



Secretary of State for Industry

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Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
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Peter Stredder

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Dear Tim,

... I attach a copy of the 15th Report of the Interdepartmental Contingency Group on the Steel Strike.

Annexed to the report is a note on the effects of the strike on tinplate food can producers and the canning sector, as requested at yesterday's Cabinet meeting.

I am copying this letter to members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

*Yours ever,
Pete*

PETER STREDDER
Private Secretary



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STEEL STRIKE : 15th REPORT OF THE
INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 22 February.

BSC

2 The BSC, ISTC and NUB are meeting today to discuss the unions' draft agreement and suggested terms for a settlement. Meanwhile, talks between the Corporation and TGWU, NCCC and GMWU seem likely to remain in abeyance.

3 The Corporation is sending out broadsheets to all its employees giving details of the pay offer which was made to NCCC, TGWU and GMWU on 10 February and to ISTC and NUB on 17 February. It is too soon to assess the effect.

4 On Wednesday, 20 February, the South Wales NUM delegate conference discussed sympathetic strike action in support of steelworkers. The conference recommended strike action by the 27,000 miners in the coalfield to take effect from 25 February. First results suggest that the recommendation could be substantially defeated in pithead ballots. If so, this could slow down the momentum behind the Welsh TUC's plans for a general strike in Wales to start on 10 March. Attitudes towards this strike may become clearer as a result of a meeting between Ministers and the Welsh TUC next week.

5 The issues of pay and prospective redundancies are becoming increasingly linked. There have been hints of greater BSC flexibility on the timing of the latter, but it remains to be seen whether they and the unions can make any progress as a result towards a package settlement. The discussions with the European Commission on 21 February may have encouraged exaggerated union hopes of substantial delay in the rundown. This, or any significant diversion of redundancy money to higher pay not financed out of productivity, would do nothing for BSC's viability.

Private Sector Producers

6 Sheerness Steel is continuing to produce steel and to make deliveries. The mass picketing on Wednesday, 20 February, whilst causing a pause in receipts of raw materials and steel deliveries, has not deterred the company and its workers from continuing normal production and deliveries of steel. Both plants of Manchester Steel are now again at a standstill because of fears of severe picketing and intimidation following the refusal of the ISTC Executive to grant a dispensation from

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strike action in private sector companies. But they and other private sector steel companies are again actively considering, with representatives of the workforce, ways of starting up again over the weekend or early next week. The steel companies, which have continued to carry out cold processing and finishing of steel, predominantly in bar and strip form, are maintaining their production and are delivering to customers.

Steel Supplies and Transport

7 Despite continued picketing, which has been intensive in Wishaw and Bellshill (Scotland), good deliveries of steel to end users are being maintained from the majority of steel stockholders. Movement of steel generally has continued with little change reported. At the ports, there is an indication of prospective improvement at London, which has been affected by its own pay dispute. There is now a reasonable chance that all the London docks will return to normal handling of all cargoes, including steel, on Monday following meetings of stevedores and tally clerks today.

8 The latest Customs and Excise returns show that imports of steel in January 1980 were nearly 307,000 tonnes, which is not far short of normal for this time of year. This figure represents goods landed, not necessarily onward movement from the ports. Whilst, as reported earlier, there has been some build-up of imported steel in storage at docks, the size of the import tonnage suggests that a substantial proportion of imported steel has been moved from the ports to stockholders and end users. This will have contributed to the achievement by most users of production levels and replenishment of stocks in the early weeks of the strike which exceeded earlier expectations.

Effects on Steel Users

9 This week's survey by the Business Statistics Office shows that manufacturing production in week ending 16 February remained over 95% of normal (just under 98% if BSC production loss is deducted). This is slightly lower than the previous week. The metal-using sector production remained about 2% lower than normal. 12% of the companies in the survey are now being affected by the strike. Estimates for this week are that the level of overall manufacturing production will again have fallen slightly. The prospects in some individual sectors are worsening, which may point to a sharper fall-off in industrial production as we get into March.



10 Increased evidence of companies being affected, partly by steel shortages, but also by reduced order books, is reported from the engineering sector, particularly in East and West Midlands. Many companies in these areas are now planning for 4-day-week working from next week or the first week in March.

11 In the drop forging (eg components) sector a quarter of the companies are on short-time and the Trade Association expects that half the industry's production capacity will have stopped work by the middle of March. Production of industrial fasteners is also expected to drop during the next week leading to short-time working in the first week in March. In both these sectors there is further treatment of components between their first production and final use in automotive or other manufactured production. It will thus be some time before the full effects on final users are apparent.

12 The hand tool sector has also started short-time working and some companies expect to have stopped completely by mid-March. A large proportion of the production in this sector goes for export and export orders are being lost because of uncertainty about future delivery dates.

Attitudes to the Strike

13 The CBI Council meeting this week showed continuing general support for the stand both Government and BSC are taking. Here and there industrialists are saying that the Government is trying to change attitudes too fast. But Regions report that industrialists reporting difficulties due to the strike are not calling for government intervention.

Department of Industry
22 February 1980

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STEEL STRIKE: TINPLATE FOOD CANS AND THE FOOD CANNING SECTOR

BSC is the only UK source of tinfoil. Producers of tinfoil cans for food and beverages have had to depend on their own stocks of tinfoil, which are now substantially depleted. The major UK producer, Metal Box, who supply 85% of food cans, has had additional problems in making full use of its stocks, because heavy picketing of their factory at Neath has prevented deliveries of its production of can ends to other can makers in the Group.

2 Metal Box have been laying off workers in the tinfoil food can part of their business since the beginning of this month. By the end of February they expect to have laid off about two-thirds of the workers whose activities depend on tinfoil. The company's production of food cans has accordingly been reducing during February and during this week and next they expect to be able to meet 25% of customers' requirements.

3 Reads, the other principal producer, has also begun laying off workers but they have not revealed the extent of this nor the effects on can production.

4 In the food canning sector there is inevitably a growing shortage of working stocks of cans, particularly in the standard sizes, and some companies have reduced production leading to layoffs of employees. The Food Manufacturers' Federation have said that more layoffs are likely during the first half of March, and some companies may have to cease production altogether. There are good stocks of canned food in the distribution chain and there are no signs of any shortages in the shops. A limited number of lines of UK canned food products could begin to run short towards the end of March, if the strike goes on much longer. These are principally beans and peas which are canned all the year round.

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