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Secretary of State for Industry

14 January 1980

Nick Sanders Esq
 Private Secretary to
 The Prime Minister
 10 Downing Street
 London SW1

Dear Nick,

... I attach a copy of the final version of the Statement which my Secretary of State proposes to make in the House this afternoon.

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

Yours truly,
P.S.

PETER STREDDER
 Private Secretary



STATEMENT ON THE STEEL STRIKE

With permission, Mr Speaker, I wish to make a statement about the steel strike and its background.

First, let me say a word about our objectives for BSC since I believe that they are common to both sides of the House and common also to both management and Trade Unions. I quote the Joint Statement of January 1976 agreed between the British Steel Corporation and the TUC Steel Committee. "Both the BSC and the Unions concerned believe that the Corporation should be transformed into a profitable, high-wage, high-productivity industry comparable with its major European competitors".

Two things are needed for this. First, capital investment in new equipment and, secondly, the proper use of that equipment. The equipment has been provided - at a cost of over £2¼ billion in the last 5 years. In 1980-81 we are providing no less than £450m of taxpayers' money to BSC. BSC is entering the 1980s with equipment as modern and as potentially efficient as any steel industry in the Western world.

But that efficiency has still to be achieved. I quote again from the Joint Statement of January 1976 by BSC and Unions "Changes will have to be made now" (that was in 1976) "to reach European levels of productivity". And the Unions acknowledged, in that Agreement of almost exactly 4 years ago, the need for radical

/changes ...



changes in manning and in working practices.

But during these last 4 years, the gap between our productivity and that of our European competitors has not narrowed; it has grown wider. We emphasise productivity as did the last Government. They said in their White Paper of March 1978 "Government will give full, sustained and public support to the BSC in their efforts, including the steps needed to achieve much needed improve productivity in the Corporation ... Such improvement is vital if BSC is to win an assured future as a competitive large-scale steel producer".

That is the policy against which we need to consider the present dispute, to which I now turn. As the House will know, the last round of negotiations between the BSC and the Trade Unions Coordinating Committee, representing all the Unions concerned, took place last Monday, 7 January. The Unions claimed a general increase of 8% with no strings. They also claimed a further 5% as an advance payment against the negotiation and implementation of lump sum bonus schemes on a divisional or works basis, and offered a number of national commitments to help achieve these. BSC have acknowledged that these commitments would be helpful. However, BSC also have regard to the fact that these commitments generally go no further than the commitments made by the Unions in the Joint Statement of January 1976. So they are nothing new and they do not represent any real advance on the undertakings

/given ...



given 4 years ago. Regrettably these undertakings were not fulfilled. Against this background, it is not surprising that BSC are now looking for performance.

What the BSC offered in return was a general increase of 8% based on a national agreement, which would include agreement at national level to changes of the kind recognised by both sides in January 1976 as necessary to achieve improved productivity. So for this element BSC are again willing to put their trust in the union leaders to deliver. BSC offered at least another 4%, from local lump sum bonus schemes when these have been negotiated. BSC offered an advance payment of this 4% in the January/March quarter. The total amounts to a guaranteed 12% for the whole of 1980, subject only to the national agreement and to the negotiation of local lump sum bonus schemes by 31 March 1980. These schemes will be tailored to the particular conditions in each region and linked to output and profitability. Thus, 12% is a minimum. Once the schemes are properly in operation, BSC expect the average payments to be higher. And increases from productivity schemes of the traditional kind would be available on top of all this.

If BSC were instead to offer money without such conditions then the workers in all other industries would have to go on subsidising the workers in the steel industry. And not only this. Our steel would remain uncompetitive and all our user industries, and the workers in them, would be further handicapped. This year the average earnings of a steelworker are £110 a week, over £5,000 a year. The losses in 1979/80 by the BSC represent over £1,800 for
/each ...



each steelworker. So other workers, often lower paid, are having to provide from the taxes they pay more than £1,800 of the average earnings of each worker in BSC. BSC estimate that their offer will bring the average earnings of a steelworker next year up to at least £124 a week. Is it fair that other workers should be asked to give the difference from their taxes or is it right that the difference should be earned by the steelworker himself, from improved productivity?

I well understand and sympathise with all those who work in the industry who face the prospect of unprecedented change arising from substantially reduced steel demand. Their difficulties have been heightened by the previous administration's misguided interventions which have aggravated the problems facing the industry today.

But in the situation we face today, the future of the industry and, in particular, its ability to grant wage increases must be a matter for management and workforce. I very much regret this strike. I regret it for the harm it is doing and will do to the steelworkers and their industry. Even without the strike they are faced with a painful contraction of the industry in order to bring production capacity more in line with demand and to become competitive. With the strike, that demand will reduce still further and costs will go up. Still more jobs will be at risk and the ability to pay better wages will suffer.

/I regret ...



I regret the strike too, because of the damage it is doing and will do to British industry and so many who work in it.

The strike illustrates very clearly the interdependence of industries and companies in our economy.

All these points must be born in mind by the negotiators in this dispute: the Corporation's management and the Unions. I hope they can agree an early settlement.