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PS/ *Secretary of State for Industry*

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4 March 1980

Tim Lankester Esq
 Private Secretary to the Prime Minister
 10 Downing Street
 London SW1

*cc Mr White
 Mr Brown*

Mr White

Dear Tim,

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... I attach a copy of the 18th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this to the private secretaries 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 : 18th REPORT OF THE INTERDEPARTMENTAL
CONTINGENCY GROUP

This report summarises the position on 4 March.

BSC

2 The Corporation's ballot asking employees whether they want a ballot about the pay offer should be completed by the end of this week, the result being known next Monday. Meanwhile the Corporation has mounted a substantial advertising campaign in the popular press urging support for the ballot, whilst the Unions have recommended that it be boycotted. There are no worth-while indications yet which way it may go.

3 Mr Len Murray is engaged in consultations with all the unions involved in the strike with a view to a joint meeting this week. The ISTC and NUB Executives are due to meet tomorrow 5 March. These meetings are meant to consider the unions' future strategy, including, in a fairly confused situation, both ways of intensifying the strike and the possibility of some form of mediation.

4 The TGWU have separately agreed with the ISTC and NUB on closer co-operation, and in particular that a TGWU representative will accompany the ISTC and NUB in future negotiations with BSC. The arrangement appears to be linked to a renewed instruction by the TGWU to drivers not to cross picket lines and to dockers not to allow imported steel to leave dock areas. There is at present no evidence that this will (as ^{it} is perhaps intended) produce much general change in steel movement.

Private Sector Producers

5 The ISTC Executive last Friday reviewed its attitude to strike action in the private sector companies. Whilst not withdrawing the strike instruction, they agreed not to press for its members to strike again where they have already voted to return. Over the weekend the return to work has continued and production has been resumed at two important steel plants in South Wales - GKN (Cardiff) and Duport (Llanelli). Each plant supplies major re-rolling units in the respective Group. In addition there has been a return to work at a number of companies engaged in steel tubemaking, forging and re-rolling. This leaves two steelmaking plants (at Newport and in the West Midlands), and a small number of steel re-rolling and cold processing plants in the Midlands, where workers are still on strike.

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6 The steelmaking companies which are now working normally are estimated to account for at least 80% of the private sector capacity. Their output, together with the continuation of operations at re-rolling and cold steel processing companies, will further assist the endurance of the steel-user industries, although imbalance in types of steel and products will continue.

Steel Supplies and Transport

7 Private sector production is being delivered both direct to users and to replenish stocks at the stockholders. Imports also continue to reach stockholders who, despite continued picketing, especially in South Wales, are maintaining good deliveries of a wide range of steel products. Imports are also continuing to reach steel-users direct and considerable ingenuity is being used to prevent identification of incoming steel products by the pickets at the docks.

8 Reports over the weekend about the Port of London suggested a new restriction on steel movement by dockers (no doubt partly reflecting the TGWU instruction noted in para 4 above). However, only at two private wharves are dockers refusing to load steel away from the docks after it has been unloaded from vessels. Apart from this and an isolated instance of restricted movement at a company in Scotland, there is no change to report on the movement of steel.

Effects on Steel Users

9 There is little new to report on the position of steel-users and their potential endurance. A small number of layoffs are expected this week on top of the very limited numbers reported earlier. The CBI have indicated privately that, of the 58 companies in their survey, the proportion being significantly affected by shortages of steel continues to rise slowly - now at 19%. They also indicate that the gradual fall in overall production is continuing, but there is evidence that the potential endurance of a number of their companies is being assisted by continuing receipts of imported steel; endurance will be enhanced further by the increased supplies now being received from the private sector steel plants. On the whole the outlook seems if anything slightly better than a week ago.

10 Metal Box, the major tinplate can producer, also expects to benefit shortly from supplies of imported tinplate. On current plans the company expect to maintain a supply of tinplate cans to the canning sector of up to 25% of demand for the remainder of March, and, granted no serious interference with imports, to increase to a 50% level beginning in April.

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Attitudes

11 The President of the CBI has reaffirmed to the Secretary of State for Industry the strong support of managements generally for the principles on which BSC, with Government's backing, have taken their stand.

Department of Industry
4 March 1980

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BSC PAY NEGOTIATIONS AND BALLOT : POSITION ON 4 MARCH

The BSC announced on 25 February that they would ballot their employees about whether they wished to be balloted on the pay offer, which provides for a minimum payment of 14.4%, and which would enable up to a total of 18-21% to be earned through local productivity bonuses.

2 The Electoral Reform Society (ERS) is carrying out this ballot, and has despatched ballot papers by post to all steelworkers. The ballot officialy closes on Saturday 8 March but the ERS have decided to wait until Monday 10 March before counting in order to allow last minute returns. The ISTC has recommended its members to boycott the ballot, ostensibly on procedural grounds (there is no provision for a ballot in the ISTC rules) but probably the main reason is that ISTC object to BSC going over the heads of the negotiations to their membership.

3 No further meetings have been arranged between BSC and the unions. BSC have, however, made it clear that they are ready to resume discussions with ISTC and NUB during the ballot period, and that they remain ready to accept arbitration or mediation to settle the dispute. Mr Callaghan and Mr Michael Foot are pursuing their proposal for the appointment of a mediator. Mr Foot is seeing both BSC and the TUC meeting unions today.

4 A meeting of the Executives of the unions involved in the strike (ISTC/NUB/TGWU) which was to have taken place today (4 March) has been postponed until tomorrow. This new meeting, arranged by the TUC, will now include delegates from all the other main unions in the TUC.



PRIVATE SECTOR RETURN TO WORK

A large proportion of the private sector steel plants have now resumed production, leading to over 80% of the steelmaking capacity now being in operation. Two steelmaking plants (one in South Wales, one in W. Midlands) and a number of steel re-rolling companies (mainly in the W. Midlands) remain on strike.



EEC ASPECTS

Ministerial and BSC meetings in Brussels

Mr Butler, Minister of State for Industry, is visiting Brussels today (4 March) to meet Commissioners Davignon and Vredeling. He will seek to confirm that the UK is making full use of existing Community aids for areas affected by steel closures and redundancies, and will discuss the possibility of further Community aid, in particular early retirement, a measure suggested earlier by the Commission as part of wider proposals to ease steel redundancies.

2 This course was explored yesterday (3 March) when Mr Scholey (BSC Chief Executive) and Dr Grieves (Managing Director, Personnel) met both Commissioners to discuss the 15 million tonne target, the closure programme and ways the Community might help. The BSC suggestion was early retirement at 55 (or 50+), a measure which would be particularly useful in dealing with South Wales. The initial Community response was equivocal, and discussions will have to take into account the current EEC/ECSC budgetary difficulties.

EEC and Pay settlement

3 Press and television reports suggest that EEC aid to match BSC redundancy payments might release more money to go towards a higher pay settlement. This is misleading. The Government would obviously welcome aid to soften the impact of redundancies in areas affected by steel closures/redundancies, but it has made clear that none of the Government's £450 million cash limit for 1980/81 can go towards the financing of losses. While EEC supplements to the part of the cash limit earmarked by BSC for redundancy payments (December figure £317 million) would release money for other purposes, the Government will not allow this to be diverted to finance an unrequited pay settlement, which would add to BSC's losses. A higher settlement would have to be financed through disposals of assets, stock reduction, etc, but not public money.



EEC ASPECTS

QUESTION AND ANSWER

Will more EEC aid for redundancies enable BSC to release more money for a wage settlement?

[No]. Additional Community aid to help those affected by the BSC's redundancy plans would be very welcome. But the £450m cash limit is earmarked for capital expenditure, working capital and redundancies and Community aid will presumably also be earmarked to ease the social consequences of redundancies. As we have made clear all along, we do not intend to let the BSC use taxpayers' money to finance operating losses in 1980-81.