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NOTE OF A MEETING HELD IN THE PRIME MINISTER'S ROOM AT THE  
HOUSE OF COMMONS AT 6.00 PM ON MONDAY 28 JANUARY 1980

STEEL

- PRESENT:
- PRIME MINISTER
  - CHANCELLOR OF THE EXCHEQUER
  - SECRETARY OF STATE FOR EMPLOYMENT
  - SECRETARY OF STATE FOR INDUSTRY
  - ATTORNEY GENERAL
  - SOLICITOR GENERAL
  - MR D B SMITH                    Department of Employment
  - MR N J MONCK                   Treasury
  - MR S J GROSS                   Department of Industry
  - MR C W WHITMORE            )
  - MR J HOSKYNS                 )
  - MR D WOLFSON                 ) No 10
  - MR T LANKESTER              )
  - MR B INGHAM                 )
  - SIR ROBERT ARMSTRONG        )
  - MR P MOUNTFIELD             ) Cabinet Office

I. Extension of strike to private sector steel industry

The Group was informed that the Iron and Steel Trades Confederation (ISTC) had decided to extend the current dispute with the British Steel Corporation (BSC) by calling out those of its members who worked in the private sector. A number of private sector employers had applied to the High Court for an injunction to restrain the union leaders from this action. A Judge sitting in Chambers had granted this request, and the Appeal Court had upheld his decision. They had therefore granted an interim injunction against the ISTC leadership. They had refused leave to appeal to the House of Lords. The ISTC had applied to the House of Lords for leave to appeal; if this application was granted - as no doubt it would be - the union would seek to overturn the judgement of the Court of Appeal. The House of Lords Judicial Committee would sit on Thursday 31 January to

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consider the application for leave to appeal. If it decided to allow the appeal, this would probably be heard on Friday 1 February. It was unlikely that the private sector employers would take any action meanwhile to enforce the judgement of the Court of Appeal. The union executive was meeting on Tuesday 29 January, and it was not clear what instructions the ISTC would give to its members. Meanwhile, it was agreed that the Secretary of State for Employment should take the opportunity of Committee Stage on the Employment Bill to remind the Standing Committee that the Government had already promised to remedy the existing unsatisfactory state of the law on trade union immunities and privileges. He would stress that this was not a response to the present situation, but a decision which had already been taken and announced well before the judgement in the Court of Appeal.

## II. Changes in the Law

It was suggested that the present situation gave the Government its best opportunity to re-define and improve the legal framework. The Government would not be forgiven if, with another major industrial conflict in progress, it missed this opportunity. On the other hand, it was important not to prejudice the chances of the unions in the end acquiescing in this legislation, if that could be avoided. The law as it now stood, in the light of the House of Lords decision in the McShane case, and the current ruling of the Court of Appeal just referred to, was clearly unsatisfactory. It appeared to allow the unions to take any action they thought necessary in furtherance of an industrial dispute, even though this interfered with commercial contracts as well as with contracts of employment. Such action could apparently extend at present not only to the parties to a dispute, but also to their suppliers and customers indirect as well as direct, and to any other employer through whom pressure could be put on the original parties. The Government's present proposals would go some way to restrict these immunities. They would confine blacking to the parties to the dispute and to direct suppliers and customers. They would restrict the right of picketing to the premises of the employer who was party to the dispute. Any individual who tried to take further action beyond these limits would be liable to civil action. But the activities of trade unions themselves would continue to be immune.

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An employer's redress therefore lay only against pickets or named officers of the union, in severely restrictive conditions. It was now for consideration whether the immunities of unions themselves should also be limited, by amending or repealing Section 14 of the Trade Union and Labour Relations Act 19<sup>7</sup>/<sub>4</sub>. This would go only part of the way to resolving the problem. It would not solve the problem of intimidation, whether directly or by social pressure, which compelled any trade unionists not directly involved to co-operate with the strikers. Nor would it apply in a situation where the employer himself was reluctant to enforce his common law rights, for fear of spreading the dispute. Nevertheless, some strengthening of the law might be desirable. The Secretary of State for Employment, in consultation with the Law Officers, should consider the possibilities further and report again to the Prime Minister, in good time for Ministers collectively to consider the issues again before the end of the Committee Stage in the Commons.

### III. State of the Dispute

The Department of Employment reported that discussions over the weekend had led to near-agreement on a settlement with the steel industry craftsmen, and with those workers represented by the Transport and General Workers' Union (TGWU) and the General and Municipal Workers Union (GMWU). This agreement would incorporate the essential features of the BSC's original proposals, including the lump sum. In the final stages of negotiations at the weekend, cash offers and demands had been compared. The latest previous offer had been 8% on basic rates and a further 4% for productivity. BSC then offered 7%, plus 2% for consolidation under a previous agreement, plus a further 4% for productivity. The unions would not accept the consolidation element, and BSC changed their offer to 8% plus 5% for productivity. The unions in turn demanded 10% plus 5%. Discussions ended at this point. The position had been reported to the General Secretary of the TUC, who had said in public that there was now a good chance of progress. He was understood to be in discussion with the leaders of the ISTC and of the National Union of Blast-furnacemen (NUB), and was seeking to arrange a meeting of all the general secretaries concerned later in the week. Divisions among the unions made this difficult, but it was hoped that by the end of the week all the

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other unions (possibly excluding ISTC) would be ready to settle. The Advisory Conciliation and Arbitration Service remained in the wings, ready to intervene if called on. The eventual price of a settlement might be slightly more than 14% but BSC might well be wise to settle at that level.

IV. Financial position of BSC

The Group had before them a letter dated 25 January from the Private Secretary to the Secretary of State for Industry to the Private Secretary to the Prime Minister. This letter reported that the financial position of BSC had deteriorated significantly since the strike began.

THE SECRETARY OF STATE FOR INDUSTRY said that BSC had agreed to abide by an external financing limit of £700 million in 1979/80 and of £450 million for 1980/81. They had freely accepted these targets, which had not been imposed by the present Government. There had been doubts among the part-time Board members for some weeks whether these targets were still realistic, and as a result BSC had sought advice from their auditors. The preliminary findings, subject to confirmation by the Corporation at its regular meeting on 31 January, were that for 1979/80 the deficit would exceed the £300 million financing limit by about £100 million. As for 1980/81, the auditors considered that the estimate of the 'down-side risk' of £200 million should have been added to the central forecast, which together with the effects of the strike and the latest estimate of the likely pay settlement, led to an operating deficit of up to £150 million for the year, and a total financing requirement of £550 to £600 million. These forecasts had been circulated to the Board of BSC and might become publicly known at any time. After the Corporation's meeting on Thursday, it was likely that the Chairman would report them formally to him, and the Government would then have to decide its action. It was of course possible for him to ask for time for consideration, but this could not be prolonged.

In discussion, there was general agreement that, if these estimates were confirmed, the Government could no longer have any confidence in the existing management of BSC. The Corporation would, if it operated under the Companies Acts, be technically bankrupt. Although it seemed that it could probably meet its cash requirements for the month of February from moneys accruing,

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without further recourse to the Government, it should not undertake any fresh commitments unless the Government was prepared to underwrite it. It was desirable that these figures should if possible be kept confidential until a settlement in the pay dispute had been reached, though in certain circumstances they could be used to put further pressure on the negotiators. Thereafter, the Government would have to move fast. It seemed essential that the resignations of at least the Chairman, Chief Executive and Finance member should be required. The Government had no power to dismiss these Board members, and it was possible that they would press for compensation. It was for consideration whether this claim should be resisted; but regard would have to be had to the effect which this could have on the willingness of people to take up Board appointments in this or any other nationalised industry.

Once the existing management had been removed, a number of options were open. The Corporation could not technically go bankrupt, and there seemed little doubt that the Government had to stand behind its existing liabilities. It was for consideration whether, once a new Board had been appointed, the Government should make further funds available, and if so on what scale. The reconstruction of the Board could take a number of forms. At one extreme, urgent legislation could be rushed through, to make it possible to declare the Corporation bankrupt, and to break it up into a number of operating companies and profit centres. Another possibility would be to appoint a new and smaller Board (in the process, getting rid of some or all of the worker directors) and giving them a role analogous to that of a Receiver. They would have the task of liquidating as many as possible of the assets of the Corporation and running down its activities, possibly as a preparation for breaking up into smaller units when legislation for that purpose could be passed. This would be seen as an interim solution, clearing the decks for a new management; but anything which smacked of "receivership" or "liquidation" could have very serious effects on the morale of the workforce. A more positive approach would be to regard the new and smaller Board as a 'Committee of Reconstruction', although giving it a somewhat similar mandate. Some such shock treatment as this was necessary to bring home to the Corporation's management and workforce the desperate nature of the

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problems it faced. It would be difficult to find suitably-qualified people to undertake this task, although a number of names were under consideration separately. All these options, with variants, needed urgent consideration, so that decisions could be taken before the Corporation's meeting on 31 January.

THE MEETING agreed that a group of Ministers, under the chairmanship of the Secretary of State for Industry, and including the Chancellor of the Exchequer, the Secretary of State for Employment, one of the Law Officers, and if necessary the Minister of the Department of Trade, together with officials as required, and a representative of the Central Policy Review Staff, should prepare detailed proposals. These proposals would be considered by the Ministers then present at a further meeting on the evening of 31 January.

29 January 1980

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