment money which would be cheaper than letting them go on strike.

Sir Keith: But the judgement is whether that will solve it or whether they will then say, well we've got them on the run, we'll ask for 15 more

Prime Minister:that's a judgement, but I think we'll leave the judgement to them provided we've got reasonable people negotiating.

Sir Keith: Yes, well that's up to Jim to know whether how far Douglas Smith can help out. Well, I'll certainly phone Jim.

Prime Minister: All right, bless you Keith. And I'm so sorry to bother you.

Sir Keith: Oh, of course not. Any time. I'm here from now on.

Prime Minister: Yes. You're not alone over Christmas are you?

Sir Keith: Oh, I'm with the family, it's all right thank you and you've kindly asked me to a buffet on Thursday. Very nice.

Prime Minister: That's right, and then you're going to the States later?

Sir Keith: I probably am cancelling because of all this steel.

Prime Minister: Well all right. Let's hope we can get it sorted out.

Sir Keith: Thank you, Margaret.

Prime Minister: All right, Keith. Goodbye.