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19/12

PRIME MINISTER

THREATENED STEEL STRIKE

Following our discussion on BSC on 12 December (E(79)19th) E Committee wishes to discuss further on 19 December the position as regards the threatened steel strike.

There is little new to report on the closure front. On 15 December I met Mr Murray and the TUC Steel Committee, led by Mr Sirs, on BSC's proposed closures and my financial targets. The Steel Committee's responsibilities do not cover pay. Nevertheless, it is of interest that neither the Committee nor even the ISTC have really tried to link the closure and pay issues. And the threatened closure areas, particularly in South Wales, appear to be less than keen on strike action over pay since this could clearly facilitate and advance the closures.

Mr Sirs of the ISTC has resumed informal discussions with BSC on pay and these are continuing. BSC's efforts to inform public opinion of the underlying issues have been quite successful so far and they are today issuing a statement to their workforce setting out some details of the offer on more pay (up to 10%) for more productivity. It is too early to judge what effect this will have. There seems to be some behind-the-scene pressure against the strike from other unions.

In accordance with the E Committee recommendation of 12 December, officials have started their examination of the effects of

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strike action. Their first assessment has been presented to me and to the Secretaries of State for Employment, Transport and Trade. The position so far is very much as set out in the last two pages of my minute of 11 December except that, since then, the rail unions have told the ISTC that they would not handle steel if the strike took place. I understand that the Department of Employment judge that this is likely to result in fairly widespread efforts by these unions to impede imports of steel, at any rate by BSC's customers. I invite my colleagues to consider whether any steps such as sending those concerned home are feasible to discourage members of the unions concerned from such action.

On the surface accessible stocks at users works and stockholders of 16 weeks' consumption noted in my earlier minute implies a fairly comfortable endurance. Also BSC are trying to deliver as much steel as possible to customers before Christmas, and have set up their own arrangements to import for their customers. However stocks are much lower in some important areas like tinsplate (about 6 weeks supply for cans), sheet steel for automotive use and electrical engineering. In complex manufacturing processes, shortages of specific components or sizes of material can disrupt total production. Our initial assessment suggests that some firms making mechanical engineering components (eg forgings), car manufacturers and some parts of heavy engineering (eg process plant) could be affected within a month, particularly if imports were halted. In the case of fabricators making offshore structures

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for the North Sea, which BSC is treating as first priority, the industry faces substantial financial penalties if later delivery causes them to miss the short "weather window".

In sum, our initial appraisal suggests that some serious dislocation, probably in the motor industry or some other specialised sector of engineering, could begin within a month particularly if imports were stopped. However, experience suggests that industry is resourceful in keeping things moving, and that the impact usually turns out to be slower and less damaging than the statistics suggest.

The first review by officials of possible contingency measures suggests that the most effective action to mitigate the consequences of any stoppage is self-help by users and their suppliers. Although we shall no doubt be criticised for inaction I think that overt efforts by Government to facilitate (eg by trying to organise alternative road transport) or allocate supplies could well be counter-productive, and anyway would for the most part be impracticable. Officials will continue to study the possibilities and meanwhile arrangements to monitor the effects are being set in train. I believe that the most useful thing for us is to keep trying to bring home to the public the opportunities which lie before a competitive steel industry and the lasting damage which a stoppage would do to this objective.

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I am copying this letter to Members of E Committee to the Secretaries of State for Scotland and Wales and to Sir Robert Armstrong.

PJS

PP K J
17 December 1979

(approved by the Secretary of State and signed in his absence)

Department of Industry
Ashdown House
123 Victoria Street
London SW1

P.A. Tape.

13.12.79.

Nat Ind.

NO STRIKE OVER JOB CUTS - STEELMEN'S LEADER

STEELWORKERS WILL NOT TAKE INDUSTRIAL ACTION IN THEIR FIGHT AGAINST BRITISH STEEL'S PLAN TO AXE 52,000 JOBS. IRON AND STEEL TRADES CONFEDERATION GENERAL SECRETARY BILL SIRS SAID TODAY. BUT THEY WOULD MAKE URGENT REPRESENTATIONS TO THE GOVERNMENT, HE SAID.

THE STEEL UNIONS HAVE ALREADY SAID THEY WILL GO AHEAD WITH A NATIONAL STEEL STRIKE FROM JANUARY 2 OVER THEIR TWO PER CENT PAY OFFER.

MR SIRS WAS SPEAKING BEFORE HE PRESENTED A REPORT TO THE TUC ECONOMIC COMMITTEE IN LONDON TODAY, THE DAY AFTER BRITISH STEEL CHAIRMAN SIR CHARLES YILLIERS ANNOUNCED THE JOB CUTS.

MR SIRS WAS NOT CONVINCED THAT SIR CHARLES WOULD STAY FIRM ON THE CLOSURE PROPOSALS.

'HE'S ALREADY WITHDRAWN FROM WHAT WAS ORIGINALLY SAID IN SOUTH WALES - SO THEY DO CHANGE THEIR MINDS.'

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DEPARTMENT OF INDUSTRY

Room 717, ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 -6797
SWITCHBOARD 01-212 7676

Douglas Smith Esq
Deputy Secretary
Department of Employment
St James's Square
London SW1Y 4LL

12 December 1979

cc to Douglas

12.12.79

Dear Douglas,

BRITISH STEEL CORPORATION : THREATENED INDUSTRIAL ACTION

Ministers are, as you know, resolved not to intervene in BSC's pay negotiations (over which the Iron and Steel Trades Confederation are threatening a national steel strike on 2 January) or in the other slimming-down measures which the Corporation have embarked on to make themselves competitive and profitable. My Secretary of State has, however, asked officials to consider the possible consequences of industrial action on the economy generally, to keep Ministers informed and to advise them as appropriate.

Reg Long here has already set up consultations with the people listed in the annex. They are looking primarily at the stock and supply position, at the consequences of any shortages on particular industries and the scope for (and constraints on) alternative supplies from abroad. They aim to have a first report ready for weekend boxes.

and I think it would also be useful if you, John Sanderson ~~and~~ Gerry Lanchin were prepared to meet regularly to hear reports from Reg Long, to take an overview of the situation as it develops and to consider the implications for the Government's stance - always of course in the context of not interfering with BSC. I have in mind particularly the objectives set out in Sir Keith Joseph's minute of 6 December to the Prime Minister of doing everything possible to support the Corporation and of winning the backing of public opinion.

I hope that you can attend, or be represented at, a first meeting here on Friday 14 December at 1030. I suggest that we arrange provisionally for further meetings at the same time on Tuesday 18 and Friday 21. I do not think we can look beyond that for the moment.

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I am copying this letter to John Sanderson and Gerry Ianchin,
also for information to Tim Lankester at Number 10 and
Wade-Gery at the Cabinet Office.

Yours sincerely,
Philip Ridley

P W Ridley

bc PS/Ministers
PS/Secretary
Deputy Secretaries
Mr Gross, IS
Mr Leeming, IP
Mr Woodrow, Inf
Mrs Cohen, IS1
Mr Clay, IS3
Mr Long, IS4
Mr Spencer, IS1A

cc Mr Kerrison IS4
Mr Spencer

Mr Ridley
Dep Sec

CONTINGENCY PLANNING ON THREATENED BSC ~~STRIKE~~

You asked for a list of our contacts.

They are:-

BSC - Mr Peter Broxham, Director of Industrial Relations
(who will give us further contacts as necessary)

BISPA - Mr Ian Blakey

Council of Ironfoundry Associations - Mr Derek Farrant

Dept of Industry Divisions - M, V, MEP, SBP, (CT being added today)

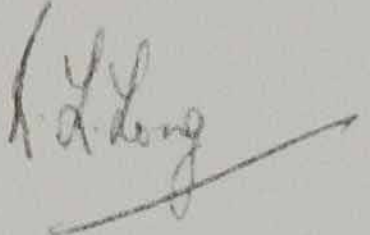
Dept of Energy - Gas, OSO (Coal & Electricity being added today)

Department of Transport/DOE - Mr F H Elders
- National Ports Council - Mr Cartwright

Department of Employment - Mr Wake

MAFF - Mr McCall

Department of Trade - Mr Lanchin (who has been told we are preparing a paper).


R L Long
IS4
Room 714 Ashdown
Ext 0205
12 December 1979

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