

PRIME MINISTERBSC

The BSC negotiations broke down today, and the unions have announced that there will be a national strike starting on Wednesday.

BSC improved their national offer to 6% with some weak productivity strings. (Their earlier offer had been 2% unconditional plus 3% in return for an end to the guaranteed working week.) Their new offer involved the dropping of the guaranteed week condition, and its replacement by something much weaker on productivity; and an extra percentage point on the package. The union side refused to accept this.

BSC would have been prepared to go to 7%, which they thought Bill Sirs and Smith (the General Secretary of the Blast Furnace Men's union) would have settled at. But they were convinced that neither Sirs nor Smith would have carried their executives. The executives were both present at the negotiations and were apparently in a very militant mood.

Sir Keith is of course disappointed, but feels that the Government should now stand back. Sadly, BSC management have been proved right: ie. they did not think that anything but a large improvement in the offer would be acceptable to the unions.

My contact at BSC (Charles Villiers' Personal Assistant) tells me that Scholey is putting out the following line to the press:

- (i) BSC is broke and cannot afford anything more;
- (ii) Steel workers cannot expect a guaranteed real wage irrespective of performance;
- (iii) There are big opportunities for higher wages if only the unions will negotiate productivity deals at local level. (You will recall that

in addition to the offer at national level, BSC are willing to negotiate productivity deals at local level which could mean an extra 10%).

This is all very unfortunate. You may want to speak to Sir Keith and to Mr. Prior over the weekend to see if there is anything more we should do. Personally, I doubt whether there is. We will have to hope that:

- (i) Union members fail to heed the strike call; and
- (ii) The union leadership show sense and return to the negotiating table.

It will be important that the Government put out a clear line: Scholey's position mentioned above seems to be the right one.

*Agreed but it is not coming over that way*

*Have spoken to Keith this morning. (Set)*

*ms*

*TL*

28 December 1979