

SECRET

● MOST CONFIDENTIAL RECORD.

CC (81) 7TH CONCLUSIONS MINUTE 4.

THURS 19 FEBRUARY 1981.

COVERING



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MR. WHITMORE

Cabinet: 19th February

You will recall that no record was circulated of last Thursday's discussion of Industrial Affairs at Cabinet. We have now produced a Most Confidential Record and I enclose a copy. The other two copies will be kept in this office. I should be grateful if you could return your copy to me in due course.

D.J. WRIGHT

23rd February, 1981

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MOST CONFIDENTIAL RECORD
TO
CC(81) 7th CONCLUSIONS, MINUTE 4
Thursday, 19 February 1981

INDUSTRIAL
AFFAIRS

Coal

THE SECRETARY OF STATE FOR ENERGY said that the National Coal Board's (NCB) recent announcement of a programme of pit closures had been seized on by militants in the National Union of Mineworkers (NUM) as an excuse for confrontation with the Government. There had been much distortion and misrepresentation of the NCB proposals and consequently much fear and concern among ordinary mineworkers. Unofficial strikes had occurred and it had rapidly become apparent that a full-scale de facto national coal strike would have begun on the following Monday, 23 February, if steps had not been taken to defuse the situation. Consequently after consulting the Prime Minister and other senior colleagues he had taken part the previous evening in joint talks with the NCB and the three mining unions. His remit had been to make the minimum concessions necessary to avoid a national coal strike. In the event he had felt it necessary to make two statements. First that, while coal imports would in any case fall from $7\frac{1}{2}$ million tonnes in 1980 to $5\frac{1}{2}$ million tonnes in 1981, the Government would be prepared to look, with a view to movement, at what could be done to reduce this figure towards its irreducible minimum, ie those quantities of coal not produced domestically; and second that the NCB and the unions should stand back from the Government's financial constraints and discuss a pattern of proposals for closures consistent with Plan for Coal and the severe economic realities. In this event the Government would be prepared to discuss the financial constraints with an open mind and also with a view to movement. Under continued pressure from the union side, Sir Derek Ezra had then said that in the light of the Government's willingness to review the financial constraints on the industry the NCB would withdraw their closure proposals and re-examine the position in consultation with the unions. The Secretary of State for Energy concluded that, while he could not be certain that these concessions would avert a national strike, he was sure that nothing less would have done so. It had been agreed that the three parties should meet again on the following Wednesday, 25 February.

In discussion there was unanimous support for the decisions taken and the actions of the Secretary of State for Energy. A national coal strike at this juncture would have been very damaging, not least to private firms struggling to cope with the recession. Thus, while the position reached could have unfortunate repercussions, the alternative would have been far worse.

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In further discussion the following main points were made:-

- a. The Government had been seriously misled by prior assurances from the NCB that an accelerated closure programme would be accepted, albeit reluctantly, by the miners. The reality was that the NCB had gambled and lost.
- b. It was important to recognise that the NCB had not promised to halt pit closures but to discuss them with the NUM against the background of Plan for Coal. This had envisaged closures and Mr Gormley, the President of the NUM, had publicly acknowledged that some closures were necessary.
- c. The present settlement could have repercussions elsewhere. The fishing industry, for example, might seize on the Government's willingness to take action on coal imports as a precedent for the action they wanted on imports of fish. Moreover, although pay and closures were different matters, some unions, eg in the water industry, might be encouraged to adopt a more militant approach to their current pay negotiations.

THE PRIME MINISTER, summing up the discussion, said that Cabinet endorsed the action taken by the Secretary of State for Energy. It had been reported during the meeting of the Cabinet that the NUM Executive had rejected that morning a proposal to ballot the mine-workers seeking endorsement for an all-out strike and this news was welcome. Nevertheless the situation would remain delicate for some time and unofficial action might be continued in some areas. It was thus necessary for the Government to be very circumspect in public comment, even though this might mean that, for the time being, they could not deploy a full response to critics among their own supporters. The best course would be to stick closely to the words used by the Secretary of State for Energy and to avoid gloss or interpretation. A robust defence of the Government's actions at this time might well undermine elements in the NUM who were doing their best to control the situation.

The Cabinet -

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

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NEGOTIATIONS
IN THE WATER
INDUSTRY

Previous
Reference:
CC(81) 1st
Conclusions,
Minute 5

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the indications were that the General and Municipal Workers Union - the largest in the water industry - would reject the current pay offer of 10 per cent, though opinion in the other two main unions involved was more evenly balanced. The National Water Council (NWC) would be meeting the unions formally on 25 February, and Sir Robert Marshall, Chairman of the NWC, would aim to achieve a negotiated settlement at that meeting, without giving the union side an option for a further protracted round of consultation with their members. Sir Robert Marshall had indicated that it might be necessary for the NWC to offer 11 per cent, or even 12 per cent to achieve a settlement, and had been left in no doubt that the Government attached great importance to achieving the lowest practicable figure. It was desirable that the gas industry negotiating meeting on 24 February should not result in an enhanced offer which would encourage the same unions, representing the water workers, to attempt to leapfrog it at their meeting with the NWC on the following day.

In discussion, it was suggested that in spite of the results emerging from the union consultation, the mass of water workers might be unwilling to face the consequences of an all-out strike. The Government should do more to mobilise publicity about the consequences of a strike for the public, and the reasonableness of the pay increase now offered in comparison with that available to many other workers who, moreover, did not enjoy comparable security of employment. It was noted that the attitude of supervisory staff, whose co-operation would be vital in maintaining supplies if the manuals withdrew their labour, was still uncertain and difficult to predict. In Scotland, however, the supervisors were local authority employees and in some cases subject to a closed shop. It might be particularly difficult for them to co-operate with the Government even if they wanted to.

The Cabinet -

2. Took note.

PRIVATE
SECTOR STEEL

THE SECRETARY OF STATE FOR INDUSTRY reported that the British Steel Corporation (BSC) and Guest, Keen and Nettlefolds, had now reached agreement on a joint company to rationalise their rod, bar and wire interests, and an announcement would be made on 20 February. The new company would be of a substantial size and would be in the private sector. The BSC was also engaged in discussions of other possibilities for collaboration with the private sector, but these were not yet



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finalised. The agreement reached and those which might follow would reduce the level of complaints about unfair competition from the BSC, some of which were in any case misconceived because much of the real competition came from imports. Nevertheless the BSC were very conscious of the need to avoid charges of unfair competition and Mr MacGregor had undertaken to look personally at any complaints raised by Members of Parliament.

Finally, the SECRETARY OF STATE FOR ENERGY stressed that the information which he had given Cabinet was commercially sensitive and should be rigorously safeguarded until announcements were made.

The Cabinet -

3. Took note.

Cabinet Office

23 February 1981.

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