

CONFIDENTIAL

Prime Minister

2 pp's.

PS/Secretary of State

cc PS/Mr Butler
PS/Mr Marshall
PS/Sir Peter Carey
Mr Ridley Dep Sec
Mrs Cohen IS1
Mr Murray IS3
Mr Smith DEM

ms

*Para A continued saga
of misunderstanding
between BSC and
Sirs.*

BSC: PAY NEGOTIATIONS

TJ
15/2
cc D. Wolfson

As the Secretary of State will know, the Delegate Conferences of the craftsmen (NCCC) and the GMWU yesterday rejected the terms of the pay offer which their representatives had negotiated with BSC on Sunday 11 February and had recommended for acceptance. I attach Mr Murray's minute giving BSC's report on the position.

2 I spoke to Mr Sirs this afternoon to ascertain the position on the proposed Sunday meeting, given BSC's doubts about it. Mr Sirs said he had taken up the BSC offer of a meeting, in the letter of 11 February to him from Dr Grieves; the last paragraph of this letter said "We have prepared a new draft (6b) which includes these understandings and commitments [as offered to craftsmen] and I would welcome any opportunity to talk this situation through with you, whether on an informal or formal basis". Mr Sirs had replied by telegram agreeing to talks on Sunday "on the basis of the final paragraph". BSC had responded with a telegram yesterday which, in Mr Sirs' view, proposed a much more restrictive agenda for Sunday's talks, by seeking to limit them to an explanation by BSC of the details of the offer made to the craft and general unions on 11 February.

3 Mr Sirs told me that, subject to Mr Hector Smith's agreement, he was about to reply by telegram back to the BSC reiterating his acceptance of the talks on Sunday but on the basis proposed in the letter of 11 February namely "to talk this situation through with you" which he is clearly interpreting more widely than BSC do.


4 Mr Scholey and Dr Grieves have been at Ashorne Hill all day today on talks with SIMA (the middle management association and only return this evening by which time Mr Sirs will have left for Scotland. I will try to talk to Mr Scholey and/or Dr Grieves this evening to see if I can help sort this out and encourage them to maintain contact but there must clearly be some doubt as to whether the Sunday talks will now take place.

5 I have discussed the situation with Mr Smith, DEM. We agreed that it was desirable to encourage the Sunday meeting to take place. However, if, as we fear, the meeting either falls through or there is ~~again~~ a total failure this would

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demonstrate once again that the two sides can no longer coherently communicate with one another. It would then be timely to suggest once again to Mr Sirs that he seeks the help of ACAS if only to help coherent communication between the two sides.

6 Mr Len Murray meanwhile intends to talk to the craftsmen and general unions early next week about where to go after yesterday's breakdown.



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15 February 1980

It is unfortunate that the Chief
Secretary has referred to "bungle"
negotiations in the attached
speech hand-out. Of course, BSC
have bungled the negotiations,
but it doesn't help for Ministers
to criticize them publicly. (D=1
tried to stop this, but Central
Office had already put the statement
out.)

R 15742

Mr Gross IS

cc Mrs Cohen IS1
Ms Roberts IS3C

BSC PAY NEGOTIATIONS

Dr Grieves of BSC rang yesterday evening to let you know the latest position on their pay negotiations.

2 He said that, following rejection of the BSC offer by the craftsmen, the NCCC leaders had been to see the BSC. Their mood had been rather gloomy: the delegate conference yesterday had rejected the settlement reached by the negotiators by a 2 : 1 vote. A significant contributory factor behind the rejection was the fear of job losses.

3 Grieves also said that the prospective further talks with ISTC and the Blastfurnacemen on Sunday 17 February were to be on the basis of the offer made by the BSC to the NCCC last Sunday. He had written to Sirs to make it clear that this was BSC's final offer, and that the main purpose of the talks next Sunday was to enable BSC to explain the details of the offer. He had written this letter in order to avoid the build up of unrealistic expectations of an improved BSC offer.

4 Grieves was clearly apprehensive about going out of London for negotiations on Sunday. The press had already got hold of the proposal and he had visions of the 2 BSC representatives trying to negotiate in a building surrounded by thousands of demonstrating steelworkers and their sympathisers. It may well be that the Sunday talks will be postponed or rearranged, especially if the ISTC are not prepared to hold discussions on the basis of the BSC 10 February offer.

Bm

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15 February 1980

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1 Mr Ingham
2 Lin

t from a Speech by Rt Hon John Biffen MP, Chief Secretary to the Treasury
to the Mid-Sussex Conservative Association at Worth Abbey, Sussex
on Friday 15 February at 8 pm.

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mrd

The steel strike is now stretching into its seventh week. It truly has become a Greek tragedy. The disasters can be seen everywhere. Think first of the financial losses to the workers: they have mounted to a formidable total. I take the illustration of a married steelworker with two children. His average gross pay at work would have been £110, yielding a take home figure of around £84. His present income will have been more than halved - despite supplementary benefits, tax rebates and rent payments. To date that worker will have lost a touch less than £300. And who can see a settlement over and above the BSC offer available at the beginning of this strike which will compensate for these losses? It will take years of sweated toil for the steelworkers to recoup the losses suffered by bungled negotiation.

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Think secondly of the commercial future of BSC. Does anyone suppose that it will be "business as before" once Messrs. Scholey and Sirs have struck a deal? We all know that cannot conceivably happen. The memory of this strike will linger long. There is no doubt that some customers of the British Steel Corporation are now thinking of hedging their bets. Many steel users will seek an alternative supplier. To an extent this will benefit the private enterprise steelmakers in this country. The real benefactors, however, are likely to be the overseas steelmakers. The search for more dependable sources of steel is all too likely to add to our imports. The quest for new patterns of steel supply is now quietly taking place and its full consequence will only be seen quite some time in the future.

Indeed the full tragedy can only be assessed many months hence. It is not merely steel that is at issue. There is the further question of products which are manufactured from steel. The whole dependability of the British mechanical engineering industry rests - in part - upon the reputation of BSC itself.

It is fashionable to talk of the dangers of "de-industrialisation". Such talk argues that our manufacturing economy is under threat from imports from Europe and Asia. This is a special theme of Tony Benn. However there has been no "de-industrialisation" as spectacular as that secured by the steel strikers. Home output of steel has been decimated; the BSC market share is threatened by the growing success of foreign steelmakers; and imports of fabricated steel products could replace home output where manufacturers cannot obtain steel raw materials.

Tony Benn was a gifted marching propagandist for his economic theories ten years ago at Upper Clyde Shipbuilders. I now suggest he visits the somewhat physical picket lines of the workers in South Wales to preach the dire consequences of self-inflicted injuries to the steel industry. For the present steelworkers' trade union action can only bring comfort and joy to foreign steelmakers and engineering employers.