

CONFIDENTIAL

Prime Minister

See also note

by The Hon. Mr. Hore

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and Tracy note on

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Ref. A01102

PRIME MINISTER

Cabinet: Steel Strike

(Mr. Ellison's letter of 8th January to Mr. Lankester; Attorney General's minute of 9th January to Prime Minister)

BACKGROUND

You agreed at your small meeting on Tuesday that the whole question of the steel strike should be discussed at Cabinet tomorrow. It will be the first chance that the full Cabinet has had to discuss this situation.

2. Since your meeting on Tuesday there have been two new developments:
- (i) Both BSC and the unions have now made a clear statement of the offer and the claim, so that the facts are on the public record.
  - (ii) The ISTC is now threatening to extend the strike to those private sector steel companies which have not yet settled. This would of course have the effect of bringing them formally into the dispute, and turning much of the existing secondary into primary picketing.

HANDLING

3. I suggest you begin by telling the Cabinet that a small group of Ministers under your own chairmanship has been keeping the situation under regular review. The time has now come for the full Cabinet to consider the situation. The paper enclosed with Mr. Ellison's letter of 8th January is a convenient checklist of points to be covered, though there are one or two extra things to be fitted in.

- (1) State of negotiations (not covered in the paper).

The Secretary of State for Industry should report on this, with any comments necessary from the Secretary of State for Employment. The key points are:

- (a) The reasons for the breakdown: the increased demands of the unions, the improved offer by BSC, and the union refusal to meet the conditions attached to it.
- (b) The separate negotiations for the craftsmen (which have ~~not~~, so far, broken down). How important is it to keep them at work - for safety and maintenance reasons?

(c) The private sector. What is the latest news of the extension of the strike into private sector steel?

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(2) Effect of strike (paragraph 2 of paper, and detailed annexes 1 and 2).

The position generally seems as satisfactory as could be expected. You might seek comments from the Secretary of State for Industry and from the Secretary of State for Employment (who has been in separate informal touch with the CBI). Other Ministers may wish to join in. In particular:

- (a) Are any major companies in serious difficulties?
- (b) Is there a particular bottleneck problem for the canning industry (I see that Metal Box is being picketed)?
- (c) How quickly will the strike hit BL, and with what results?
- (d) Will the strike cause problems for the cash flow of NCB and BR? If so, what can Government as banker do about it?

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(3) Dealing with a prolonged strike (paragraphs 3-6).

The Secretary of State for Industry proposes general reliance on self-help, with a certain amount of discreet guidance:

(a) Publicity. The position now seems much more satisfactory. BSC have made a real effort to get the facts across (see for example page 1 of today's Times). All Ministers can be encouraged to take up this theme. The Paymaster General might be asked to comment and to describe the arrangements he has made to co-ordinate the Government's publicity.

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(b) Other public sector wage claims. The suggestion here is that, where possible, other settlements should be deferred if they would be likely to give comfort to the steel workers. The potential problems seem to be:

- (i) Local authorities (13 per cent likely; no new productivity strings; all cash found by taxpayer or ratepayer).
- (ii) BL (5 per cent - with more on conditions; an early settlement would be positively helpful).

- (iii) Water (high settlement probable; but cost can be passed on in charges).
- (iv) Shipbuilders (the unions are apparently holding off pending a settlement for steel).

Ministers may also want to think about the knock-on effects of an eventual steel settlement on other industries - particularly deficit ones. The main case is BR. What are the prospects for a low settlement (or a higher one with productivity/demanning conditions)? What will be the effects of a continuing steel strike for the cash limits (this year and next) of BR and the NCB?

(c) Picketing.

- (i) Private sector. The position (at private sector steel companies (though not at stockholders) will be changed if ISTC succeeds in making the dispute here official. Meanwhile is there any merit in the proposed approach to the TUC about their last winter's guidelines on picketing? What does Mr. Prior think?
- (ii) Enforcement of existing law. This is the point at which to remind Cabinet of the differences between criminal and civil law. Starting with criminal law: you could ask the Home Secretary to report on the guidance he has given to Chief Constables and the arrangements made for him to be kept informed. Does he - or the Secretary of State for Employment - see any advantage in reminding people of their right to police protection against intimidation or in providing volunteer "witnesses"?

At this point you might ask the Attorney General to report on the position in civil law. He has circulated (with his minute to you of 9th January) a note on the state of the civil law in the light of the McShane judgment. Cabinet had not so far had a chance to consider the implications of this judgment. As you put it yesterday, the situation is now worse than that which

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faced the Labour Government last winter. The legal restrictions on picketing have for all practical purposes disappeared. This means that employers no longer have the option of taking civil action against unions or individuals who disrupt their business.

(iii) Changes in the law. What then should be done in the light of this new development? You have asked the Secretary of State for Employment to report orally on his latest proposals for amending the Employment Bill. (He was in any case planning to bring proposals forward to E next week.) His proposals are confined solely to the civil law. They amount to restoring to employers some, though not perhaps all, of the rights they were believed to enjoy before 1974. Is this enough? Does the Cabinet wish to go further? In the light of Cabinet's reactions, you have two choices:

- (1) To go ahead with discussion in E, and introduction of Government amendments at Committee Stage, as originally intended; this does not rule out rather more far-reaching amendments than Mr. Prior originally contemplated if E so decides (and Cabinet may wish to give him a preliminary steer).
- (2) Some accelerated procedure, either by speeding up the present Bill or introducing a separate one on picketing. Mr. Prior's initial advice yesterday was that this would be damaging to the industrial relations climate and could provoke a general strike. His preferred course is to let any union excesses in the steel strike influence public opinion, so as to provide the most favourable climate for the passage of his general legislation.

(d) Use of volunteers etc.

- (i) Transport. The prospects do not look promising. The question here is whether Ministers want more work done. If they do, it is for the Department of Industry (in the chair of the Interdepartmental Group) to undertake it and report back - either to Cabinet or to E, through the Secretary of State.

- (ii) Ports. The conclusion here is that it is not worth trying to use volunteers in the ports. Do Ministers - and in particular the Secretary of State for Employment - agree?
- (iii) More far-reaching measures. The paper explains that use of troops and requisitioning of vehicles is not possible under existing legislation (in practice, troops could probably be used under standing Defence Council Instructions, but vehicles could not be requisitioned). This is because the 1920 Act is confined to "food, water, fuel or light and the means of locomotion". It apparently does not cover the steel industry. Would such powers be useful and could troops help? Do Ministers want the possibility of extending the Act examined - given that it would almost certainly not be possible to legislate in time to affect the present dispute? If so, you might wish to establish a small group of Ministers for the purpose: presumably the Home Secretary, the Secretary of State for Defence, the Secretary of State for Industry, the Secretary of State for Employment and the Attorney General, as a minimum.

At this point you may want to move on to points not covered in the paper:

- (e) The way forward. Ultimately the dispute must be resolved. It seems generally agreed that there must be an interval of two weeks or so before any fresh attempt is made to resume negotiations. What will be the catalyst which will bring the two parties together again? Will it be pressure from workers in other industries, whose jobs are put at risk? Will the Government come under pressure from its own supporters and from the CBI to force BSC into a settlement? Or will BSC itself, with its viability next year at risk, venture a fresh offer? Does the Cabinet agree that the Government should stand well back for at least two weeks? If not, should it offer the services of ACAS, or of an independent arbitrator/court of inquiry? At their Board

meeting last Friday BSC set up a "Cash Committee" to examine BSC's financial prospects. When will we know their conclusions? How long must the strike last before it becomes impossible for BSC to keep within their cash limit - this year or next? This is of considerable presentational importance, because the Government's position rests on its refusal to make any more cash available. At some point (if the strike lasted for say three months), this position would become untenable, because the cost of the necessary redundancies would exceed the cash limit, even with maximum disposal of assets.

#### CONCLUSIONS

4. This discussion could range very wide and require a long list of remits to Ministers. The main ones are likely to be:

- (1) To note the position reached in the negotiations, the current state of the dispute, and the likely damage caused by the strike.
- (2) To invite the Paymaster General, in consultation with the Secretary of State for Industry, to circulate notes for Ministerial guidance for weekend speeches.
- (3) To agree that, for the moment, the Government should take no further steps to promote an early settlement.
- (4) To invite the Secretary of State for Industry to arrange for officials to continue to monitor the effects of the strike and to advise Ministers of any particular problems.
- (5) To note the arrangements which the Home Secretary has made to inform Chief Constables about the legal position and to keep himself informed about the picketing position.

#### Possibly,

- (6) To invite the Home Secretary, in consultation with the Secretary of State for Employment and the Paymaster General, to arrange for publicity about the rights of individuals to police protection against intimidation by pickets.
- (7) To note the Attorney General's assessment of the present civil law position on picketing in the light of the McShane decision.

Either

- ✓ (8) To note the proposals of the Secretary of State for Employment for amendments to the Industrial Relations Bill /and to agree that E Committee should consider them in detail next week/ /and to invite the Secretary of State to modify his proposals in the light of the Cabinet's discussion/.

Or possibly

- (9) To agree that immediate legislation is required to tighten up the civil law on trade union immunities as they affect blacking and picketing /and to invite the Secretary of State to prepare fresh proposals and circulate them to his colleagues urgently.

Possibly,

- (10) To invite the Secretary of State for Industry to arrange for officials to study the scope for use of volunteers to move steel by road transport, and to bring urgent proposals to Ministers.
- (11) To agree that the use of volunteers in the ports should not be pursued.

Possibly,

- (12) To note that you will establish a group of Ministers to consider amendments to the Emergency Powers Act 1920 which would allow Emergency Powers to be used in the steel industry.
- (13) To invite the Secretary of State for Industry to report on the effects of the strike on BSC's financial position and the prospects of any settlement being contained within the cash limit.
- (14) To invite the Secretary of State for Industry, in consultation with the Secretary of State for Employment, to consider how the strike might eventually be resolved.

Stephen White

for ROBERT ARMSTRONG

9th January, 1980