



Is there any hope of  
a ballot of members

Prin. Minister

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Has V. their offered it?

PRIME MINISTER

Ans.

P

21/12

John Smith

BSC STEEL STRIKE

Negotiations between the BSC and ISTC broke down this afternoon after several hours' discussion.

BSC offered a 5% central increase to include 2% on consolidation plus 3% against withdrawal of the guaranteed week arrangements (which provide for minimum wages in the event of short-time working etc). The offer would be correspondingly increased if a detailed assessment of the guaranteed week payments showed them to be worth more than 3%. The 10% offer for locally negotiated productivity deals was also confirmed. BSC also offered to introduce a shorter working week as from January 1982. The ISTC insisted on a central offer without any productivity strings or payments and said that since no such offer was being made the strike would take place as from 2 January 1980.

The Corporation remain ready to resume negotiations over the holiday if the ISTC seek them. At this moment it is still not clear where the other steel unions or the TUC stand.

Departments concerned have set in motion machinery to monitor the effects of a strike and the Department of Industry is setting up a central enquiry point.

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It would not be sensible or practical for the Government to try to allocate supplies, but officials will be able to provide steel users seeking alternative sources of supply with contact points in the industry (in BSC, with the private sector steelmakers, and stockholders etc).

... I attach a note on the stock and supply position in the main steel-using sectors. It broadly confirms the assessment in my minute of 17 December. Only the event will show users' success in getting alternative supplies from abroad, the private sector etc.

Once it began a strike could well last for some time. The ISTC will not pay strike money, but because of tax refunds, savings and the traditional willingness of local shops, building societies etc not to press for payment there will not be rapid financial pressure on strikers and their families; the threat of further permanent job losses in steel and elsewhere will percolate gradually. If imports were disrupted the survival of British Leyland after a month or so could be in jeopardy; and there would be progressive dislocation, with the possibility of other failures, in the steel-using industries generally. There is also the risk that in a prolonged strike the pay and closure issues would become inextricably mixed (as the line taken by the Welsh TUC already indicates), and perhaps of spreading strikes involving miners and other unions as well as steel.

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There will accordingly be vocal pressure from the Opposition and the union movement generally for the Government to bring about a settlement.

We need to be aware of these risks in determining our attitude. Experience hitherto has been that at the end of the day a settlement has nearly always had to be made at the price of further concessions which, if given earlier, might well have prevented the strike. If we decide to continue to leave the Corporation, under their present financial constraints, to follow their own judgment, we must be prepared to face the risks and to sit things out until they win.

I believe that we must do so. We really have no choice. Any relaxation of the Corporation's financing regime would critically damage our credibility with their management and employees in insisting that they must do what is necessary to return to profitability in 1980/81. Moreover, such a move would be seen generally as a first step to the abandonment of our general policy of firm financial discipline in the public and private sectors and of facing employers and employees with the consequences of their actions. I also believe that public opinion will be on our side, the more so because this strike will make very little impact on daily life outside the industries concerned.

←  
Heyland?



Over the holiday period we should in my judgment stand back from any further discussions between BSC, ISTC and the TUC. If any of the union leaders ask to see me it might be counter-productive to refuse; but I would make it absolutely clear that I do not intend to intervene or to modify the financial obligations I have laid upon the Corporation. I understand it is open to ACAS on its own initiative to offer its good offices to both parties to the dispute. It might raise the temperature unnecessarily if we tried to dissuade the Service from such a move, but we should not encourage it.

I am copying this minute to Cabinet colleagues + *MOS for Transport* and to Sir Robert Armstrong.

KJ

K J

21 December 1979

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Effects on Major Suppliers, Service Industries and User Sectors of a Strike at BSC

A. Suppliers of raw materials

BSC is a major user of iron ore, scrap, heavy fuel oil, coking coal, ferroalloys, oxygen, electricity, gas and refractory materials.

- (a) Iron ore is mainly imported, but some home ore is also used from BSC's own mines. The main effects of a stoppage would be reduced ore through the ports and on British Rail.
- (b) Scrap used is partly recirculated and partly purchases from companies within membership of the British Scrap Federation. The scrap trade supplies 40% of its UK sales to BSC 30% to the private sector and 30% to iron foundries. They are also exporting considerable quantities of scrap during the current recession. A strike restricted to affecting supplies to BSC would thus have a limited impact on the scrap trade, unless it were prolonged, although there may be local problems.
- (c) Coking coal is mainly purchased from NCB, but imports are becoming increasingly important. BSC also buys some coke from NCB's subsidiary - National Smokeless Fuels. BSC accounts for £350m per annum out of a total NCB turnover of nearly £3000m, and this represents 9% of actual NCB coal production. Department of Energy officials suggest that NCB would continue to put coking coal into stock rather than any general lay offs. If a strike were prolonged it might bring forward the closure of one or two pits which are already vulnerable
- (d) Ferroalloys BSC accounts for about a third of the sales of the UK ferroalloy industry, and a further 50% of its output goes to exports. The impact of a BSC stoppage could be absorbed for a limited period, consistent with the alloy makers being to finance stocks of high value.
- (e) Oxygen is used at major steel works from tonnage oxygen plants adjacent to the works. Two thirds of the BOC production of argon for industrial use is derived from those tonnage oxygen plants. Stocks of argon amount to 4 weeks consumption, so that only a prolonged stoppage would affect this sector.
- (f) Refractory materials are used extensively by BSC. The Corporation takes 65% of the refractory industries output which totalled £240m in 1978. In the event of a strike the companies would make for stock but could have problems if the dispute was prolonged. If refractories plants were a target for any secondary picketing, then the industries 16% of sales to exports would be jeopardised.

B. Service Industries

- (a) Electricity Service is widely used but loss of load can readily be accommodated by CEGB.
- (b) Gas Supply is used to a limited degree and no problems are envisaged here.
- (c) British Rail service is essential to the Corporation for movement of coal, iron ore, and products. Loss of BSC revenue would be at the rate of about £1.2m per week (£60 million per year). This represents 16% of the total freight revenue of British Rail which is £385m per year. Freight revenue represents 36% of the total British Rail revenue of £1082m. In some cases the BSC uses whole trains but in the case of supplies of semis to the private sector individual wagons or part trains are used. It is thus not possible to identify specific employment implications, if any, from temporary loss of BSC business. It is estimated that about 1,000 of the 39,000 footplatemen and guards in British Rail are involved in transportation for the steel industry as a whole.
- (d) Port Services London, Immingham and Goole are the most important docks for imports and Immingham, Middlesborough Liverpool and Scunthorpe for exports, but many other ports are used also. Total movement of iron and steel associated materials amounts to 26m tonnes per year of which 16mt is iron ore, 2mt coal, 4mt imported steel and 4mt exported steel. Total employment in the industry is 11,600 of which 5070 are registered dock workers. Reduction of BSC imports and exports may be expected to have only limited impact overall, given that direct steel imports by users, merchants and stockholders might be increased.
- (e) Road Transport The Corporation total expenditure on road haulage is in the order of £50m per annum but this accounts for only 1½% of the total turnover of the UK road transport industry of £3500m. 70% of the BSC use of these services is in steel deliveries. Given the expected increased activity in steel movements from stockholders and the flexibility that road transport has, it does not appear that this industry would suffer unduly from a strike at BSC.

C. User Industries

The pattern of consumption of major user sectors, based on the quarter ended September 1979 was:-

	%
Railways	2.4
Shipbuilding	2.2
Construction	12.8

	%
Electrical Engineering	3.6
Mechanical Engineering	19.4
Vehicles	11.4
Holloware (incl. canning)	9.3
Wire and Wire products	13.7
Other	25.1

- (a) Railway equipment British Rail engineering reports having 40 weeks supplies. Private sector companies have much less but are less heavily dependent upon steel.
- (b) Shipbuilding Whilst published stock figures (end June 1979) indicate quite large stocks representing many weeks requirements (and this is the case at Harland and Wolf), British Shipbuilders are less well placed. Because of their financial situation they have run their stocks down in recent months. They are due for substantial deliveries in January to schedules and a lengthy stoppage of supplies would be damaging to some vessels under construction, although in some cases fitting work could continue if steel supplies dried up. SPB say that smaller shipyards could be hardest hit, but how much flexibility exists when the difficulties arise could only be assessed on a day to day basis.
- (c) Offshore fabricators BSC does not hold stocks of steel for offshore structures so that an impact would be felt well within a month. In particular during the first quarter of 1980 materials are required to programme for BP Magnus and Amoco North West Hutton structures. The oil companies might have to move to imports for these if the strike were prolonged to avoid large financial penalties for late delivery.
- (d) Electrical Engineering This sector employs over 120,000 people. Whilst the overall stock figures suggest a two month endurance, the sector is diverse, (turbines, generators, electric motors, switchgear transformers) and sensitivity to shortage of steel varies for example within the GEC group between 4 and 8 weeks. After 8 weeks major problems could arise and major export business would be jeopardised. The Corporation is a major supplier of electrical steel for transformers from the S.Wales plants.
- (e) Domestic electrical appliances Stocks are considered to be good covering 6-8 weeks normal consumption of steel. 20% of this industry's output is exported.
- (f) Heavy Engineering Process Plant Stocks would generally permit of continued production for 6-8 weeks, but with some disruption in specialised areas perhaps developing within 4 weeks. This situation would relate to such companies as NEI and Babcock.

- (g) Drop Forgings Forging companies carry 3-4 weeks of stocks, 65% of steel normally being drawn from BSC, with individual cases of greater dependance. There is limited scope for increased private sector supplies of these steels. Effects on drop forging companies would depend upon their customers, substantially in the vehicle sector to take their product.
- (h) Industrial fasteners Companies carry 3-5 weeks stock of wire and wire rod. There is heavy dependance directly, or via wire drawing companies, on BSC (80%). Problems are envisaged after 4 weeks particularly in the West Midlands where the industry's 30,000 workforce is largely concentrated.
- (i) Bearings 80% of steel used for bearings is supplied by BSC and there are some imports. British Timken is 100% dependant. Stocks of bearing steel average 4 weeks production. Companies in this sector which employs 20,000 and serves a wide range of industry estimate considerable problems after 4 weeks.
- (j) Hand and Engineers Tools Hand tools makers are heavily dependant on BSC. Engineers tools are more in the private sector domain with special and alloy steels. Stock levels for steel are in the range of 3-10 weeks.
- (k) Heating and ventilating equipment a fragmented sector but with about 20% exports. Employment about 48,000. Between 60 and 80% dependant on BSC this sector has a potential endurance of 4-8 weeks.
- (l) Agricultural Machinery Average stock levels indicate 4-6 weeks endurance the three major companies involved.
- (m) Mining Machinery This is a sector which carries only small stocks and exports about 10% of its production. Effects would vary widely between companies but some could be affected well within a month, depending on whether supplies available from stockholders are of the right types of steel.
- (n) Motor Vehicles In the case of British Leyland which is heavily dependant on BSC for sheet steel and indirectly for steel for components. Sheet steel stocks would carry BL into February, and thereafter would depend heavily on imports. On the component side the most sensitive area is forgings, but 4 weeks endurance is indicated at the moment. Vauxhall have sufficient stocks to last through January, but our information is very limited. Ford also consider they can continue until end January.
- (o) Diesel Engine Manufacture Typical stocks at companies are 8 weeks at least.



- (p) Gas Industry British Gas are taking delivery of 42" diameter pipe for a land line from BSC Hartlepool. Potentially a strike of 3-4 weeks would affect their programme but there would be scope for catching up after a settlement by BSC working more shifts.
- (q) Canning Industry Stocks of tinsplate are 6-8 weeks and this is a relatively quiet season for the use of this material by the canmakers and users. Baby foods and pet foods are potentially more vulnerable than general food canning requirements.
- (r) Wire - Tyre making This is an important use of wire and the makers of tyres carry stocks for 3-4 weeks. Such material is normally readily available via imports.

IS Division

20th December 1979

21 DEC 1979

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