

cc: Mr. Ingham
Mr. Whitmore

PRIME MINISTER

BRIEFING MEETING WITH THE CHANCELLOR FOR NEDC

We have asked the Chancellor to come at 1130 tomorrow to go over the handling of the NEDC meeting. You have read the voluminous briefing, but there are one or two points I would like to mention:

(i) The brief says that it is likely that the steel issue will come up during the course of the discussion. I have spoken to the Treasury, Employment, and NEDO about this, and they all say that they think it unlikely that it will be raised. When there have been major disputes in the past, the trade union members have nearly always kept off them at NEDC meetings. Moreover, the TUC specifically requested that a report by the Chairman of the Iron and Steel SWP should be taken off the agenda. Nonetheless, we obviously cannot rule this out, and Solly Gross has provided a draft statement for you to make if it is raised. *(Attached)*

(ii) I think the trade union members will take the opportunity to attack the Government's macro-economic policies. Their own papers argue that new technology can only be adopted if the economy is expanding; and they look to Government fiscal policy to ensure that this happens. The answer to this, of course, is that

- there is already plenty of demand in the system (as evidenced by the increase in the volume of imported manufactures over the past year of about 12½%).

- any fiscal stimulus will increase the money supply, add to interest rates and increase imports, and therefore it will at best only provide a short-lived expansion.

(iii) Item 1 on technological change, etc. covers five papers. The brief suggests that the first three papers should be introduced and then discussed; and that the Director-General of NEDO should then introduce his two papers - to be followed by a further general discussion. The Director-General has asked if you could avoid splitting the discussion into two. In other words, he would like to introduce his two papers immediately after John Greenborough introduces the CBI paper, and then there would be discussion of all the papers. I think this is better since all the papers link closely together.

(iv) Len Murray will be at the meeting - he has cancelled his holiday.

R.

Also in his file is
the Finisterre Report - to be
published tomorrow morning.

8 January 1980

Summary of memorandum
at Play A.

① It is for BSC and its unions to arrive at a negotiated pay settlement. I deeply regret the breakdown in discussions earlier this week particularly as the corporation were offering employees the opportunity to earn substantial increases through negotiated productivity schemes. This opportunity has not yet been properly explored.

The fact is that BSC has to compete in an international market and simply cannot afford to give pay increases without getting corresponding increases in its productivity - any more than we as a nation can afford to go on paying ourselves pay increases we do not earn.

Appeals for the Government to intervene are effectively asking for even more Government money to meet the demands of BSC workforce. The money to do this would have to be found from the taxpayer who has already provided £3.3 billion in the last four years - £60 for every man woman and child in this country - from other areas of public expenditure - schools or housing for example - or by adding to the inflationary spiral by printing money. All who suggest more Government finance for BSC should also suggest which section of the community should pay up.

② I still hope that we can avoid the widespread damage which a prolonged dispute will cause to BSC and its customers; ^{that} ~~but~~ negotiations can be resumed and that an early settlement may yet be reached.

Well-estimated initiatives for consideration.