

PRIME MINISTER

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Mufaxed to Chequers
@ 21.00 on 22.2.80
c.c. Mr. Ingham
Mr. Wolfson
pa ABJ 22/2

Steel Dispute

As you will know by the time you read this, today's negotiations have broken down without any progress made. Solly Gross has rung me with the following report, based on a conversation he has had with Scholey.

The unions asked for:-

15% against a watered down central agreement;

5% against local productivity schemes with no cut-off date for the lead in payment;

concessions on minimum earnings: 1.3% on the wage bill;

improved pensions: 1.5% on the wage bill.

Total cost about 23%.

BSC told the unions that this was totally unacceptable, and did not offer any concessions themselves. They said that, in view of the massive gap between the two sides, they once again proposed that the dispute should be put to arbitration. Bill Sirs replied that the unions would not accept arbitration, but he would consider what their response would now be to BSC's restated position. To that extent, there was not a complete breakdown; at the same time, we still don't seem anywhere near a settlement.

BSC are categorising the union claim as approximating 30%. They get up to this figure by adding in something for the possible negotiation of traditional lump sum bonus schemes. They would have

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done better, in my view, to have called it 23% - still a very high figure considering the unions' proposed central agreement is a watered down version (BSC reckon it might produce 8% in productivity, rather than 15% implicitly assumed in the claim), and given that they were proposing no cut-off date on the 5% for local productivity.

Solly will try to speak to Bill Sirs over the weekend to ask him what he intends to do now. Sirs' schedule for next week includes:-

Dinner with the American Ambassador (along with Villiers) in Paris on Tuesday;

Attendance at the TUC General Council on Wednesday; and

A speech at an OECD Meeting in Paris on Thursday!

R.

22 February 1980