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RH/PVW

Mr Hoffman
cc Mr Lyman

R 22nd February 1980

Prime Minister

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London SW1.

PM discussed with
Mr Halstead

12
27/2

Dear Mrs Thatcher,

TR 4/3

As you know, I am a non-executive Director of the British Steel Corporation and as such have been fairly deeply involved in the strategic discussions about the strike. You will also appreciate that I have received through this and other sources a good deal of confidential information. You also know, I am sure, that I am personally right behind your own policies and am totally committed to your success.

I would have liked the chance to talk to you today but it was obvious that the chance would not arise. I therefore thought that a short note might be helpful.

All the signs are that in the eighth week the strike is still fairly solid with worker opinion behind the unions, although the majority of workers would like a compromise solution. There are two key factors in this:

1. That workers do not think the position of the British Steel Corporation is credible; that if they push hard enough we will give more money. As you know, the only money we can give must be earned by higher productivity.
2. That if the strike goes on long enough the Government will, as every Government has done in the past, bail the industry out with more cash.

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All our soundings suggest that a great deal of worker hostility and blame is attached to the Government for not intervening - and there is a great belief that the Government will intervene.

I am quite sure that if you could get across to the work force that they are not going to be bailed out however long the strike lasts, and that any money they get must come from improved productivity, it could make a dramatic difference to the situation.

In other words, I believe that your own intervention spelling out the realities could be decisive.

I know that you have repeatedly said this in the House of Commons. I know that Keith Joseph has said it. But it really needs to be said in harsh unequivocal terms into the livingroom: on television, by you as Prime Minister.

Equally, because of the real worry in South Wales about their future it would be counter-productive both industrially and politically to spell this out without giving some message of hope.

I understand you are being interviewed on Panorama on Monday. This would be a very good slot and I trust that you will consider dealing with it at that time. If you could spell out clearly and firmly where the Government stands it could make an enormous contribution towards settling the strike.

I attach a note which may be of help and please forgive the intrusion.

Your Sincerely,

Ren Stalsman

R. Halstead

BRIEF MATERIAL FOR PRIME MINISTER'S STATEMENT ON 'PANAORAMA'.

The steel strike has been going on eight weeks. It started because of a misunderstanding and a misrepresentation. The Steel Corporation did not, as was widely reported, offer 2%. It offered, and still offers, considerably more if it was earned by increasing working efficiency.

It is difficult to catch up after a false start and a great deal of ill will was created because workers, naturally, were insulted in thinking they had been offered 2%.

I believe very many workers in the steel industry are being sustained by the belief that if the strike carries on long enough the Government will come along and give the employers more money to improve their offer. It is natural for them to have this view because in the past Governments have done just this. Well, I want to spell out plainly and once and for all that my Government is not going to do this.

Britain is living on borrowed time. For years we have paid ourselves what we have not earned. Governments have given in to people who have said: **We want it,** therefore we will have it, irrespective of whether we have earned it. Well, it simply has got to stop because the alternative for our country is disaster. Not only for the steel workers, but for the old and sick and those who depend on our national prosperity.

Let me spell it out to every steel worker's wife: we are not going to bail out an industry which is inefficient and losing money. We are not going to do it because it is not even in their long term interests to do so. It is certainly not in the interests of the tax payer to do so.

What I say further is this: I do know about the worry of recession in South Wales. I know how heartsick they must be at the threat of fast disappearing jobs and I promise we will do our best to steer new opportunities in their direction.

cont...

But absolutely the wrong way for them to go about it is to take militant action which has only one sure end: the disappearance of yet more jobs. The longer the steel strike goes on the less of a future steel has.

If an industry is losing money, then it is straight Alice-in-Wonderland to think that you can make your future more secure by blackmailing your employer into giving extra money he cannot afford and you have not earned. So I would really like to spell out a very simple message to steel workers' wives who have to bear the real anxiety of this.

The Government is not going to come galloping to the rescue by giving more money to the British Steel Corporation however long the strike goes on - and so far as I know they do not themselves have anything to spare to give away for nothing.

But it also should be known that British Steel has been re-equipped with very fine and sophisticated equipment and if the unions are far sighted enough to give something for something, there is no reason to think that it does not have a good future. In some real respects we now have the finest and most modern steel making processes in the world.

14% is not, as I understand it, the final offer by BSC. In terms of what workers could get the sky is the limit provided it is paid for. I suggest to Bill Sirs and others who have dug themselves into an entrenched position and indeed have hardened their position as the strike has gone on, that they should now go back to square one, go back to the negotiating table with Sir Charles Villiers and say "let us think again". Let us give something for something. Let us negotiate a wage increase which meets our members' worries about the cost of living, but equally enable British Steel to make steel more efficiently.

cont...

Let ^{BSE} us, the unions, negotiate productivity schemes which will be good for the workers, good for the union leadership, good for workers and good for the country".

But let there be no mistake; the Government is not, repeat not, going to come up with more money for nothing which will put off once again the real problems which in Britain today are causing anxiety to every woman who carries a shopping basket".

TT/PVW
21/2/80