

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
THURSDAY 27 SEPTEMBER 1979 at 10.30 am

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the
Home Department

The Rt Hon Lord Carrington
Secretary of State for Foreign and
Commonwealth Affairs and Minister of
Overseas Development

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon John Biffen MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Lord Hailsham
Lord Chancellor
(Items 2 and 3)

The Rt Hon George Younger MP
Secretary of State for Scotland

Sir Ian Percival QC MP
Solicitor General
(Items 2-4)

Mr Wyn Roberts MP
Parliamentary Under-Secretary
of State, Welsh Office
(Item 1)

Sir Kenneth Berrill
Head of Central Policy
Review Staff

SECRETARIAT

Sir John Hunt
Mr P Le Cheminant
Mr P Mountfield
Mr G D Miles

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1. STRATEGY FOR THE COAL INDUSTRY
Previous Reference: E(79) 5th Meeting, Item 5

The Committee had before them a memorandum by the Secretary of State for Energy (E(79) 45) discussing a possible future strategy for the coal industry.

THE SECRETARY OF STATE FOR ENERGY said that the strategy discussed in the memorandum started from two assumptions: that the United Kingdom should produce enough coal to meet its own requirements; and that the coal needed should be produced by a competitive coal industry. At present the industry made substantial losses, partly because of the large number of uneconomic pits still in operation. Eventual financial viability could only be achieved by a programme of closures, supplemented by substantial capital investment in new pit capacity. It was important to keep in mind the practicality of achieving change; a policy which failed to achieve the active co-operation of the management - whatever doubts there might be about its capacity - or which aroused outright opposition from the miners, would be both more costly and ineffective. The proposals in the paper represented the most rapid rate of closures which the National Coal Board (NCB) believed was practicable (about 1½ million tons of capacity a year). Although financial results five years or so ahead were inevitably very speculative, and dependent on many assumptions, the NCB envisaged that after 1985-84, it would break even after paying interest and with the assistance only of social grants from the Government. He invited the Committee to endorse the financial strategy outline in his paper, to accept the associated external financial requirements and to approve the associated investment programme. Since this could greatly ease the process of closures he also proposed that there should be an improvement in the transfer and redundancy terms offered to miners. He would discuss the detail of the changes with the Treasury, and other Departments, so that the financial implications and repercussions for other industries could be examined. In addition he proposed that a proportion of the NCB loan capital should be converted to Public Dividend Capital (PDC), in order to give the industry a more sensible capital structure.

In discussion attention first focussed on the financial implications of the proposed strategy. It was clear that substantial further sums of money were being sought beyond those for 1980/81 already agreed by the Cabinet (CC(79) 12th Conclusions, Item 5) and those for 1981/82, 1982/83 and 1983/84 contained in a recent memorandum to the Cabinet by the Chancellor of the Exchequer (C(79) 37) whose several conclusions had been endorsed by the Cabinet subject to bilateral discussions of detail with the Minister concerned (CC(79) 15th Conclusions, Item 7). It was also clear that the financial estimates presented in Annex 2 of the paper were subject to wide margins of uncertainty. They were based on assumptions about pay, prices and productivity which might well prove to be optimistic so that the financial prospects could easily be much worse than those indicated, possibly by hundreds of millions of pounds. It was difficult for the Committee to come to a view on the proposed strategy without better information on the assumptions and the uncertainties to which they were subject.

In further discussion it was pointed out that the proposed strategy rested heavily on a view about the most practicable rate of closure of uneconomic capacity. This rate appeared low in relation to the uneconomic tail of the industry (where the 18 most uneconomic pits were thought to lose over £100 million a year). It was, however, relevant that the Labour Government in the late 1960s, faced with a substantial colliery closure programme, had avoided accepting direct responsibility for that programme. The present Government should similarly seek to avoid direct involvement in closures which were a matter within the managerial responsibility of the NCB. It was for consideration whether the approach adopted towards the elimination of the NCB's current heavy deficits, obscured though these were by Government grants, should be expressed in terms of financial targets and limits within which the NCB must find its own management solution to its problems. Against this it was argued that the programme before the Committee already represented, if achievable, significant movement towards a break-even position. Nevertheless it was noted that the British Steel Corporation had been given very specific financial targets and told to operate within them. The circumstances of the two industries no doubt differed but the Committee would be better able to judge the soundness of the NCB's proposals if they could be told of the implications and feasibility of applying and sticking to a similar financial regime for the Board.

Given that there appeared to be no realistic expectations of dividends the proposed creation of PDC for the NCB seemed to be simply a device to improve the appearance of their financial results by transferring charges from them to the Exchequer. The effect would be to reduce the pressures on NCB management and the mineworkers to put their house in order.

In further discussion of the proposal to improve redundancy/transfer payments as a means of reducing opposition to colliery closures, emphasis was placed on the potentially damaging effects on other industries of too generous a provision for redundant mineworkers. There might well be a case for some improvement on the present levels but the repercussive implications would need to be studied before decisions could be taken.

Finally, the Committee turned to the handling of the current wage claim by the mineworkers and the prospects for industrial trouble in the industry over the coming winter. Advice from the NCB was that the National Union of Mineworkers (NUM) appeared to attach much more importance to its claim for the return of the annual settlement date from 1 March to 1 November than to the very high pay claim they had also submitted. A progressive movement, over a period of years, from a 1 March to a 1 November settlement date might be a means of inducing a more modest pay settlement on this occasion. Considerable concern was however expressed that an earlier settlement date with the NUM would greatly increase their bargaining power by enabling them to threaten disruption in coal supplies at the beginning rather than the end of winter. The NUM had already made a claim and were awaiting the NCB's response. The next meeting was due to take place between the two sides on 10 October and the Government would need to consider urgently what guidance it should give to the NCB. It was also noted that coal stocks at power stations were considerably below the levels of this time last year, among other reasons because of the heavy switch from oil to coal burning in the summer months necessitated by the then oil shortage. It was pointed out, however, that oil stocks were better than a year ago though it remained the case that coal provided the fuel for some threequarters of the electricity generated.

2. LEGISLATIVE PROPOSALS ON PICKETING, CLOSED-SHOP AND UNION BALLOTS
Previous Reference: E(79) 3rd Meeting

The Committee considered a memorandum by the Secretary of State for Employment, E(79) 45, setting out his proposals for legislation on these matters with Employers' Organisations and with the Trades Union Congress (TUC), on the lines approved by the Committee at its earlier discussions.

THE SECRETARY OF STATE FOR EMPLOYMENT said that the proposals had met total resistance from the TUC, but a general welcome from the Employers' side of industry. The Engineering Employers' Federation were less enthusiastic about the proposals on the closed shop, and the Confederation of British Industries (CBI) supported the proposals but had doubts about the changes in Trade Union Immunities. He had modified his original proposals in some respects to take account of these views. He suggested that these proposals should now be embodied in a single Bill, along with the other legislative proposals already approved, and that the Bill should be introduced in December. Since the paper was written, he had modified his proposal about the 'conscience clause' which determined the grounds on which an individual could refuse to join or remain in membership of a trade union. He would suggest a new formula to the Committee in due course. On picketing, he proposed to confine the definition of acceptable picketing to those concerned in a dispute-picketing at their own place of work. This was the tightest possible definition. Because the provisions of Section 15 of the Trade Union and Labour Relations Act 1974 about picketing were purely declaratory, it would be necessary to give them force by amending Section 13 of the Act to provide a remedy where picketing went beyond this definition. These proposals related closely to those on trade union immunities set out in his separate paper E(79) 44. The choice lay between limiting Trade Union immunity from suit to contracts of employment, or extending them to breaches of other contracts. This extension would have the effect of stopping all secondary action. There was no need for a decision on this point immediately. It would be wise to await the decision of the House of Lords in the MacShane case, and to see whether the CBI attitude developed further. It would be reasonable to explain at Second Reading that the Government was still considering the matter, and to bring in further clauses at a later stage. None of these proposals were perfect. But it was important to put measures on the Statute Book as soon as possible

THE PRIME MINISTER, summing up the discussion, said that the Committee was not yet in a position to reach conclusions on any of the proposals put forward by the Secretary of State for Energy. They needed more information both on the financial implications of the present proposals as compared with the figures already agreed by the Cabinet for 1980/81 and already before the Cabinet as a basis for final decisions on public expenditure in later years. They also needed to be told the implications, financial and otherwise, of establishing a strict financial programme for the NCB, preferably leading to earlier viability, with the Board responsible for adjusting the industry's operations, including prices, to achieve the limits set. In considering the possible courses the Committee would also wish to have an idea of the sensitivity of the financial outcome to changes in the basic assumptions on pay, prices, productivity and pit closures. In asking for this information they were not seeking to press for any particular solution, eg accelerated pit closures, but for material on which the realism of the alternatives could be judged. The Secretary of State for Energy should consult urgently with the Chief Secretary, Treasury and produce an agreed joint paper setting out the necessary facts and options and, if possible, reaching agreed conclusions. The two Ministers should also examine the means, and implications, of so arranging matters that money provided to the NCB for capital expenditure should be used solely for that purpose rather than being available to meet excessive wage claims. The Secretary of State for Energy and the Chief Secretary, Treasury, in consultation with the Secretary of State for Employment and the Secretary of State for Industry, should consider and make recommendations on, the NCB's proposals for enhanced redundancy/transfer payments, with a particular eye on their possible repercussions on other industries. In addition the Secretary of State for Energy should urgently prepare and circulate to colleagues draft guidance which might be given to the NCB on the parameters within which they should negotiate with the NEM on their current pay claim. Finally, the Secretary of State for the Home Department, in consultation with the Secretary of State for Energy and the Secretary of State for Scotland, should let her have a note on the state of contingency planning against the possibility of industrial trouble in the coal industry during the winter and the outlook for energy supplies and stocks particularly for the electricity industry.

The Committee -

Took note, with approval, of the summing up of their discussion by the Prime Minister and invited the Ministers concerned to be guided accordingly.

which could be defended and enforced and which had a reasonable prospect of enduring. The Government could not afford to make mistakes this time round, like those of the early 1970s. It was unlikely that the unions would make much trouble during the present winter, while the legislation was before Parliament. The test would come the following winter. He sought policy approval for the main proposals on picketing, and on ballots, and contingent authority for drafting to continue on his proposals on trade union immunities, subject to a further report to the Committee before legislation was introduced.

In discussion, it was suggested that the proposed legislation would concentrate mainly on trade union immunities. There should be no need for separate provisions on picketing, except to provide a link between Sections 15 and 13 of the Trade Union and Labour Relations Act in the manner described. The Solicitor General should be consulted once a draft of this part of the legislation was available. It was pointed out that the effectiveness of these provisions would depend upon the willingness of management to seek injunction against pickets and in extreme cases to take action for damages. The Government could not itself intervene. It would however be possible for Chief Constables to deal, under existing law, with cases of obstruction or disorder. The legislation would provide for publication in due course of a Code of Practice, embodying many of the provisions of the existing TUC Code, and this would help the police in their enforcement of the present law. Any action taken by an employer would lie against the individual picket. The experience of the Industrial Relations Act had demonstrated that it was impracticable to provide a remedy against trade union funds. In preparing the legislation, full account should be taken of the differing effects of English and of Scottish law. The proposals as a whole should be generally welcomed as a limited but useful improvement in the control of picketing. In discussion of the closed shop, it was noted that the Secretary of State was already considering an alternative approach to the 'conscience clause'. But a more serious problem was the right of a union to exclude or expel a member who refused to take part in industrial action. The present proposals distinguished between expulsion of a member who refused to cross a picket line, and of a member who refused to join a strike. It was proposed to restrict the rights of unions to expel their members in the first case, which would make it harder for them to maintain effective picket lines away from the place of work. But the second case struck at the root of trade union discipline. If the right to strike were to be maintained

and the decision to strike in a particular case were properly taken, it was not easy to deprive unions of the right to discipline their members for failing to observe a union decision. Against this, it was argued that these provisions took away from an individual the unrestricted right to work, and made it much easier for unions to carry on a strike against the wishes of the majority of the members. The problem arose only where a closed shop agreement was in force. In some cases it had proved possible for employers to defy the unions by guaranteeing the right to work of any members who chose to ignore a strike call. This in effect over-rode the closed shop agreement. More generally, it would be desirable to deter employers from conceding closed shops, especially by allowing very heavy damages against them in cases where employees were wrongfully dismissed after refusing to join in a strike and losing their union cards. As a result the present proposals should ensure that very few new closed shops would be agreed, and make it more difficult for the existing ones to be operated unfairly. To go further and deprive the unions of the right to discipline their members would be seen as a challenge to the unions right to exist, and might provoke a very severe reaction.

There was broad support for the Secretary of State's proposals on the provision of finance for ballots on strike actions. It was also suggested that the legislation might place a duty on the employer to hold a ballot on his premises in those cases where the union asked for one. The Secretary of State for Employment would consult further with both sides of industry about this proposal, and bring further suggestions to the Committee in due course if he decided to seek legislation on this point.

THE PRIME MINISTER, summing up the discussion, said that the Committee approved the proposals set out in E(79) 43. They were satisfied that drafting should proceed on this basis. They noted that the Secretary of State for Employment might wish to modify his proposals on trade union immunities, in the light of the forthcoming decision of the Courts in the MacShane case in November, and on the question of exemption from closed shop provisions. They noted that the Secretary of State for Employment would consult further

about the question of facilities for union ballots. They invited the Secretary of State for Employment to bring further proposals on these points to the Committee before the legislation was introduced into the House of Commons.

The Committee -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Secretary of State for Employment to proceed accordingly.

5. TRADE UNION IMMUNITIES

The Committee had before them a memorandum, (E(79)44), by the Secretary of State for Employment, covering a report by officials on a review of trade union immunities, and setting out his own proposals for legislation and the various options which appeared to be open to the Government.

THE SECRETARY OF STATE FOR EMPLOYMENT said that he was not seeking final decisions at this meeting on the options set out in his paper. He did however ask the Committee to approve the broad lines on which he and the Solicitor General were approaching the problem, and for authority to prepare the legislation on this basis. He would bring a further paper to the Committee before the legislation was introduced.

The Committee -

Took note, with approval, of the Secretary of State for Employment's intention; noted that he would seek authority for drafting to proceed on this basis; and invited him to bring a further paper before them in due course.

4. POLICY TOWARDS EMPLOYEE INVOLVEMENT

The Committee considered a memorandum by the Secretary of State for Employment, (E(79)40), about the Government's attitude to employee involvement and participation.

THE SECRETARY OF STATE FOR EMPLOYMENT said that the main policy decision for the Committee was on the future role of the Government in these matters. In his view, the initiative must lie with management and the main need was for them to get on with it. Government should encourage greater employee involvement and participation, but should not legislate to this end. There were however a number of other ways in which the Government could assist the process, through extended employee share ownership and trade union training, and by its attitude to nationalised industry development and its own practice as employer. He would consult the various Ministers concerned on these points separately.

THE PRIME MINISTER, summing up a brief discussion, said that the Committee approved the general approach towards employee involvement outlined in E(79)40 and invited the Secretary of State for Employment to proceed accordingly in consultation with other Ministers as necessary.

The Committee -

Took note.

Cabinet Office

28 September 1979