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Secretary of State for Industry

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Mike Pattison Esq.  
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Prime Minister  
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*Prime Minister*

*BSC has been a bit ham-fisted  
over re-appointment of employee  
directors, but the trouble will  
blow over. MAP 25/11/81*

*Dear Mike*

You asked for a note on the reports in yesterday's press on Mr Sirs' comments on the dispute over the nomination of ISTC representatives to serve on the Board of the British Steel Corporation.

2 The six employee directors on the BSC Board were first appointed in 1978 by the previous administration when the Board was reconstituted in line with the policy for nationalised industry boards set out in the White Papers on Nationalised Industries (Cmd. 7131) and Industrial Democracy (Cmd. 7231). The aim was to achieve a Board with broadly equal numbers of management, workforce and independent members. The appointments were intended as a permanent feature and not experimental as in the case of the trade union appointments to the Post Office Board in 1978. The latter were for a two year period, and as you know that experiment was not renewed. BSC is therefore the only nationalised industry board to have employee directors on it.

3 The procedure adopted in 1978 for the appointments was that the TUC Steel Committee were invited by the then Secretary of State to nominate six representatives to serve as part-time members of the Board. The Committee in turn invited ISTC, the National Union of Blastfurnacemen, the General and Municipal Workers Union, the Transport and General Workers Union and the National Craftsmen's Co-ordinating Committee to nominate representatives on the basis of two seats for ISTC and one for each of the other unions. It was expected at that time that a seventh seat would become available and it was agreed that it should go to ISTC. No amendment of the Iron and Steel Act was necessary and the appointments were made for the customary period of three years from August 1978.

4 In considering whether to renew the appointments, after some discussion at official level with the Department of Employment my Secretary of State concluded that on balance it would not be





worth inviting the political confrontation likely to occur if all employee directors were removed from the Board, especially since industrial relations were in general good, in spite of massive job losses in the period since the strike. He consulted Mr MacGregor (as he is required to do under the provisions of the Iron and Steel Act) on the re-appointment of board members and intimated that it was also his intention to consult the TUC Steel Committee. Mr MacGregor confirmed that he would be content to have five of the existing employee directors re-appointed - the sixth, one of the two ISTC representatives, did not wish to continue owing to poor health. Unfortunately, Mr MacGregor assumed that the Secretary of State would think that consultation with the Steel Committee was not necessary, and one of Mr MacGregor's staff wrote to the TUC informing them of his recommendation, with the implication that it had already been accepted and that there was therefore no need for the Committee to make nominations. In the meantime the TUC had written to the Secretary of State submitting two new ISTC nominations and confirming the existing NUB and NCCC nominations.

5 This action by BSC was premature, to say the least, and gave the unions, and particularly the ISTC, an occasion for protest. As a result the Secretary of State thought it necessary for Norman Tebbit to see Mr Sirs and Mr Dennis Delay of the TUC to apologise for the confusion but to confirm at the same time the Secretary of State's decision to offer re-appointment to the five existing members. This decision is not one to which the steel unions and the TUC can formally agree since to varying extents they see the employee members as trades union appointments and the appointees as representatives of their particular union interests. The Secretary of State and Mr MacGregor take a fundamentally different view. Mr MacGregor recommended keeping the existing five employee members solely because he believes they are committed to and can contribute to the success of the Corporation and not because they represent the interests of their particular unions; and the Secretary of State therefore intends to reappoint them.

6 The formal position is that the Secretary of State has invited the five members to continue on the Board until 31 December 1982. All but the ISTC man have accepted, with the acquiescence if not the approval of their unions. The ISTC representative, Mr McLaren, is in a dilemma since on the one hand he knows that he no longer has the backing of his union while on the other that he is being invited to serve in a personal capacity and not as a union representative. The probability is that he will decide that his only course is to decline to continue to serve on the Board. This would be particularly unfortunate since his reappointment was well justified on the basis of his contribution to corporate objectives.

7 The position on Sir John Boyd is that Mr MacGregor proposed to the Secretary of State that he should be appointed to take the place of Sir John Buckley who retired from the Board on 1 August. Mr MacGregor values the sense and robustness of Sir John and wants him as an independent member and not in any sense as a





union representative. Sir John has accepted the Secretary of State's invitation to serve for a term of three years.

8 The Secretary of State for Employment was told about the reappointment of the employee directors, and also about the difficulties which have subsequently arisen. We also consulted him about Sir John Boyd's proposed appointment.

9 We do not expect that Mr Sirs will get much support for his protest, either from his rank and file or from other unions in the steel business. But it will be as well to wait until the air has cleared before issuing the customary press notice announcing the appointments.

10 I am sending a copy of this letter to Richard Dykes at Employment.

*Yours ever  
Catherine*

CATHERINE BELL  
Private Secretary