

NOTE FOR RECORD

The Prime Minister spoke with Sir Keith Joseph on the telephone at 10.45 hrs about the steel negotiations.

The Prime Minister said that she was worried that if no settlement were achieved today, BSC would be pushed further - and would eventually have to settle at a still higher cost. The longer the delay in reaching a settlement, the higher the eventual level of it. BSC had had a bad press over the weekend - they were not getting over the fact that part of their offer was conditional on productivity. It also appeared that they had, in fact, moved from 2% to 12% in a period of days.

Sir Keith Joseph said that the gulf between BSC and the unions remained enormous. It would be a mistake to ask BSC to concede any more. If they offered money in advance of productivity, the unions simply would fail to deliver - as they had done in 1976.

The Prime Minister said that the cost of a prolonged strike would be enormous: she re-emphasised that it was important to get a quick settlement. If the strike went on for more than a few weeks, the consequences for industry generally would be very bad. Sir Keith agreed with the latter point, but said that if BSC were to concede more now, this too would have serious consequences. In particular, the unions would take it as a victory, and would then go on to win on the question of closures. The Prime Minister disagreed; she pointed out that the cash limit was fixed at £450 million, and BSC would have to live within this. If the unions failed to come through with productivity improvements, there would have to be further redundancies. On the question of productivity, she hoped that DOI would look not just to the unions to deliver: the contribution of management was also crucial. She felt that the negotiations

/had been



had been badly handled by BSC. Villiers and Scolley were known to be divided, and the unions were seen to be on top.

Sir Keith said that the Chancellor and he were agreed that it was essential that BSC should stand firm on the linking of a substantial part of the 12% offer with productivity. Productivity must be negotiated before the full amount is paid. The Prime Minister said that she thought a settlement of 12 - 13% was possible with public guarantees from the unions that the necessary productivity improvements would take place. Sir Keith said that such guarantees would not be enough.

The Prime Minister and Sir Keith agreed to discuss the situation further later in the day.

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