

cc Mr Luffman
Mr Lyman
Mr Byrnes

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Prin. Invt. to

This is encouraging (except for Sirs' and Smith's imminent departure)

PS/Secretary of State

cc PS/Mr Butler for Berlin which
PS/Mr Marshall is mentioned)
Mr Ridley Dep Sec
Mr Woodrow Inf
Mr Murray IS3
Mrs Cohen IS1
Mr Long IS(Tech)
Mr D Smith DEM

24/10

STEEL PAY NEGOTIATIONS: BSC'S MEETING WITH UNIONS THIS AFTERNOON

Mr Scholey has reported that, after a very confused discussion, this afternoon's meeting ended at 4 pm because the ISTC and NUB negotiators were then due to meet their Executive Committees.

2 The Union side appeared to accept that the next step was the setting up of the proposed Committee of Enquiry and claimed they had been encouraged by Mr. Prior to try and reach agreement on the Chairmanship across the table. BSC presented four names of which /(George) Thomson was acceptable to both sides. For their part, the Unions presented four names, two of which were unacceptable to BSC and two were doubtful (Mr Scholey did not disclose the names, saying he had been asked to keep them confidential). The Union side pressed BSC to accept at least one of their names and proposed that the two names (ie Lord Thomson plus theirs) should then be presented to Mr Mortimer for him to select one as Chairman (assuming a willingness to serve!) I asked whether this meant that the Unions accepted that the Committee of Enquiry should be conducted by ACAS. Mr Scholey said this was not clear but they had clearly accepted that ACAS had at least a "secretarial" role to play, and perhaps more.

3 BSC then tabled a "return to work" formula, apparently based on a 10% pay increase against the central agreement (though Mr Scholey did not specify the details) and pressed for a return to work on Wednesday. Mr Sirs said this was not acceptable because there had not yet been agreement on a Chairman.

4 I asked whether this implied that an early return to work would be acceptable to Mr Sirs as soon as there was agreement on a Chairman but Mr Scholey could not say. However, he believes there is now heavy pressure on the Union leaders to arrange a return to work before the end of the financial year for tax reasons (the ending of income tax rebates?) However, Mr Sirs and Mr Hector Smith are attending a conference in Berlin later this week; Mr Smith leaves on Tuesday and Mr Sirs on Wednesday. Therefore, unless the two Executive Committees decide later this afternoon to go ahead with the selection of a Chairman in the meantime, nothing more is likely to happen this week. Mr Scholey expects to hear from

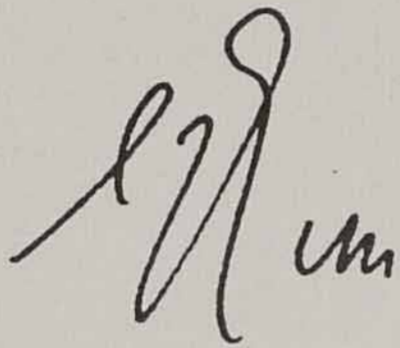
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Mr Sirs this evening following those meetings.

5 Meanwhile, Mr Scholey proposes to discuss in strict confidence with Mr Mortimer the names suggested by the Union side to see whether any of them would be acceptable as a reserve for Mr George Thomson.

6 I have discussed this with Mr Smith DEm who considers this afternoon's meeting represents moderately encouraging progress. The Unions have not reacted adversely to this morning's meeting with the Secretary of State for Employment and have instead moved on towards discussion of a Chairman potentially acceptable to both sides; secondly, an early return to work is now being discussed quite seriously.

> with ACAS provided at least "technical" backing



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