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NOTE OF A TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND THE
SECRETARY OF STATE FOR EMPLOYMENT AT 1645 ON SUNDAY 6 JANUARY 1980

Mr. Prior telephoned to congratulate the Prime Minister on her television interview, and especially handling of trade union matters, which he characterised as highly effective, although perhaps too detailed for a majority of the audience. Later in the conversation, the Prime Minister asked whether Mr. Prior had any new information about the steel strike situation. She commented that the Corporation had received a terrible press that day. Mr. Prior said that he had no new information. He was concerned that disunity in the Corporation's Board could lead to a damaging situation. In a chance meeting the previous day, Lord Thorneycroft had expressed the view that a package of 12-13 per cent could be sold quite successfully if the presentation was carefully prepared - taking into account comparisons with other pay settlements, the scale of cutbacks already agreed this year, etc. He had not given Mr. Douglas Smith any new instructions over the weekend, although Mr. Smith had been in regular contact with Mr. Gross. Mr. Prior said that he understood that the split between Sir Charles Villiers and Mr. Scholey had been clearly visible on Friday night. The Prime Minister was concerned about the meeting scheduled for Monday 7 January. It was important that negotiations did not break down. Each additional day of the dispute tended to raise the price. Mr. Prior felt that there was now little prospect of a settlement significantly below 13 per cent. The Prime Minister said that the difference was not so much the quantum of the settlement as the grounds and method of paying it. She understood that the union side had also tried to reopen some of the proposed redundancies at Friday's negotiations. The Board would have to sort itself out on Monday morning and appear united at the meeting with the unions later in the morning.

Mr. Prior said that the Board needed advice on how to put across to the public the settlement, preferably before it was reached. The Prime Minister said that they had gone further than

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CONFIDENTIAL

CONFIDENTIAL

- 2 -

expected on Friday night, with Mr. Scholey being worn down by the five union General Secretaries. She commented that Mr. Gross seemed to be a very effective operator. Mr. Prior said that he and Mr. Douglas Smith were working together very well. There appeared to be some problems between Mr. Gross and his immediate superior in the Department of Industry.

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7 January 1980

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