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PRIME MINISTER

Industrial Affairs

At least three items are likely to be raised:

- (i) The future strategy of the British Steel Corporation (BSC).
- (ii) The pay dispute in the National Health Service (NHS).
- (iii) The water industry pay negotiations.

BSC's Future Strategy

2. The Secretary of State for Industry has been asked to warn the Cabinet of the substance of the Parliamentary statement on the BSC which he will be making on Monday. The revised draft of his statement will be circulated only to those Ministers who were at your informal meeting on Tuesday 14th December, and you will not wish the Cabinet to get into any details of drafting.

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3. The Secretary of State will be seeking the Cabinet's endorsement of the main points of substance in his statement, i.e.:

- (a) that, because of the uncertainties about future demand and the greater cuts which the United Kingdom has been making in its steel capacity compared with other European Community countries, it would be wrong to decide at this stage to close any of the five major integrated steel works;
- (b) that there will nevertheless be some reduction in capacity and some facilities at the main sites will not remain in operation;
- (c) that a decision on the modernisation of the Port Talbot hot strip mill will be deferred until the BSC has put forward its new corporate plan in the New Year;
- (d) that some increase in the BSC's external financing limit for 1983-84 will be required and will be announced when the new corporate plan has been considered, but that the downward path of Government funding for BSC should be maintained.



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4. If any major difficulty arises which cannot be quickly resolved by the Cabinet the matter will have to be dealt with at the meeting of E Committee which has been provisionally arranged for Monday 20th December.

NHS Pay Dispute

5. The Secretary of State for Social Services will wish to report on how things now stand following the result of the ballot by the Royal College of Nursing and the meeting of the Trades Union Congress Health Services Committee. Depending on the outcome of the latter, the Government may have to consider whether a settlement should be reached for some NHS groups on a one year rather than a two year basis.

6. In the New Year Ministers will need to take some decisions about the setting up and operation of the new Review Body for nurses and certain other professional groups. The issues have now been examined by the Official Group on Public Service Pay and the Secretary of State for Social Services will be putting a paper to the Ministerial Sub-Committee on Public Service Pay in early January.

Water Industry Pay Negotiations

7. The Secretary of State for the Environment might be asked about the current state of the water industry pay negotiations. The latest information suggests that both employers and unions are likely to leave matters in suspense until early January. At that stage the unions will know whether they have authority from their members to reject the employers' earlier 4 per cent offer and take industrial action. The employers will then be considering whether to increase their offer, either marginally in order to remove any excuse the unions might have for resisting arbitration, or more substantially in the hope of reaching a negotiated settlement. A misjudgment at that point could have serious consequences for public sector pay generally. We understand that the Minister for Local Government and Environmental Services will be continuing to keep in close touch with the employers and will alert his colleagues to any impending significant development.

15th December 1982

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Robert Armstrong