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BRITISH STEEL CORPORATION: FINANCE

Note of a Meeting held at No 10 Downing Street,
at 6:30pm on Wednesday 30 January 1980.

PRESENT

THE PRIME MINISTER

CHANCELLOR OF THE EXCHEQUER

SECRETARY OF STATE FOR EMPLOYMENT

SECRETARY OF STATE FOR INDUSTRY

ATTORNEY GENERAL

SOLICITOR GENERAL

MR D B SMITH	-	Department of Employment
MR S J GROSS	-	Department of Industry
MR M J KERRY	-	Department of Industry
MR N J MONCK	-	Treasury
MR C W WHITMORE)	
MR T LANKESTER	(
MR J HOSKYNs	(No 10 Downing Street
MR D WOLFSON)	
MR B INGHAM)	
SIR ROBERT ARMSTRONG)	
MR P Le CHEMINANT	(Cabinet Office
MR P MOUNTFIELD)	

The Meeting considered a note, (MISC 34(80) 1) prepared by a group of Ministers and Officials under the Chairmanship of the Secretary of State for Industry, about the options open to Ministers in re-constructing the British Steel Corporation.

The following points were made in discussion:

(a) Ministers had no power to dismiss the present members of the Board, except when they were judged to be unfit to carry out their duties. Although some of the present members had forfeited the confidence of Government, this was not a ground on which Ministers could safely rely. It would be preferable to seek the resignation

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of the members concerned, and if necessary offer financial inducements (which might need in some cases to be sizeable) to encourage them to resign. They would in any case be entitled to considerable sums of compensation if they chose to press their legal entitlements. It was likely that the members concerned would be prepared to go, subject to adequate compensation, once the Government made its position clear. It would be undesirable to force them to go until the present pay dispute had been settled. They could not be expected to bring the negotiations to a satisfactory conclusion once it was known that they had lost the confidence of Ministers.

(b) Preliminary approaches had been made to a potential new chairman, and there were strong hopes that he would be prepared to take on the job. He had the necessary qualifications and enthusiasm.

(c) It would be desirable to consult the new chairman before making any structural changes in the Board or making further appointments. Only if the Government's hand were forced, by premature disclosure of the financial condition of the Corporation, might it be necessary to make an interim appointment of a temporary Board or re-construction Committee.

(d) The nationalised industries were not incorporated under the Companies Acts, and the Government was under no legal obligation to meet the liabilities of the British Steel Corporation. Nevertheless the reality was that Government could not avoid standing behind a nationalised industry's liabilities. Moreover, there was no legal way in which a nationalised industry could be made bankrupt under existing legislation. There was in any case no immediate cash crisis.

(e) There was no sign of an early settlement to the pay dispute. Despite attempts to bring them back to the negotiating table, the ISTC and the NUB were not yet prepared to resume negotiations with BSC. The uncertainties created by the Court of Appeal

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judgement, and the separate dispute involving the steel industry in South Wales, contributed to their reluctance. Nevertheless the General Secretary of the ISTC was coming under pressure from the TUC to resume talks; and he must be aware of the size of the financial penalty which his members were incurring. Meanwhile, the other unions involved were close to a settlement, although the General Secretary of the TUC was trying to arrange for resumed negotiations covering all parties, including the ISTC and NUB. The gap was still too wide to be bridged by mediation or conciliation by ACAS. At this juncture it was best for Government to say as little as possible.

(f) Once the House of Lords had decided whether to allow leave to appeal and had settled any resulting Appeal, the Government would be bound to make some public reaction. Recent events created an opportunity to secure public support for further amendments in the law. There were strong grounds for wishing to introduce fresh amendments to the Employment Bill, to remove or modify the existing immunities of trade unions (Section 14 of the TULRA, 1974). But this was an extremely delicate territory so far as the trade unions were concerned, and it would be necessary to proceed with great caution. The Secretary of State for Employment was appearing on television later that evening, and would take the opportunity to make it clear that the Government was shortly going to make further proposals for modifying the law on picketing and secondary action. Ministers collectively would need a further opportunity to consider those proposals in detail, before any consultations started.

(g) Ministers should not issue any instructions to BSC, on the lines of Annex B to the paper before them.

THE PRIME MINISTER, summing up the discussion, said that the Meeting agreed on the need to find a new Chairman to succeed Sir Charles Villers. An approach would be made to the individual concerned later that week. If he was prepared to serve, he could probably be available at short notice, and he would want and need to be consulted further about the remaining changes

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proposed in MISC 34(80) 1. Ministers should avoid any further comment on the immediate pay dispute, and would respond to the House of Lords judgement on the lines which the Secretary of State for Employment proposed to develop later that evening on television. Ministers would need a further opportunity to consider the Secretary of State's detailed proposals before they were made public. Every effort should be made to prevent the information about the financial position of the BSC becoming known before a settlement had been reached in the pay dispute.

The Meeting -

Took note, with approval, of the Prime Minister's summing up of their discussion.

31 January 1980

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