

# PREM19

# 97

## NATIONALIZED INDUSTRIES

(Steel)

(Part 1)

PREM

19/97

PART 1.

Confidential Filing

The Steel Industry.

NATIONALISED

INDUSTRIES

PART 1

June 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>4.6.79</del>		<del>24.10.79</del>					
6.6.79		<del>30.10.79</del>					
<del>10.6.79</del>		1.11.79					
<del>12.6.79</del>		<del>2.11.79</del>					
<del>14.6.79</del>		<del>9.11.79</del>					
<del>25.6.79</del>		12.11.79					
<del>26.6.79</del>		<del>3.12.79</del>					
<del>28.6.79</del>							

PREM 19/97

●PART 1 ends:-

Weln off to Industry 12.11.

PART 2 begins:-

3/5 Industry to PM 28.11.

TO BE RETAINED AS TOP ENCLOSURE

**Cabinet / Cabinet Committee Documents**

Reference	Date
OD(E)(79) 10	04/06/79
OD(E)(79) 2 <sup>nd</sup> Meeting, Minute 1	06/06/79
E(EA)(79) 7	12/06/79
E(EA)(79) 3 <sup>rd</sup> Meeting, Minute 3	14/06/79
E(EA)(79) 15	26/06/79
E(EA)(79) 5 <sup>th</sup> Meeting, Item 5	28/06/79
OD(E)(79) 25	16/07/79
OD(E)(79) 7 <sup>th</sup> Meeting, Minute 1	19/07/79
E(EA)(79) 52	18/10/79
E(EA)(79) 18 <sup>th</sup> Meeting, Minute 2	23/10/79
E(79) 14 <sup>th</sup> Meeting, Minute 3	30/10/79

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *A. Dayland*

Date 3 November 2009

PREM Records Team

C.F.

*Amend  
primary  
+ file inside cover  
88  
10/9*

I have been looking for some 1979 papers about appointments to the British Steel Corporation, and found them on this file. I have therefore removed them to put with my other B.S.C. papers. They are:-

S/S Industry to P.M.	21/6.
M.A.P. to Industry	25/6
Andrew Duguid to M.A.P.	25/6
M.A.P. to P.M.	25/6
M.A.P. to A. Duguid	26/6
S/S Scotland to Industry	27/6
S/S Industry to P.M.	29/6
M.A.P. to P.M.	29/6
<del>Andrew Duguid</del>	
M.A.P. to Duguid, Industry	3/7
S/S Scotland to Industry	4/7
S/S Industry to Scotland	4/7
M.A.P. to P.M.	6/7
S/S Wales to Industry	11/7
S/S Industry to P.M.	21/9
T.P.L. to Duguid, Industry	21/9
Lord President to Industry	27/9.

*J.P.*

9 Sept. 1981

Nab Inds. overtaken 2  
PRIME MINISTER  
To see Ms



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From The Secretary of State for Wales

CONFIDENTIAL

12 November 1979

*Ja Peter*

CLOSURE OF STEEL MAKING AT SHOTTON

My Secretary of State will be making a statement tomorrow about the Government's remedial measures following the announcement last Friday of BSC's decision to end iron and steel making at Shotton.

... I attach the final form of this statement which takes account of comments received in response to my Secretary of State's letter of 5 November to Sir Keith Joseph; and also takes account of the conversation my Secretary of State had with yours over the weekend and subsequent contacts at official level.

Mr Edwards is grateful for the suggestions given in the additional briefing which you provided and for your Secretary of State's intention to be present on the bench during the statement.

/ I am sending copies of this letter to the Private Secretaries of the other members of E(EA) and to the Private Secretaries of the Chancellor of the Duchy of Lancaster, the Chief Whip, Prime Minister, Sir Robert Armstrong and the Lord Privy Seal.

*Jan*  
*G C G Craig*

G C G CRAIG  
Private Secretary

Peter Stredder Esq  
Private Secretary to the  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1

STATEMENT ON SHOTTON TO BE MADE BY THE SECRETARY OF  
STATE FOR WALES

Mr Speaker. With permission I should like to make a statement on Shotton.

The British Steel Corporation announced its decision last Friday to end iron and steel-making at Shotton. All concerned will want to do everything possible to provide alternative employment opportunities throughout the area affected by the closure.

The Government has decided that, subject to the necessary approval by the European Commission, the Shotton Travel-to-Work area will be upgraded to Special Development Area status as soon as possible. My right honourable Friend the Secretary of State for Industry will be making the necessary arrangements. This will be of substantial benefit to the area and firms in the area or to be located there will now be eligible for the highest rates of regional incentive, as are firms in the Wrexham Travel-to-Work area where about 9% of the Shotton workforce reside and which was upgraded to Special Development Area status last July.

As a Special Development Area Shotton would continue to be eligible for assistance from the European Regional Development Fund towards infrastructure and industrial projects and also, as a steel closure area, from the Non-Quota section of the Fund and from the European Coal and Steel Community.

The Manpower Services Commission have made contingency arrangements drawing on experience gained at earlier major steel closures in Wales. These will be put into immediate effect and include the



provision of a special Jobcentre in the Works with augmented advisory and counselling services. For workers seeking retraining, over 4,500 training places in a wide variety of TQPS courses are available at Skillcentres, colleges and on employers' premises in Clwyd, Cheshire and Merseyside.

The area has already benefitted from substantial investment for the provision of infrastructure and industrial estates by the Welsh Development Agency, Local Authorities and BSC (Industry) Ltd. In particular, the Welsh Development Agency and BSC (Industry) Ltd have spent or committed over £6m on the development of 500 acres at the Deeside Industrial Park. A start on factory building has already been made; 17 factories are under construction or completed (15 of these have been formally allocated), while work is going ahead on further site preparation. On present information nearly 1,000 jobs are expected to arise over the next 3/4 years in the Shotton Travel-to-Work area from projects under way or planned and over 2,000 in the Wrexham Travel-to-Work area. In addition the area has been chosen, as my hon Friend the Parliamentary Under-Secretary of State for Energy said last Thursday, for a major oil from coal pilot project at Point of Ayr colliery. This is a welcome development for the area which in the medium-term will add to the range and number of job opportunities in Deeside.

Communications in the Shotton and Deeside area will be substantially improved by schemes in the Department of Transport and Welsh Office trunk road programmes. In particular, work is underway on the extension of the M56 motorway westwards which will bring the motorway very close to the Deeside Industrial Park. Opportunities will be taken for upgrading communications between the Shotton area and Wrexham and the Midlands.

Every effort will be made to attract and establish new industrial developments in the area. I see it as a main task of the Welsh Development Agency to complete the site infrastructure and services on land in its ownership at the Deeside Industrial Park and to make an early start on the building of advance factories in the area affected by closure. I am therefore making additional resources available to the Agency. But I also see it as essential to engage private sector support and the course and scale of public expenditure will depend on how quickly this can be obtained. Meanwhile I am asking the Agency to plan their provision of sites and factory space on the basis of further expenditure of up to £15m over the next three or four years. Work is already underway in the job of obtaining private sector finance which will enable new development to take place on the scale required, while reducing the cost to the taxpayer.

A substantial and sustained effort will be required to attract new business into the area and encourage existing businesses to expand. But the strategic locational advantages of Deeside, the enhanced regional incentives available from Special Development Area status, the provision of serviced industrial sites and factories and the availability of a willing, adaptable and responsible labour force provide the basis for the successful regeneration of the wider Deeside area.

12 NOV 1978

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*Not Tnds*

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PS/Secretary of State for Industry

9 November 1979

G C G Craig Esq  
Private Secretary to the  
Secretary of State for Wales  
Welsh Office  
Gwydyr House  
Whitehall  
London SW1

*VMS*

*Dear George,*

Thank you for your letter of 8 November enclosing draft speaking notes for your Secretary of State's proposed statement on remedial measures for Shotton.

My Secretary of State is not in the office today but officials here are content with the notes subject to the suggested amendments attached, together with a reservation about the wisdom of speculative forecasts about the proportion of redundant workers which may register as unemployed, especially if these forecasts are gloomy. (Supplementary number 10). Moreover the heading to that note may be confusing in that it implies that the scale of remedial measures in localities affected by closures is necessarily linked to the number of redundancies or 'jobs needed'. While this is true up to a point eg Shotton is to be made a Special Development Area, it is an illusion to think that it is practicable within the SDAs to step up support in such a manner that it will necessarily counteract any growth in unemployment.

... I attach some further notes on the timing of the Order giving Shotton SDA status — and on the impact of these measures on surrounding areas, particularly in England.

I am sending copies of this letter to the recipients of yours.

*Yours sincerely,  
Pete.*

PETER STREIDDER  
Private Secretary



SUGGESTED AMENDMENTS TO WELSH OFFICE DRAFT NOTES

NOTE 1

In line 3 add 'within Great Britain' after 'assistance'  
[Levels of assistance are of course higher in Northern  
Ireland].

NOTE 14

I suggest this note should begin: "We made Wrexham a  
Special Development Area last July".



#### ADDITIONAL SUPPLEMENTARY NOTES

When will Shotton become a Special Development Area?

My rt hon Friend the Secretary of State for Industry will lay the necessary Order as soon as the approval of the European Commission is received. [If pressed: the Order would come into force 21 Calender Days after it was laid].

What will be the impact of increased help for Shotton on other places [e.g. Merseyside, Chester, North West England, North West Wales ]?

Our decision to make Shotton a Special Development Area took account of its needs relative to those of other parts of Great Britain. There is no conflict between Merseyside and North East Wales whose fortunes are obviously closely linked, and both of which should benefit from the decision announced in July to concentrate assistance on those places which still justified their SDA grading. Increased prosperity in Shotton will help Merseyside and vice versa.

112 NOV 1979





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VMS

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales  
Welsh Office  
Gwydyr House  
Whitehall  
London SW1A 2ER

9 November 1979

*John M. Jones*

CLOSURE OF STEEL MAKING AT SHOTTON

Thank you for copying to me your letter of 5 November to Keith Joseph together with your proposed statement of remedial measures which will be available to help those made redundant at Shotton.

I am content with the terms of the announcement, and I agree with the thought you introduced in paragraph 4 that training places over the border in England will also be available to help those displaced. I think that this is a useful point to make especially as a fair number of Shotton workers live in England.

I am copying this letter to the recipients of yours.

*John M. Jones*





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Secretary of State for Industry

9 November 1979

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales  
Welsh Office  
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London SW1A 2ER

VMS

*Jan Mick*

Thank you for your letter of 5 November enclosing a draft of your statement about remedial measures for Shotton to be made following BSC's expected announcement of the closure of the heavy end of their works.

I am generally content with your draft. My only slight worry is the prominence given to the provision of £15 million for expenditure on future factory building and site development. This might prompt unwelcome comparisons with the Government's factory building programmes in other places where large scale public sector closures are to take place and particularly at Corby. We certainly cannot match such a figure anywhere in England. Moreover the amount will depend upon the level of private sector involvement.

I therefore suggest that the penultimate paragraph should be redrafted, after "... early start in the building of advance factories", to read "Resources will continue to be made available to the Agency and I shall be asking them to plan the provision of sites and factory space with maximum involvement of the private sector. The course of public expenditure will much depend on how quickly we can obtain this involvement".

Of course if you were asked a direct question either in the House or outside you would have to say what was the maximum public expenditure which you had in mind but I hope you would also explain your intention to engage private capital.

As far as we are aware it is still the intention of BSC to announce the closure on 9 November and it would therefore seem appropriate as you suggest to make these remedial measures announcement in the House on 12 November or soon after.

I am sending copies of this letter to the other recipients of yours.

*Erwin Kern*



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Edwards MP  
Secretary of State  
Welsh Office  
Gwydyr House  
Whitehall  
London SW1A 2ER

8 November 1979

*Dear Nick,*

SHOTTON REMEDIAL MEASURES

I have seen your letter of 5 November 1979 to Keith Joseph and I am content with the draft statement on remedial measures for Shotton which you propose to make on Monday 12 November, following BSC's closure announcement on Friday 9 November.

I am copying this letter to the Prime Minister, our colleagues on E(EA), Norman St John Stevas, Michael Jopling and Sir Robert Armstrong.

*Yours  
John Biffen*

JOHN BIFFEN

*A. Saunders*

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*From The Secretary of State for Wales*

CONFIDENTIAL

8 November 1979

*Vm*

*Dear Pete,*

Further to my Secretary of State's letter of 5 November, I am now sending to you speaking notes against questions following my Secretary of State's proposed statement next Monday. I would be grateful for your comments before the end of the week. The speaking notes have been drafted on the assumption that our Secretary of State's statement will specifically refer to grating of SDA status to the Shotton Travel-to-Work area.

Copies of this go to the Private Secretaries to the recipients of Mr Edwards' letter of 5 November.

*Yours ever*  
*G. G. Craig*

G. G. CRAIG  
Private Secretary

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Private Secretary to the  
Rt Hon Sir Keith Joseph Bt MP  
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## SECRETARY OF STATE'S SHOTTON ANNOUNCEMENT - ADDITIONAL SPEAKING NOTE

1. Special Development Area status for the Shotton Travel-to-work area

I know the importance which is attached to this in the area. Special Development Area status will bring the maximum level of regional assistance to the whole of Deeside and this, together with the recent upgrading of the Wrexham Travel-to-work area to SDA status, means that the areas in Wales where nearly 80% of the Shotton workers live will have Special Development Area status. Given the overall reduction in the number and size of Assisted Areas this should be a powerful incentive to attracting new developments into the area.

2. Resources already committed

The Welsh Development Agency have already spent or committed £3.6 million and BSC (Industry) Ltd £3.1 million on the development of the Deeside Industrial Park. In addition the Agency have undertaken a programme of industrial estate development and factory building in the wider Shotton and Wrexham Travel-to-work areas. This is, of course, in addition to the expenditure incurred by local authorities in developing their own estates in the area.

3. Resources specially earmarked for Shotton

Over the next 4 years £15 million will be earmarked for work in the area affected by the Shotton steel closure.



4. The Welsh Development Agency's overall resources

The Agency's resources have had to take their share of the recent reduction in public expenditure but it is right that steel closure areas should have priority. I am awaiting the Agency's proposals on the distribution of their allocation for next year between their various functions but I would expect factory building to figure very prominently in their thinking.

5. How will the Agency spend the earmarked resources and when?

This will be a matter for discussion with the Agency. But the first objective [as my statement made clear] is to get ahead with all speed with the development of the Deeside Industrial Park. Thereafter the Agency will undertake further site development and provision of factories in the area affected by the closure.

6. How much factory space will be provided? What will the total expenditure be in 1980/81?

This will be for discussion with the Agency. We will need to take into account other developments which we hope will come from the private sector.

7. Role of the private sector

We are anxious to secure the maximum possible private sector participation in the provision of industrial sites and factories. Discussions to this end are already under way involving my own and other Departments and the various Government Agencies. The aim will be to enable the private sector to play a full part in this kind of development.



8. How does this compare with the resources given to Ebbw Vale and Cardiff?

The special programmes being undertaken by the Agency for the Ebbw Vale and Cardiff steel closure areas are well under way and these will continue and will not be affected by demands on the agency for dealing with the Shotton area. What we have learned from the Cardiff and Ebbw Vale experience is that we have to adjust the programmes to the special needs of each area and the infrastructure already available. In the case of Shotton we are concentrating on the development first and foremost of one large industrial site and this is our first priority. In addition it will be important as I have said to secure the maximum possible private sector involvement in new factory developments.

9. Will the earmarked resources for Shotton be at the expense of other areas in Wales?

No. The money [£15 million] that I have earmarked for Shotton is quite separate from the rest of the Agency's allocation and is not at the expense of other areas. The Agency has, of course, had to take its share of the recent public expenditure reductions. Inevitably there will be some spreading out of the Agency's overall programme and the priorities within it are a matter for the Agency. The special WDA programmes for Cardiff and Ebbw Vale will, of course, continue.

10. Persons registering for employment: Number of jobs needed

Going on past experience in other steel closure areas in Wales, about 80% of redundant workers register for employment in the first



few months after closure. The actual number will, of course, depend on several factors including the age of the redundant workers: about 65% of the Shotton workers are aged under 50 and about 22% are aged over 55.

Only if pressed. I know of these calculations by the local authority but these depend on a variety of assumptions and I believe they give much too gloomy a picture.

11. Special resources for training

The Manpower Services Commission are satisfied that the facilities available for training in Clwyd, including the Wrexham Skillcentre and the Kelsterton College of Further Education, or at centres within daily travelling distance elsewhere, are sufficient to cope with the likely demands for retraining.

12. Will BSC (Industry) provide additional help?

BSC (Industry) are already developing about 150 acres of the land they own at Deeside Industrial Park which adjoins the Agency's land and have already committed over £3 million for its development. I have no doubt they will be stepping up their efforts to attract incoming industry into the area.

13. EEC Assistance

There has already been substantial help from the EEC for projects in Clwyd amounting so far to nearly £12m and there is more in the pipeline. ERDF will continue to be available and in addition we will be looking to the possibility of support from the non-quota sector of ERDF as well as help from the European Coal and Steel Community.



14. What is being done for Wrexham?

The Agency will be considering the need for additional provision for this area where about 9% of the Shotton workforce live. But Hon Members will know that there are already over 2,000 jobs in the pipeline for the Wrexham Travel-to-work area as well as nearly 1,000 in the Shotton Travel-to-work area.

15. Help for loss of rateable value

There is an automatic adjustment mechanism in the Rate Support Grant system which takes account of losses of rateable value, though it takes more than a year to come through.

16. Improved road communications

Progress has already been made on improving road communications; for example, a dual carriageway route has already been completed from Queensferry to Lea-by-Backford which will become the western terminal of the M56 when the extension works now under way are completed in 1980. Other works are in the pipeline with starts scheduled from 1980 onwards.

17. Will Bersham Colliery be affected?

The coke ovens at Shotton are not included in the closure programme. Thus the future of Bersham will not be affected on that account.





18. Coal to oil liquefaction plant at Point of Air

As Hon Members will know from the answer given by my Rt Hon Friend the Secretary of State for Energy on 8 November, the Government and NCB have selected Point of Air Colliery as the most suitable site for the proposed two oil-from-coal pilot plants. He will be considering a commitment to construction of the plants in the light of the design study expected next spring. It is too soon to say anything more about this project at this stage but its construction and operation could offer additional employment in Clwyd, quite apart from playing a very important role in the overall energy research programme.

19. A taskforce for Shotton

My Department has already been in very close touch with all the interests involved on a contingency basis and I will ensure this is maintained. If there is a case for more formal arrangements I will certainly consider it.

20. Why has the Government waited until now for action?

We should hardly be expected to do anything until after the BSC had taken their decision. My noble friend the Lord Trenchard made it clear on 12 July that the Government would be giving urgent consideration to upgrading Shotton and reviewing the possibilities of providing help for new factory building - this is precisely what we have done.



21. The proposed help for Shotton is inadequate

No one will deny the serious blow this closure is to the area. But the right conditions for successful redevelopment are there as has been demonstrated already by the success of the Deeside Industrial Park where of the 17 factories built by the Agency all but 2 are firmly allocated.

We have an excellent and adaptable workforce, a strategic location, good and improving communications, some first class industrial sites, special development area status incentives and the resources for further industrial site development and factory building.

22. Will the rate support grant settlement take into account the special needs of North East Wales?

The rate support grant system already takes into account the needs of particular areas.

23. Redundancy payments by BSC

What is proposed and negotiated for redundancy payments is, of course, a matter for BSC. I understand compensation will be discussed at the national level with the TUC Steel Committee although detailed negotiations will take place at individual works. The Corporation have already said publicly that their earlier decision to keep steel making going until 1982/83 will be taken into account in the negotiations.

24. Urban Programme

Over the past 3 years more than £320,000 has been approved under the urban programme for expenditure on special social, educational and



environmental projects in the Deeside, North East Clwyd and Wrexham areas. The urban programme can also give support to suitable industrial and employment creating projects and will continue to be available to assist local authorities in coping with particular urban difficulties.

My officials are in touch with the authorities in the Shotton area who have put forward a number of projects for funding under the 1980/81 programme. These are now being considered along with those from other authorities in Wales and particular attention will be given to the needs of the Deeside area in allocating available resources.

25. Jobs in the pipeline for Deeside

There are already about 1,000 jobs in the pipeline for Deeside and British Aerospace's membership of the European Airbus Consortium has secured jobs at Broughton for a number of years. These make a valuable contribution to the total employment opportunities in the Area.

WELSH OFFICE

November 1979

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7-8 NOV 1979

PRIME MINISTER

SHOTTON

Here is the draft of Mr. Edwards'  
statement on Shotton, which he would  
propose to make next Monday. It is a  
little long, but are you content to  
agree to it, subject to any comments  
from Sir Keith Joseph and your other  
colleagues?

MS

7 November 1979

✓  
PA

MS



VMS

Treasury Chambers, Parliament Street, SW1P 3AG

Peter Stredder Esq  
Private Secretary to the  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON SW1

7 November 1979

Dear Peter,

STEEL: SUPPLY DEBATE ON WEDNESDAY 7 NOVEMBER

We spoke last night about the terms of the amendment to the Opposition Motion on Steel for the supply day debate today, about which you wrote to Nick Sanders on 6 November.

This is to confirm that the Chief Secretary has endorsed the suggestion I passed to you that the Government's amendment be widened to cover the underlying reasons for the steel industry's lack of profitability and for the need to close redundant plant, on the following lines:-

"That this House believes the future of the steel industry depends on much improved productivity, the efficient use of costly new investments, and an early return to profitability."

This would, he feels, make it more difficult for the Opposition to raise arguments than the amendment previously proposed which relied solely on an early return to profitability which they would regard as unrealistic. I understand that you were able to arrange for an amendment on lines similar to those set out above to be put down last night.

I am copying this letter to the Private Secretaries to the Prime Minister, the Secretaries of State for Employment, the Environment, Scotland, Wales, Trade, and Energy, the Chancellor of the Duchy, the Paymaster General and the Chief Whip.

Yours sincerely,  
A C Pirie

A C PIRIE



67 NOV 1979



CF  
For you to file?

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From the  
Minister of State

The Hon Adam Butler MP

M G Hughes Esq  
Development Engineers' Drawing Office  
BSC Shotton Works  
Shotton  
Deeside  
Clwyd  
CH5 2MH

R/6 November 1979

1/5000

R  
7/11

Dear Mr. Hughes,

Thank you for your letter of 23 October to the Prime Minister about the Shotton steelworks. I have been asked to reply.

We were aware of Mr Gray's suggestions; and of the interest being taken by members of the CPC. These latter approaches are, I should emphasise, of an entirely personal nature and should not be taken to indicate that there are any Government proposals for continuing steelmaking at Shotton. However, as I have said before, we should not wish to stand in the way of any soundly-based, privately-financed proposal for investing in steelmaking at Shotton, but such a scheme has not been forthcoming.

I can assure you that the Government remains committed to helping to attract new jobs to the Shotton area. It was reaffirmed at the recent meeting of the Wales TUC with the Prime Minister, that the Government would carefully consider, along with other help, giving the Shotton area Special Development Area status.

I am copying this letter to Peter Morrison MP.

Yours sincerely  
Adam Butler

ADAM BUTLER



NOV 9 1961

CONFIDENTIAL



10 DOWNING STREET

*From the Principal Private Secretary*

6 November 1979

*Dear Sir,*

Hunterston

When your Secretary of State saw the Prime Minister at 2145 yesterday evening in her room in the House, he told her that E(EA) had reluctantly decided earlier in the day that there was no alternative but to go ahead and designate Hunterston as a scheme port under the Dock Workers (Regulation of Employment) Act 1946. The sub-committee had been unhappy at extending the Dock Labour scheme but had concluded that there was no other course. The fact was that the unions, the Port Authority and the owners of the port, the British Steel Corporation, were all agreed that Hunterston should be designated as a scheme port, and it would be very difficult for the Government to withhold its agreement to this course. E(EA) had satisfied itself that the designation of Hunterston would not create a precedent for other ports. It was most unlikely that Hunterston would ever become a general storage port: its trade would almost certainly be confined to ore and coal. Moreover, when he had seen the TUC earlier that evening, they had told him that they regarded the proposed solution as exclusive to Hunterston. They had said that they would make this clear in public, and there was no doubt that it would be useful if they did so. The TUC were anxious to bring the issue of Hunterston to a conclusion. The unions had had a thoroughly bad press on the matter, and the TUC had gone to great lengths to find a satisfactory answer. Mr. Len Murray had thought that he had arrived at a solution on three separate occasions, only to find that things had subsequently gone wrong. It had taken him and his TUC colleagues all the previous Saturday to arrive at an agreement acceptable to the unions.

Your Secretary of State explained that even now he could not guarantee absolutely that Hunterston would open on Wednesday. He had asked the representatives of the TGWU at that evening's meeting whether their members would turn up to operate the port or whether they would find a pretext for a new dispute. They had said that this was something

/he should leave

CONFIDENTIAL

R. R.  
CONFIDENTIAL

- 2 -

he should leave to them, and Mr. Murray had said that it would be the TUC's responsibility to solve any further problems that arose. Mr. Sirs was confident that his members would accept the new agreement: the ISTC, who on the whole had done less well out of the agreement than the TGWU, were worried about jobs at Ravenscraig. If the Prime Minister endorsed the conclusion of E(EA), the next step was for him to make a draft order designating Hunterston as a scheme port. There would then be a period of 40 days in which objections could be lodged. Thereafter the order would be laid before the House and would be subject to the negative procedure.

The Prime Minister said that she agreed that it would be difficult for the Government to refuse to go along with an arrangement which had the support not only of the unions but also of the British Steel Corporation and the Clyde Port Authority. On the understanding that the Hunterston solution would not be taken as a precedent for other ports like Felixstowe which were outside the Dock Labour scheme, she was ready to approve the proposal to designate Hunterston as a scheme port. She was content to leave it to your Secretary of State to decide when to announce the Government's decision, though he should let her know how he proposed to handle the announcement before her Question Time the following day.

I am sending copies of this letter to the Private Secretaries of other members of E(EA), to Genie Flanagan (Transport) and Martin Vile (Cabinet Office).

Yours usw,

John Whitman.

Ian Fair, Esq.,  
Department of Employment.

CONFIDENTIAL

Y SWYDDFA GYMREIG

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01-233 8545 (Llinell Union)

*Oddi wrth Ysgrifennydd Gwladol Cymru*



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01-233 8545 (Direct Line)

*From The Secretary of State for Wales*

CONFIDENTIAL

6 November 1979

*Dear Peter,*

*R 8/4*  
*U 1/4*

My Secretary of State wrote to yours yesterday enclosing a draft of a statement he hopes to make next Monday about Shotton in the event that BSC announce on 9 November their intention to end steelmaking at the works. The draft statement suggests that your Secretary of State would, if a closure was announced, himself announce on the 12th his decision to upgrade the Shotton area to SDA. I am writing simply to confirm with you and to record for the benefit of other recipients that Sir Keith would prefer the SDA status announcement to be made by my Secretary of State as part of his general statement on remedial measures.

I am copying this to the Private Secretaries to other members of E(EA), Tim Lankester at No 10, John Stevens in the Chancellor of the Duchy's office, Murdo Maclean in the Chief Whip's office, Michael Richardson in the Lord Privy Seal's office and Martin Vile in Sir Robert Armstrong's office.

*John Stevens*  
*Murdo Maclean*

G C G CRAIG  
Private Secretary

Peter Stredder Esq  
Private Secretary to the  
Rt Hon Sir Keith Joseph Bt MP  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1E 6RB



7 NOV 1979

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*From The Secretary of State for Wales*

The Rt Hon Nicholas Edwards MP

CONFIDENTIAL

5 November 1979

*De Keith*

CLOSURE OF STEELMAKING AT SHOTTON

I understand that it is likely that you will be announcing the BSC's intentions for closing the heavy end at Shotton, and the intention to award SDA status to the Shotton area, in the House on Monday, 12 November. In that case, it would be appropriate for me to make a statement immediately afterwards about other measures to assist the Shotton area in dealing with the effects of the closure.

... I enclose a draft of what I would propose to say. I should be grateful for your agreement and for that of our colleagues.

/ I am sending copies of this letter to other members of E(EA) and to Norman St John Stevas and Michael Jopling, as well as to the Prime Minister and Sir Robert Armstrong.

*J. es*  
*Nick*

The Rt Hon Sir Keith Joseph Bt MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1E 6RB



## DRAFT STATEMENT ON SHOTTON

The British Steel Corporation announced its decision [today] to end iron and steelmaking at Shotton. All concerned will want to do everything possible to provide alternative employment opportunities throughout the area affected by the closure.

The Government has decided that, subject to the necessary approval by the European Commission, the Shotton Travel-to-Work area will be upgraded to Special Development Area status as soon as possible. My Right Honourable Friend the Secretary of State for Industry will be making the necessary arrangements. This will be of substantial benefit to the area, and firms in the area or to be located there will now be eligible for the highest rates of regional incentive, as are firms in the Wrexham Travel-to-Work area where about 9% of the Shotton workforce reside and which was upgraded to Special Development Area status last July.

As a Special Development Area Shotton would continue to be eligible for assistance from the European Regional Development Fund towards infrastructure and industrial projects and also, as a steel closure area, from the Non-Quota section of the Fund and from the European Coal and Steel Community.

The Manpower Services Commission have made contingency arrangements drawing on experience gained at earlier major steel closures in Wales. These will be put into immediate effect and include the provision of a special Jobcentre in the Works with augmented advisory and counselling services. For workers seeking retraining, over 4,500 training places in a wide variety of TOPS courses are available at Skillcentres, colleges and on employers' premises in Clwyd, Cheshire and Merseyside.



The area has already benefitted from substantial investment for the provision of infrastructure and industrial estates by the Welsh Development Agency, Local Authorities and BSC (Industry) Ltd. In particular, the Welsh Development Agency and BSC (Industry) Ltd have spent or committed over £6m on the development of 300 acres at the Deeside Industrial Park. A start on factory building has already been made; 17 factories are under construction or completed, (15 of these have been formally allocated), while work is going ahead on further site preparation. On present information nearly 1,000 jobs are expected to arise over the next 3/4 years in the Shotton Travel-to-Work area from projects under way or planned and over 2,000 in the Wrexham Travel-to-Work area. Reference to "oil from coal" pilot plant project at Point of Ayr colliery, in the light of the expected announcement by the Secretary of State for Energy on Tuesday 6 October.

Communications in the Shotton and Deeside area will be substantially improved by schemes in the Department of Transport and Welsh Office trunk road programmes. In particular, work is underway on the extension of the M56 motorway westwards which will bring the motorway very close to the Deeside Industrial Park. Opportunities will be taken for upgrading communications between the Shotton area and Wrexham and the Midlands.

Every effort will be made to attract and establish new industrial developments in the Area. I am making resources available to the Welsh Development Agency to enable it to complete the site infrastructure and services on land in its ownership at the Deeside Industrial Park needed for an early start on the building of further advance factories. But there will also be resources for the Agency to continue, over the period up to 1983/84, a programme of industrial





sites and advance factories in the area affected by the closure. The pattern of expenditure has yet to be determined in discussion with the Agency. I shall, however, be asking them to plan the provision of sites and factory space within a total expenditure figure of £15 million within the period. I shall be seeking maximum involvement of the private sector in developing the sites.

A substantial and sustained effort will be required to attract new business into the area and encourage existing businesses to expand. But the strategic locational advantages of Deeside, the enhanced regional incentives available from Special Development Area status, the provision of serviced industrial sites and factories and the availability of a willing, adaptable and responsible labour force provide the basis for the successful regeneration of the wider Deeside area.

A handwritten signature in black ink, appearing to be 'M. J. ...' or similar, located in the lower right quadrant of the page.

NOV 6 1979





Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Ian Ellison Esq  
Private Secretary to  
the Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON SW1

5 November 1979

*Dear Ian,*

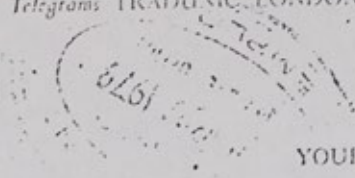
HUNTERSTON

As background to the Ministerial meeting arranged for this afternoon, I enclose the letter from Len Murray received by my Secretary of State, together with correspondence mentioned in that letter.

I am copying this to the private secretaries of other members of E(EA), Tim Lankester, (No 10) Martin Vile, (CO), Peter Mountfield (CO) and Genie Flanagan (Transport).

*Yours sincerely*

ANDREW HARDMAN  
Private Secretary



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1

The Rt. Hon. James Prior, M.P.,  
Secretary of State for Employment,  
Department of Employment,  
Congress House,  
111 Mill Street,  
London, SW1H 9NA.

YOUR REFERENCE  
OUR REFERENCE  
LM/KG/SA  
DEPARTMENT  
Secretary's

November 3 1972. *with Ashford*  
*Wet*

Dear Mr. Prior,

Hunterston

*Memo*  
*11/11/72*

At a meeting today between representatives of the TUC General Council, the Iron and Steel Trades Confederation and the Transport and General Workers' Union, agreement was reached on manning arrangements for handling traffic at Hunterston. These arrangements are acceptable to the British Steel Corporation and the Clyde Port Authority. I enclose a copy of the agreement.

*all*  
*5/11*

When you wrote to me on September 19 you referred to a letter from Mr. Patrick Mayhew, Parliamentary Under Secretary of State, to the TGWU in which he said that in the absence of agreement between the unions on manning at Hunterston it would not be practicable for the Government to consider setting in motion the statutory procedures for designating Hunterston a scheme port under the Dock Workers (Regulations of Employment) Act, 1946.

The TGWU and the ISTC, with the support of the TUC, are now requesting you to confirm that it is your intention to initiate the appropriate procedures for Hunterston to be designated a scheme port. The CPA and the BSC have also signified their full support.

As soon as the TUC has this confirmation from you the agreed arrangements for handling traffic will operate.

I am therefore requesting that you should meet representatives of the TGWU, the ISTC and the TUC as a matter of urgency.

Yours sincerely,

*Lionel Murray*

General Secretary.

HUNTERSTON

1. A meeting was held in Congress House on Saturday, November 3, between national and local representatives of the TGWU and the ISTC and members of the TUC General Council's Finance and General Purposes Committee.

2. The following manning arrangements concerning the handling of traffic into and out of Hunterston were agreed by representatives of the TGWU and ISTC:

<u>Operation</u>	<u>BSC Ore</u>	<u>BSC Coal</u>	<u>Third Party Ore</u>	<u>Third Party Coal</u>
Ship	TGWU	TGWU	TGWU	TGWU
Cranes	ISTC	ISTC	TGWU	TGWU
Outloader	TGWU	TGWU	TGWU	TGWU
Stockyard	ISTC	ISTC	TGWU	TGWU

3. Traffic into or out of Hunterston will be handled in accordance with these agreed arrangements from the date that the Secretary of State for Employment confirms that it is his intention to set in motion the appropriate procedures for designating Hunterston as a scheme port under The Dock Workers (Regulation of Employment) Act 1946.

4. An immediate request that he should set in motion these procedures, supported by the TGWU and the ISTC, is being made to the Secretary of State for Employment by the TUC General Secretary on behalf of the TUC General Council. The CPA and the BSC have also signified their full support for this request. The TUC General Secretary has requested on behalf of the TGWU, the ISTC and TUC an urgent meeting with the Secretary of State.



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6400

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Rt Hon Lionel Murray OBE  
 General Secretary  
 Trades Union Congress  
 Congress House  
 Great Russell Street  
 LONDON WC1B 3LS

19 September 1979

*Dear Sir*

You will recall that shortly before the TU Congress we spoke about the situation at the Hunterston ore terminal, and you indicated that you hoped to have talks at Blackpool with Bill Sirs and Alex Kitson. The position at that time was that a compromise manning arrangement agreed earlier in August between the TGWU and the ISTC at national level had been rejected by the Scottish dockers. During the week of Congress, Patrick Mayhew received a deputation from the TGWU Docks Group, led by Tom Cronin, to discuss their suggestion that the Hunterston terminal should become a Scheme Port under the Dockworkers (Regulation of Employment) Act 1946. I enclose a copy of the letter which Patrick Mayhew subsequently sent to the TGWU.

The essential fact is that the TGWU proposal, which did not surface until the dispute had been running for some months, offers no simple solution to the immediate problem - which is the claim by Scottish dockers to jobs at the new terminal which members of the ISTC consider to be properly theirs by virtue of existing agreements and precedent. The statutory procedure under the 1946 Act cannot resolve this issue; and even to embark upon it raises formidable difficulties, not the least of which is the risk of resurrecting the inter-union difficulties which characterised the discussions on the 1976 Dock Work Regulation Act. It is relevant in this connection that the criteria laid down in the 1976 Act for classifying work as dock work would, if applied here, almost certainly exclude classification of any ore handling at the Hunterston terminal (1976 Act, Schedule 4 para 10). Nevertheless the British Steel Corporation and the Clyde Port Authority have, as I understand it, willingly agreed that normal stevedoring work at Hunterston should be performed by registered dock workers.



I understand that further exchanges between the TGWU and the ISTC have been taking place in Scotland. I am writing to you now, on a personal basis, because I am anxious that the opportunity should not be lost to secure an effective agreement to bring the terminal into early operation.

It is scarcely necessary for me to rehearse the plight of the BSC in this situation. They have already lost £5 million through their inability to use Hunterston, and these losses are likely to mount at the rate of £ $\frac{1}{2}$  million a week. The contribution that Ravenscraig can make to the viability of BSC and to jobs at Shotton and elsewhere is being seriously jeopardised. I very much hope, therefore, that you will continue to use your good offices and personal authority to assist the TGWU and ISTC towards a working accommodation that will get the terminal into operation urgently. I fear that otherwise we are facing a very serious situation with potentially far reaching consequences.

I should welcome the opportunity to have a word with you about this.

*Yours  
T  
L*



Parliamentary Under Secretary  
of State

Department of Employment  
Caxton House Tothill Street London SW1H 9NA  
Telephone Direct Line 01-213 6670  
Switchboard 01-213 3000

Tom Cronin Esq OBE  
National Secretary  
Docks & Waterways Group  
Transport & General Workers Union  
Transport House  
Smith Square  
LONDON SW1P 3JB

11 September 1979

HUNTERSTON

I met you and your colleagues from the Scottish Docks Group last Thursday, following your letter of 31 August, to discuss your request that Hunterston should be scheduled as a Scheme port under the Dock Workers (Regulation of Employment) Act 1946.

You suggested that existing local definitions of dock work might be applied at Hunterston and I undertook to consider how these definitions might bear on your request that Hunterston should become a Scheme port. I have now had an opportunity to look at the descriptions of dock work at existing Scheme ports in the Clyde and Ayrshire local board areas, set out in reports by the National Dock Labour Board to the Secretary of State last year. Having done so, I cannot see that they are likely to help substantially towards resolving the present disagreement between the TGWU and Iron and Steel Trades Confederation. These definitions of dock work relate respectively to work carried out at specified premises in existing Scheme ports, and you have yourself indicated that you would not regard the present arrangements for operating mechanical appliances at General Terminus Quay, Glasgow, for example, as acceptable at Hunterston. There is no standard definition of dock work in the Clyde and Ayrshire local board areas available for application to Hunterston if it became a Scheme Port, and it seems clear that in practice the only way to decide what jobs should be undertaken by registered dock workers at Hunterston is by local discussion and agreement.

No agreement as yet exists between the TGWU, ISTC and other interested parties as to what work is to be undertaken by registered dock workers



at Hunterston. As I made clear at our meeting, in the absence of such agreement it would not be practicable for the Government to consider setting in motion the statutory procedures which would have to be undertaken before Hunterston could be made a Scheme port. I must reiterate that the Government could consider a request to take such action only if agreement had first been reached on outstanding issues. As I said at our meeting, such consideration would be entirely without commitment and we should need to consider carefully all the possible implications.

This dispute has already delayed by some months the commissioning of new plant which is of major importance to the economy of the area. The Government is most concerned that these facilities should be brought into operation as soon as possible, and I trust that those concerned will continue to look urgently for a solution to the present damaging disagreement.

I am copying this letter to Mr Davidson (Clyde Port Authority) who has also written to me on this issue.

PATRICK MAYHEW

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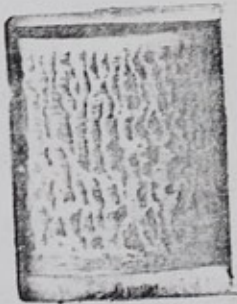
Dear Sir Charles,

Thank you for your letter of 30 October. I was very glad to see your figures which show that in recent years BSC have in fact more-or-less maintained their share of the UK steel market. My own remark at the meeting with the Welsh TUC which was reported in the press was made in response to one of their people, who asserted that BSC had increasingly lost out to imports and wanted us to impose temporary import controls. I am glad that you have put the record straight, though I am sure you will agree that BSC now have to recover the market share they lost in the early 1970s.

Yours sincerely,  
Margaret Thatcher

LPO

Sir Charles Villiers, M.C.





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10 DOWNING STREET

PRIME MINISTER

mb

Corby

The attached minute to you was written before the announcement about Corby. In the House this afternoon Bill Homewood (Kettering) sought an S09 debate about Corby, but was refused by the Speaker, on the grounds that the supply day debate next Wednesday would enable the subject to be discussed.

We await further developments.

mb

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1 November 1979

CONFIDENTIAL

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PRIME MINISTER

Corby

The British Steel Corporation are to meet the TUC Steel Committee on Thursday. The unions will be told of the BSC's decision to close iron and steel making at Corby. It is anticipated that the unions will not be prepared to agree the terms of the package which will be offered on redundancy payments, but we do not know what time the meeting will end. BSC will issue a statement announcing their intention to close Corby after the meeting has ended.

The attached letter from Sir Keith Joseph to Mr. Heseltine covers a draft statement on remedial measures at Corby. Sir Keith is inclined to make the announcement by Written Answer, and is seeking the views of his colleagues.

My own view is that we should wait and see how the announcement is received. Our best guess at the moment is that it will come out too late on Thursday for there to be a statement in the House on that day - when we have in any case the statement on the Public Expenditure White Paper. But the pressures on the Government may make it desirable to have an Oral Statement on Friday morning rather than Monday or Tuesday next week, both of which are bad days because the Business is to be the Education Bill on the one day and the Industry Bill on the other.

I suggest that we leave the question of when the statement should be made and what form it should take until we know precisely what decision is reached on Thursday. But we shall need to keep closely in touch with events on Corby - and on Shotton, where the decision is due to be announced at the end of next week.

30 October, 1979.

CONFIDENTIAL

MJS



CONFIDENTIAL

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

Secretary of State for Industry

30 October 1979

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
London SW1

*John Michael,*

PS/All Ministers  
Miss Mueller  
Mr Lightman RPDG  
Mr Binning RSI  
Mr Gross IS  
Mr Pulvermacher RPDG  
Mrs Cohen IS  
Mr Hilton RSI  
Mr Walmsley RSI  
Dir NWRO  
Dir EMRO  
Mr Evans Inf  
Mr Costin PB  
Mr Steel RPDG (on file)

CORBY REMEDIAL MEASURES

...  
E(EA) agreed on 23 October to make Corby a Development Area should the British Steel Corporation decide to close iron and steelmaking there. I now attach a draft of a statement on remedial measures for Corby which has been agreed with your officials. I should be grateful for any views from you or our colleagues by Friday 2 November please.

I would make the statement after BSC had announced its decision on the future of the works, which may well take place on 1 November (although the BSC's timetable could slip because of developments in the negotiations with the unions or because of the present dispute at Hunterston). Should BSC's statement be made on 1 November I envisage making the statement on or about Monday 5 November, most probably in answer to an arranged PQ (unless the Chief Whip advises in favour of statement after Questions). Bill Homewood may however put down a Private Notice Question. In that event it would be helpful if a Minister from your Department could also be present in the House at the time of the announcement, because of your Department's responsibility for Corby as a New Town.

You will notice that the draft statement refers to the designation of Corby as a Development Area being subject to clearance with the EEC Commission. I see no point in trying to conceal this by referring vaguely to 'matters of procedure' as being responsible for the absence of immediate action eg the laying of an Order on the same day as the statement.

I understand that officials are drawing up a draft of the corresponding statement on remedial measures for Shotton in the event of the closure of steelmaking there.

BSC may suggest that I give them some help in bringing their

/negotiations....



CONFIDENTIAL

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negotiations over Corby to a successful conclusion by my volunteering a statement about Development Area status before the announcement of the closure decision. If they approach me with such a suggestion I will consult you all again (although this might have to be done quickly). Given Tom Trenchard's statement about Shotton's designation as a Special Development Area on 12 July I see no harm in volunteering that:

"The Government is urgently considering further measures to be taken to help create alternative employment in Corby should iron and steelmaking end. In particular we would be looking most carefully at the case for making Corby an Assisted Area".

I have said as much already to the deputation which we saw in August.

I am sending a copy of this letter to the other members of E(EA) as well as to Norman St John Stevas, to Ian Gilmour because of the EEC implications of the upgrading of Corby, and to Michael Jopling.


*Kevin*

*Kevin*



180 OCT 1978





CONFIDENTIAL

DRAFT STATEMENT ON REMEDIAL MEASURES FOR CORBY

[The British Steel Corporation announced [ ] its decision to close iron and steelmaking at Corby]. In order to attract new employment for those affected by the steel closure, I intend, subject to the necessary approval of the European Commission, to make the Corby Employment Office Area a Development Area. Firms there would then be eligible for the full range of regional incentives including regional development grants on buildings, works, plant and machinery and regional selective financial assistance under Section 7 of the Industry Act 1972. As a Development Area Corby would be eligible for assistance from the European Regional Development Fund towards infrastructure and industrial projects and, as a steel closure area, from proposed measures under the Non-Quota Section of the Fund and from the European Coal and Steel Community.

2 The Corby Development Corporation has a substantial advance factory programme in hand and is also making efforts to attract private development. The Secretary of State for the Environment is making funds available for infrastructure and consolidation for an additional 70 acre site in the town. The Corporation is investigating the suitability of another 200-250 acres of land at Weldon, in the Corby Employment Office Area.

3 When the Development Corporation is wound up next year, the Commission for the New Towns will inherit its industrial assets



CONFIDENTIAL

and will be given the resources necessary to continue site development work. The Commission will be asked to devote priority to Corby within its responsibilities for other new towns. The Commission is already participating in arrangements with the Corporation and the local authorities to coordinate industrial development and promotion in Corby.

4 The Government has also announced recently that it is going ahead with the A1/M1 link along the route which can be completed most quickly. This means that firms in Corby will then have ready access to a high quality trunk road connecting them to the industrial Midlands and the expanding East coast ports.

5 All these measures, taken together with Corby's favourable location in the East Midlands, should mean that the town will prove more attractive to private investors, and this thus improve the employment prospects of those affected by the closure.

Extract of a meeting between the Prime Minister and the

Wales TUC at 10 Downing Street at 1100 hours on Monday

29 October 1979

Shotton

Secondly, Mr. Wright raised the question of the closure of the Shotton steelworks. If BSC went ahead with the closure, this would create severe unemployment in the area. It was difficult to see how BSC could justify the closure, against the pledge which they had given in 1977. Whereas the previous administration had endorsed the 1977 pledge, the present Government did not appear to do so. Irrespective of the pledge, the continuation of steel making at Shotton could be justified on economic grounds. To close the works would involve more spending on redundancy payments and unemployment benefit than the funding required to keep the works going. The Shotton workforce had been very co-operative in agreeing cut-backs in employment in recent years, and they had achieved excellent productivity in the new coating complex. The policy of the unions had been to co-operate in the closure as long as there were alternative jobs in the offing; but despite repeated efforts, the number of new jobs brought into the Shotton area was negligible. The Secretary of State for Industry had said that Shotton was an issue for BSC and not for the Government. The unions could not accept this: in the last resort, if BSC did not take into account their representations, they had a right to expect intervention by the Government. The Government ought in any case to adopt a more flexible approach on the funding of BSC: if we were to stick to the 1980 deadline for breaking even, BSC could well collapse. The Government ought to recognise that PSC was faced with temporary difficulties, and provide the necessary funds to see them through the immediate period ahead. Another measure which would help Shotton would be to introduce temporary controls on sheet steel imports. The Wales TUC fully endorsed the Prime Minister's general approach on the EEC: to insist on import controls would be consistent with this approach.

The Prime Minister said that she was very unhappy that steel imports had reached such a high level. But it would be quite wrong

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/to

to stop the engineering industry from buying imported steel when UK steel was higher priced and often not available. The solution to the import problem was not to impose controls but to improve the competitiveness of UK steel. The problem was not one of lack of investment. Rather, it was how to use existing investment more effectively. The present dispute at Hunterston, which was threatening the future of Ravenscraig, was a tragedy.

The Minister of State (Industry) said that the Shotton workforce had indeed shown a good attitude, and the steelworks was at present producing above target. However, the 1977 pledge had been given in the expectation of a growing market. It was easy to be critical of BSC with hindsight, but the reality was that the market for steel had not grown. The present Government had adopted the same break-even target as the previous Government: the only difference between the two was that the new administration intended to ensure that this target was achieved. Hence, BSC were making preparations for the closure of their less viable plants, and inevitably Shotton must be high on the list. They were currently producing at a loss of £24 per ton of steel, and they were the only steel works in the country still using open hearth furnaces. BSC had told the Government that they could meet the break-even target in 1980; it was now for them to take whatever action was needed.

The Prime Minister added that there was of course a human problem in any closure situation. But she could not accept the argument that it was worth subsidising jobs which were basically uneconomic. The more that the Government spent on supporting steel, the less there would be for the industries of the future. The Government would not intervene to stop BSC from going ahead with the closure; but everything possible would be done to help provide jobs for those made redundant. The Chancellor pointed out that Shotton might well have done better if it had continued as an independent company instead of being nationalised as part of BSC. But there was no point in trying to re-write history. BSC's investment in new plant and equipment had been massive, and the closure of the less economic plants was crucial if the industry was to become competitive. Indeed, the continued viability of the finishing end at Shotton would depend upon improved working at Ravenscraig and in the South Wales plants. The Government could not help here;

it was primarily for the trade unions. The Secretary of State for Wales added that he was delighted at the recent improvement in productivity at Llanwern; the workforce at Port Talbot were also showing greater co-operation.

Mr. Wright then said that some of the steel imports appeared to be subsidised; he hoped the Government would consider this, and take action to stop the subsidies. The Chancellor commented that it would be difficult to complain about other countries' subsidies when we were subsidising BSC so heavily. We were already facing criticism in the USA for what appeared to them to be subsidies on exports.

The Secretary of State for Wales said that the Government were considering remedial measures for the Shotton area, and would make an announcement after BSC had completed their consultations and taken a final decision on the closure question. He appealed to the trade unions to work for the success of the Welsh steel industry as a whole.

GRs

25 October 1979

I am writing on behalf of the Prime Minister to thank you for your letter of 23 October about the Sbotton Works. This is receiving attention and a reply will be sent to you as soon as possible.

TPL

M.G. Hughes, Esq.

GRs - Shotton Steelworkers  
Action Committee

vb

25 October 1979

I attach a letter the Prime Minister has received from the Chairman of the Shotton Steelworkers' Action Committee about the rationalisation of operations at Shotton Works.

I should be grateful if your Minister could reply on the Prime Minister's behalf, letting us have a copy of your reply for our records here. I have sent a simple acknowledgement to Mr. Hughes.

TPL

T. Jaffray, Esq.,  
Department of Industry.

SJL

PRIME MINISTER

cc Mr Lankester  
Mr Ingham

Ravenscraig Steel Works

You should know that the British Steel Board are to meet tomorrow morning to consider what to do about the Hunterston dispute. I am told that they are likely to decide to issue a statement tomorrow afternoon, just before Questions, that if the Hunterston dispute is not settled by late November the Corporation will close the iron and steel making at Ravenscraig - which is the largest steelworks in Scotland - for a period. This is in fact likely to be three weeks. The idea would be to build stocks of iron ore so that production at Ravenscraig could reach an economic level. The works is losing £1 million a week at the moment and is producing only 33,000 tonnes per week. It needs to reach a figure of 40,000 tonnes per week to break even.

We will of course keep in touch during the morning and let you have some last minute briefing for Questions.

24 October 1979

Nat. Industries 2  
PAMJ

AM

MS



PA

MS

IMMEDIATE



**SCOTTISH INFORMATION OFFICE**  
Dover House Whitehall London SW1A 2AU  
Telephone 01-930 6151 ext

*The Office is a branch of the Departments of the Secretary of State for Scotland  
and agent in Scotland for the Central Office of Information*

Mr B Ingham  
Press Secretary  
10 Downing Street  
LONDON SW1

Your reference

Our reference

Date

24 October 1979

Dear Bernard,

BSC's Chairman, Sir Charles Villiers, met our Secretary of State yesterday afternoon and told him that his Board is likely to announce today the necessity for temporary suspension of steelmaking at Ravenscraig - and the resultant laying-off of the workforce - if the Hunterston dispute is not settled by the end of November.

We propose issuing the attached press notice on behalf of the Secretary of State. BSC go ahead with their announcement. We are keeping in constant touch with BSC and will let you know as things develop.

Yours etc,

Sandy

A H SUTHERLAND

"Sir Charles Villiers, the Chairman of BSC, met me yesterday at his request, to explain that the continued disruption at Hunterston was now having such a serious effect on steel production at Ravenscraig that the Board of the Corporation felt that their only course was a period of temporary suspension.

I emphasised the problems and anxieties that such action, albeit of a temporary nature, would create and asked Sir Charles to undertake a further examination to ascertain if there was anything that could be done to avoid such action having to be taken.

He assured me that he and his colleagues had already done everything possible, but that regretfully there was no other way.

This is of course a matter for the judgment of the BSC management, but their decision demonstrates the serious damage which this lengthy dispute is causing to the economy. The new ~~one~~ terminal at Hunterston is the finest in Europe and it is indeed tragic that it has lain idle for 6 months. It should be a source of strength to the Scottish economy, not a weakness. I sincerely hope that the parties concerned can now speedily resolve their outstanding differences so that both the Hunterston terminal and the Ravenscraig plant can be brought into full production as quickly as possible."

# Shotton Steelworkers' Action Committee

*Nationalised Industry*  
*Original in Garden Rooms*

Please reply to:

M.G. HUGHES,

Development Engineers,  
Drawing Office,  
British Steel Corporation,  
Shotton Works,  
Deeside, Clwyd.

23rd October, 1979.

The Rt. Hon. Mrs. Margaret Thatcher, M.P., P.C.,  
Prime Minister,  
10 Downing Street,  
LONDON.

Dear Prime Minister,

You will no doubt recall that I wrote to you on 21st August last concerning the British Steel Corporation's proposals for the rationalisation of operations at Shotton Works, and this was acknowledged by your Private Secretary on 24th August. Since that time, there has been a particularly interesting development, of which you should be made aware.

Approaches have been made to me personally, and to others here, concerning the possibility of Shotton Works either being removed from the structure of the British Steel Corporation and established as a B.P.-type of holding, with joint Government-private enterprise financial support, or of being hived-off to a private company.

The former idea has been mooted publicly by an ex-Shotton and B.S.C. Strip Mill Division director, Mr. Stephen Gray, of Soughton, near Mold, but the latter has merely been the subject of discreet enquiries concerning, as far as I am aware, likely trades union attitude to such a proposition. I have reason to believe that further enquiries have been made about the financial implications of private purchase of the plant.

Furthermore, approaches have been made to me by a person, purporting to be associated with the Conservative Party Central Political Studies department. Perhaps all these enquiries point to a 'common interest' in what may well be passing through the minds of members of H.M. Government.

Acting for a committee which has a mandate from the workforce to retain steelmaking at Shotton, I have sounded out the opinion of a number of trades union lay and full-time officials at national and local level and feel that you should know that their reaction to Shotton Works being retained as a fully-integrated plant outside B.S.C. is a favourable one.

Strong feeling has been expressed in several quarters, including within the Conservative Party, that there could be a place for Shotton Works as a 'second source' supplier of wide strip mill products, to win back the share of the home market lost by B.S.C. in recent years.

The Rt. Hon. Mrs. Margaret Thatcher, M.P., P.C.,  
Prime Minister,  
LONDON.

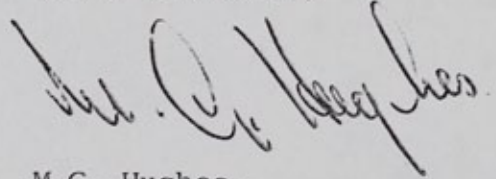
23rd October, 1979.

If there is a possibility of Shotton 'changing hands', it is, in my view, imperative that constraints are placed on the British Steel Corporation to prevent demolition of plant vital to any future configuration in any agreed post-closure situation.

I am keeping Mr. Peter Morrison, the M.P. for Chester, fully in touch with the situation as it affects Shotton and tentative arrangements have been made with representatives of one of the non-B.S.C. parties interested in the future of Shotton Works for a meeting in London on 8th November - the day prior to the vital meeting between B.S.C. and the T.U.C.'s national steel committee.

I intend to keep the contents of this letter confidential but you may feel that an informal meeting may benefit all parties interested in the future well-being of Shotton and its work people, the British Steel industry and the nation.

Yours sincerely,



M.G. Hughes,  
Chairman.

c.c. Mr. Peter Morrison.

WORKS PERFORMANCE

WEEK-ENDED: 20th October, 1979.

*NOT A BAD PERFORMANCE BY A WORK FORCE UNDER THREAT!*

UNIT	TARGET TONNES LAST WEEK	ACTUAL TONNES LAST WEEK	COMMENTS ON LAST WEEKS PERFORMANCE.																								
BELL COKE	3,700	3,689																									
IRON	17,000	17,528																									
STEEL	24,000	26,612	An encouraging week.																								
SLABS	21,000	21,664																									
HOT MILL	18,500	18,805	<p><u>YIELD FOR WEEK 98.13% AGAINST STANDARD OF 95.61%</u></p> <table border="1"> <thead> <tr> <th>Turn.</th> <th>Slabs Returned.</th> <th>No. of Plates.</th> <th>No. of Cobbles.</th> <th>Coils for Retreat.</th> <th>Tonnes to Stock.</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>6</td> <td>3</td> <td>4</td> <td>4</td> <td>269</td> </tr> <tr> <td>B</td> <td>3</td> <td>3</td> <td>2</td> <td>2</td> <td>216</td> </tr> <tr> <td>C</td> <td>7</td> <td>7</td> <td>4</td> <td>-</td> <td>107</td> </tr> </tbody> </table>	Turn.	Slabs Returned.	No. of Plates.	No. of Cobbles.	Coils for Retreat.	Tonnes to Stock.	A	6	3	4	4	269	B	3	3	2	2	216	C	7	7	4	-	107
Turn.	Slabs Returned.	No. of Plates.	No. of Cobbles.	Coils for Retreat.	Tonnes to Stock.																						
A	6	3	4	4	269																						
B	3	3	2	2	216																						
C	7	7	4	-	107																						
PICK'G	16,500	17,565																									
COLD REDUCTION	16,500	16,606																									
COATING LINES	12,100	11,427	4 shifts planned maintenance on No.5 Galv.																								
DELIVERIES	17,500	17,335	Customers are still restricting delivery.																								



Nad  
140

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-212 6401  
SWITCHBOARD 01-212 7676

From the  
Minister of State

The Hon Adam Butler MP

M G Hughes Esq  
Development Engineering Drawing  
Office  
British Steel Corporation  
Shotton Works  
Deeside  
Clwyd  
CH5 2MH

26 September 1979

Dear Mr. Hughes,

Thank you for your letter of 14 September.

There is not very much that I can usefully add to what I said when writing to you on 11 September. I understand that consultations between the British Steel Corporation and the Shotton workforce are being handled through the TUC Steel Committee and that a meeting has now been arranged between the Corporation and the Committee for 2 October - the same day as the Secretary of State for Industry is receiving a delegation arranged by the Clwyd County Council. It seems to me that issues such as delivery performance, costings and the financial results at Ravenscraig would best be dealt with in the meeting with the Corporation.

I continue to believe that there is a clear distinction between those issues which are for management to decide and others which are properly the concern of Government, and hope that there will be a useful discussion of the latter when the delegation comes to see Sir Keith Joseph.

Yours sincerely  
Adam Butler

ADAM BUTLER



file JFH  
cc for Gow

Original w/G/K

10 DOWNING STREET

THE PRIME MINISTER

21 September 1979

Dear Mr Jones,

Thank you for your letter of 19 September about the petition being organised in your constituency against the closure of Shotton Steel Works. Your letter crossed in the post with mine to you of 20 September in which I said I felt that a further meeting would not be helpful.

If the organisers of the petition would like to get in touch with my office then arrangements will be made to receive the petition here; but, for the reasons set out in my letter to you of 20 September, I am afraid I cannot agree to receive the petition in person.

Yours sincerely  
Margaret Thatcher

Barry Jones, Esq., MP.

MB

CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

The Hon Adam Butler MP  
 Minister of State  
 Department of Industry  
 Ashdown House  
 123 Victoria Street  
 LONDON SW1 E6RB

Prime Minute

Not Ind 2  
 This is a cross  
 but BSC cannot  
 afford to bear. But  
 no immediate prospect  
 of a settlement.

14 September 1979

Dear Adam

M.T.

You wrote to me on 14 September about BSC's inability to bring their Hunterston terminal into operation.

I fully understand and share your concern about the effects that this inter-union dispute is having on BSC's operations, and its possible wider implications. I have had discussions about the dispute with Charles Villiers and Len Murray, and I and my officials have been seeking to keep up the pressure at every opportunity. The TUC have made considerable efforts behind the scenes, so far without success.

I am wary, however, about your suggestions for a further Government initiative. The dispute is not of the Government's making, but meetings between the parties and Ministers are all too likely to be seen as an assumption by Government of some responsibility for finding a solution. To that extent the pressures on the TGWU and TUC would be relieved. Patrick Mayhew has already received a deputation from the TGWU about their recent suggestion that Hunterston should be brought within the Dock Labour Scheme. The TGWU are currently digesting his reply, a copy of which I enclose.

You mention the possibility of BSC trying to "run the blockade" at Hunterston. BSC officials canvassed this option with my officials some time ago; it is, of course, entirely a matter for BSC management's own judgement of the prospects and risks. I am quite sure, however, that any approach to the TGWU and TUC for their co-operation in such a venture could not be expected to elicit any effective response.

The latest position is that further exchanges are currently in train between the TGWU and ISTC in Scotland. These give no grounds for optimism, but I think we need to await the outcome. Meanwhile I am keeping up the pressure on Len Murray to encourage him to use his good





offices and personal authority to assist the TGWU and ISTC towards a workable accommodation.

I am copying this letter to the Prime Minister, the Chancellor of Exchequer, the Secretary of State for Scotland and Adam Ridley.

*Yours  
Truly*

20 SEP 1979

990121234  
82655

MC



Parliamentary Under Secretary  
of State

Department of Employment  
Caxton House Tothill Street London SW1H 9NA  
Telephone Direct Line 01-213 6670  
Switchboard 01-213 3000

Tom Cronin Esq OBE  
National Secretary  
Docks & Waterways Group  
Transport & General Workers Union  
Transport House  
Smith Square  
LONDON SW1P 3JB

11 September 1979

HUNTERSTON

I met you and your colleagues from the Scottish Docks Group last Thursday, following your letter of 31 August, to discuss your request that Hunterston should be scheduled as a Scheme port under the Dock Workers (Regulation of Employment) Act 1946.

You suggested that existing local definitions of dock work might be applied at Hunterston and I undertook to consider how these definitions might bear on your request that Hunterston should become a Scheme port. I have now had an opportunity to look at the descriptions of dock work at existing Scheme ports in the Clyde and Ayrshire local board areas, set out in reports by the National Dock Labour Board to the Secretary of State last year. Having done so, I cannot see that they are likely to help substantially towards resolving the present disagreement between the TGWU and Iron and Steel Trades Confederation. These definitions of dock work relate respectively to work carried out at specified premises in existing Scheme ports, and you have yourself indicated that you would not regard the present arrangements for operating mechanical appliances at General Terminus Quay, Glasgow, for example, as acceptable at Hunterston. There is no standard definition of dock work in the Clyde and Ayrshire local board areas available for application to Hunterston if it became a Scheme Port, and it seems clear that in practice the only way to decide what jobs should be undertaken by registered dock workers at Hunterston is by local discussion and agreement.

No agreement as yet exists between the TGWU, ISTC and other interested parties as to what work is to be undertaken by registered dock workers

at Hunterston. As I made clear at our meeting, in the absence of such agreement it would not be practicable for the Government to consider setting in motion the statutory procedures which would have to be undertaken before Hunterston could be made a Scheme port. I must reiterate that the Government could consider a request to take such action only if agreement had first been reached on outstanding issues. As I said at our meeting, such consideration would be entirely without commitment and we should need to consider carefully all the possible implications.

This dispute has already delayed by some months the commissioning of new plant which is of major importance to the economy of the area. The Government is most concerned that these facilities should be brought into operation as soon as possible, and I trust that those concerned will continue to look urgently for a solution to the present damaging disagreement.

I am copying this letter to Mr Davidson (Clyde Port Authority) who has also written to me on this issue.

PATRICK MAYHEW

20 SEP 1979

11 12 1 2 3 4  
5 6 7 8 9 10



DEPARTMENT OF INDUSTRY  
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LONDON SW1E 6RB

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SWITCHBOARD 01-212 7676

From the  
Minister of State

The Hon Adam Butler MP

The Rt Hon James Prior MP  
Secretary of State for Employment  
Caxton House  
Tothill Street  
London SW1H 9NA

14 September 1979

*Prime Minister*

Dear Secretary of State,

*out*

*R 18/9*

With Keith Joseph's agreement, I am writing immediately on my return from Scotland during which I visited the Ravenscraig steelworks. This visit served to reinforce our deep concern about the failure to get the Hunterston ore terminal into use.

I was told that BSC's Scottish Division had already suffered losses of £4½ million up to the end of August, through inability to use the ore terminal. They estimated that the additional direct penalty from 1 September to 31 March of the terminal remaining closed would amount to about £16 million - £10 million through lower steel production, £4 million through higher costs and about £2 million through lower quality. This cost works out at an average of about £½ million per week.

BSC's attempts to breakeven by the end of the financial year would be affected in another way. Their plans look to the phased closure of Shotton from Christmas onwards, to yield an annual saving of £40 million; Shotton's finishing end is to be supplied with steel largely from Ravenscraig's increased output.

What is at stake here is not only the return from the £100 million invested in the Hunterston ore terminal but also the return from the £250 million invested in the expansion and modernisation of Ravenscraig, which is now virtually completed. This is designed to increase steel output there from 1.3 million tonnes pa to 2 million tonnes pa immediately and to 3 million tonnes in due course, all based on ore from Hunterston. The existing dock facilities at Terminus Quay at Glasgow and Rothesday Dock nearby are old, totally inadequate and in danger of collapsing even under the present load.

/ ... Because BSC



Because BSC are not direct partners to the Hunterston dispute, there is little they can do directly to help solve it. Closing down Ravenscraig altogether for the time being is the only option really open to them and this may be forced on them. This would certainly bring the gravity of the situation home to Scotland, but it would impose substantially greater financial loss on BSC than the continuation of the present situation. Another way might be for BSC to try and bring a vessel into Hunterston without the local dockers' agreement. The danger of this is that the TGWU could successfully block it through the tug crews and the pilots who belong to the TGWU, quite apart from "sympathetic" action at other ports to stop the import of ore for other BSC plants.

However, if we again impress the TUC and the TGWU with the gravity of the situation, they may now be able to enforce local agreement to a reasonable compromise. Failing that, they may undertake to avoid or discourage "sympathetic" action by other TGWU members if BSC decide to bring in a vessel themselves.

The consequences of this dispute continuing are now so serious that Keith and I feel that it merits a further Government initiative. You will know whether another approach to Len Murray and the other two Union leaders would be best, or whether there are better alternative courses of action. Keith or I would be very willing to participate in any talks if you thought this would help.

I was very glad to see that the Prime Minister had herself referred to this issue when speaking in Scotland on 7 September and, given this interest, I am sending a copy of this letter to her as well as to the Chancellor, the Secretary of State for Scotland and Adam Ridley.

*yours sincerely,*

*T.M. Jeffrey*

*for* ADAM BUTLER

*(approved by the Minister and signed in his absence)*

19 SEP 1979







*Nat. Ind. (M.P.)*  
*Original in 6/Hours*

10 DOWNING STREET

THE PRIME MINISTER

14 September 1979

*Dear Mr. Heffer,*

Thank you for your letter of 7 September in which you refer to a letter from Mr. M. Hughes of the Shotton Steel Workers' Action Committee.

Mr. Hughes did not in fact ask for a meeting, but had he done so I could not have intervened in this case. As you know, the proposed closure of the Shotton Works is a matter for the British Steel Corporation to decide within the objective which we have set them of restoring the Corporation to financial health.

The Minister of State at the Department of Industry has replied to Mr. Hughes on my behalf, and I enclose a copy of his letter.

*Yours sincerely*

E.S. Heffer, Esq., M.P.

*Margaret Thatcher*

*JS*



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
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LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 6401  
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From the  
Minister of State

The Hon Adam Butler MP

M G Hughes Esq  
Development Engineers  
BSC Shotton Works  
Deeside  
Clywd

11 September 1979

cc PS/Sec of State Mr Pownall - on  
PS/Mr Marshall file  
Mr Gross Mr Potter Welsh  
Mr Pattison - No. 10 - Office

*Dear Mr. Hughes*

Thank you for your letter of 21 August to the Prime Minister about the future of iron and steelmaking at Shotton. I have been asked to reply.

I fully appreciate your Committee's pride in the past performance of the Shotton works, but can only reiterate what Michael Marshall said in his letter to you on 14 June. The Government believe it would be wrong for them to assume responsibility for individual steelworks; rather we are looking to the management to use their commercial judgement to make BSC operate efficiently. Sir Keith Joseph has set BSC the target of operating at a profit in the 1980-81 financial year after depreciation and interest. To reinforce this target, the cash limit for 1980-81 will be set at a level intended, with internally generated funds, to cover fixed investment and other essential capital requirements, but not to finance operating losses.

Over the past four years, over £3,000 million of taxpayers' money has been provided to BSC, £1,000 million of this to meet losses alone. The country can clearly not afford this to go on, and unless the Corporation's losses are halted the jobs of many more in the steel industry will be put at risk. Thus I cannot agree that it would be in the national interest to interfere with the actions being taken by management to deal with the situation. Shotton's future has been debated in the House of Commons which endorsed the Government's view.

/ ... We are, nevertheless,



We are, nevertheless, very conscious of the social and employment problems which could follow the end of iron and steelmaking at Shotton and have undertaken urgently to consider ways of alleviating these problems should the need arise. Lord Trenchard made a statement on 12 July saying that the Government is examining the scope for the construction of more advance factories in the Shotton area and we would look most carefully at the case for Special Development area status.

Yours sincerely  
Adam Butler

ADAM BUTLER



11 SEP 1979

Original on  
Broadcasting, Aug 79,  
ITV pay dispute.

Ind P57<sup>HS</sup>

29 August 1979

The Prime Minister was grateful for the comments on the Hunterston situation and on the ITV dispute, which you enclosed with your letter of 24 August. She has commented that these provide an excellent summary of the position in the two disputes.

T.P. LANKESTER

John Anderson, Esq.,  
Department of Employment.

57

Original on  
Broadcasting, Aug 79,  
ITV dispute.

2.



~~8 ST JAMES'S SQUARE LONDON SW1 8JR~~

~~Telephone Direct Line~~ Caxton House  
~~Switchboard~~ Tothill Street  
~~XXXXXXXXXXXX~~ LONDON SW1

Telephone Direct Line  
01 213-6400

Mike Pattison Esq  
Private Secretary  
Prime Minister's Office  
10 Downing Street  
LONDON SW1

24 August 1979

Dear Mike

Please find attached notes on the Hunterston situation and on the ITV dispute, which you requested from Ian Fair.

Yours sincerely  
John Anderson

PRIME MINISTER

You asked to be updated on both these disputes.

MP 24/VIII.

J ANDERSON  
Private Secretary

It is an excellent summary

Please keep  
readily available.

HUNTERSTON ORE TERMINAL

BSC's £100 million iron ore terminal on the Clyde - it has the biggest deep water jetty in Europe - was formally opened on 5 June. It should have been operational a month earlier but has remained closed because of a manning dispute between the TGWU and the Iron and Steel Trades Confederation (ISTC). BSC have now begun diverting bulk ore-carriers to the Continent where the ore is transferred to smaller vessels for shipment to their old terminal at Terminus Quay, Glasgow where ore for BSC Raivenscraig is discharged. It is said that these special arrangements will cost BSC an extra £800,000 per shipment.

This is essentially an inter-union dispute. BSC has an agreement with the ISTC that the manning of the Hunterston terminal should follow the same pattern as at Terminus Quay, Glasgow where only the stevedoring work is done by registered dockworkers (employed by the Clyde Port Authority) whilst ISTC members (employed by BSC) carry out the jetty and stockyard operations. The TGWU, however, maintains that at Hunterston the other operations as well as stevedoring (about 60 jobs in all) should all be performed by registered dockworkers. They see the new ore terminal as the first stage of a major all-purpose port, and no doubt want to make a stand over what they see as new dock work. They are concerned about the gloomy outlook for dockers' job prospects at the traditional Clyde ports.

The Department of Employment and the ACAS are in close touch with the situation and have been exerting pressure on the TUC to find a solution to the differences between the two unions. A number of meetings have been held at both local and national levels. Eventually at a meeting on 2 August a compromise manning arrangement (acceptable to BSC) was agreed between Mr Kitson (TGWU) and Mr Sirs (ISTC); but this was subsequently rejected by the Scottish dockers. Revised proposals suggested by the Clyde Port Authority were discussed at a further meeting in Glasgow on Tuesday of this week (21 August), but there is at present considerable confusion about the details and about whether they are likely to result in agreement between the TGWU and the ISTC.

During recent negotiations both the TGWU and the Clyde Port Authority wrote to the Secretary of State suggesting that Hunterston should be scheduled as a port to which the Dock Labour Scheme applies. Even if this could be done, which is doubtful, it is not an attractive proposition and in any event would not solve the immediate manning dispute. The TUC recognise this.

The Secretary of State discussed the situation with Len Murray yesterday (Thursday 23rd). Mr Murray intends to have further talks with Mr Sirs and Mr Kitson next week.

DEPARTMENT OF EMPLOYMENT

24 August 1979





Not Ind

10 DOWNING STREET

*From the Private Secretary*

24 August 1979

I enclose a copy of a letter to the Prime Minister by the Shotton Steelworkers' Action Committee. I have acknowledged the letter, and I would be grateful if you could arrange for one of your Ministers to reply on the Prime Minister's behalf. Could I please have a copy of the reply for our records in due course?

M. A. PATTISON

Peter Stredder, Esq.,  
Department of Industry.

PS

# Shotton Steelworkers' Action Committee

PS  
Please reply to:

M. G. HUGHES,

Development Engineers,  
Drawing Office,  
British Steel Corporation,  
Shotton Works,  
Deeside, Clwyd.

21st August, 1979.  
R22/c

The Rt. Hon. Mrs. Margaret Thatcher, M.P. P.C.,  
Prime Minister,  
10 Downing Street,  
LONDON.

Dear Prime Minister,

You will undoubtedly be fully aware of the plans which the British Steel Corporation have to close iron and steelmaking and rationalise finishing operations at Shotton Works with the loss of at least 6,300 and probably 8,000 B.S.C. jobs and of the widespread concern over these proposals.

As an Action Committee representing every section of the workforce here, we find it difficult to accept - and that is putting it mildly! - that it is in the best interests of either the British Steel Corporation or the nation to close the major part of a works which not so very long ago was consistently in profit, has a loyal workforce with one of the best industrial relations records in British industry, has never failed to meet its production targets despite lack of investment in new steelmaking plant and enjoys the esteem and goodwill of thousands of customers here and abroad.

We suggest to you and your Government that all this must surely count for something, even at a time when losses are being incurred through no fault of the local management and workers.

We believe that Shotton is being made the scapegoat for a whole series of bad operational and commercial decisions made in recent years by the top level of management in the British Steel Corporation.

Such decisions have led to a loss of traditional home and export markets, undermined the confidence of those customers who have remained loyal to the home industry, reduced morale throughout B.S.C. to an exceedingly low ebb and placed the future of this great industry in jeopardy.

This situation must be of equal concern to the Government and to you in particular, and we urge the Government to consider action as follows:-

CONTD...

# Shotton Steelworkers' Action Committee

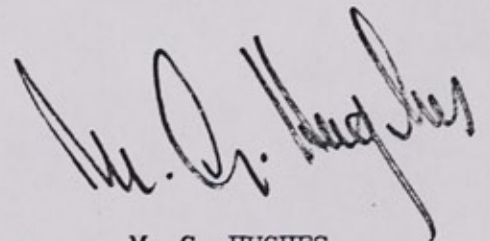
(CONTD...1)

Please reply to:

M. G. HUGHES,  
Development Engineers,  
B. S. C. Shotton Works,  
Deeside, Clwyd.

- (1) Order an in-depth investigation into our recent allegations (see attached press release) that the British Steel Corporation has consistently distorted facts and figures to justify its case for the closure of steelmaking at Shotton. Figures presented in 1974 have now been investigated by economists from Warwick University and another independent person and found to be inaccurate and biased (see attached article from the Engineer).
- (2) Halt the projected closures and rationalisation at Shotton Works until the findings of the aforementioned in-depth investigation are known, and until such time that the Government is assured that the closure proposals in relation to Shotton Works are fully justified commercially and socially, and are in the best long-term interests of the nation.

We remain convinced that the present strategy of the B.S.C. will lead, in the not too distant future, to the total closure of Shotton Works with the loss of 10,600 direct jobs and 4,000 indirect jobs. We appeal to you for your personal intervention in this matter.



M. G. HUGHES,  
CHAIRMAN.

# LECTURERS LASH POLICY OF 'ROTHERHAM MAFIA'

## Shotton 1974 closure figures changed to suit BSC case

By Daniel Ward

**A**S PROTESTS are becoming increasingly militant over planned closure of iron and steel making at Shotton, unions have taken a second look at the British Steel Corporation's first attempt to close the heavy end of this Deeside works in 1974.

The TUC steel committee at that time failed to question the Corporation's financial figures which backed plans to build a six million tonnes a year plant at Port Talbot. It went wrong off at a tangent to be sidetracked eventually into looking with BSC management at technical alternatives for Shotton.

Two lecturers from Warwick University interviewed last week have now examined the confidential report giving the Corporation's case in 1974 for a single plant at Port Talbot as opposed to a scheme to produce 2.2 million tonnes at Shotton and 3.5 million at Port Talbot.

But the report does not compare like with like. The proposal for the single Port Talbot scheme contains some 338 811 tonnes production more than the combined totals of the two-plant alternative. The lecturers, Dr Rob Bryer and Terry Brignall, find the tonnage discrepancy astonishing because, they told me, there is no technical reason for it—there are no restrictions on plant size.

The report gives operating costs of the two-plant scheme as £42.8 a tonne and £40.3 for the Port Talbot works. On the basis of equal tonnages for both projects the advantage swings from the single plant to £4.7 a tonne in favour of the two smaller works.

The lecturers found the most obvious inaccuracy in the report was the replication of capital costs for the 3.5 million tonnes output plant at Port Talbot and the proposed six million tonnes alternative. Costs for the stockyard, hot strip mill and coke ovens have been put down as the same for both schemes.

Total cost of these items is given as £197 million at 1974 prices. Bryer and Brignall have scaled down the costs because they see no justification for having a stockyard, mill and ovens in the smaller project any bigger than is needed.

Their result is to bring down the capital cost per tonne of the two-plant scheme from £62.9 to £53.6. Although the reassessment is necessarily rough and ready Terry Brignall grimly pointed out: 'It understates the true effect of the over-estimation'. Equivalent cost for the single plant is £49.8.

Bryer and Brignall said that if the Shotton/Port Talbot option had been given the go-ahead then BSC intended to replace the two blast furnaces at Shotton with a single 10 or 11 m blast furnace capable of producing 5 300 tonnes a day—1.9 million tonnes a year.

Bryer sees the need for this new blast

furnace as highly questionable as the existing furnaces are still in use five years later. He added: 'If BSC had not gone for the single blast furnace with the necessary handling and sinter plant £55.4 million would have been saved from the capital cost of the project'.

BSC wanted to end iron and steel making at Shotton and invest £450 million in a single works at Port Talbot on the basis of an £8.75 a tonne saving on total costs. Bryer and Brignall show that evaluated on equal tonnages and with the capital repetition eliminated the combined Shotton/Port Talbot project would have produced steel at a total cost saving of £14 a tonne compared with the single Port Talbot project.

Experience at Redcar shows that this may be overstating the case by about £2 a tonne because of operating the existing blast furnaces at Shotton. When looking at the report Bryer and Brignall have assumed that because the Corporation saw no reason to explain the figures or methods of evaluating certain costs that these can be taken as its accurate assessment of the various costs affecting the decision on where to expand capacity.

The examination by Bryer and Brignall of first the Corby closure plans and more recently Shotton has yielded highly controversial information. They have been told that on the first occasion the evaluation of the alternative schemes for Port Talbot and Shotton was produced BSC came out in favour of continuing iron and steel making at Shotton.

The figures were subsequently rejigged to show that the opposite was true. A BSC manager is said to have refused to present the amended report to the unions.

The lecturers see the course of events at Shotton as consistent with the known keenness of what they call the 'Rotherham mafia'—the Corporation hierarchy—to make its mark by using a massive injection of public funds to copy the 'big is beautiful' philosophy of the steel industry in Japan and Germany.

This was the basis of the BSC 10-year strategy which proposed concentrating iron and steel making into five massive integrated plants at coastal sites.

However sound when first adopted, Bryer and Brignall criticise failure to

abandon the strategy when there was a rapid increase in world steel capacity due to new plants in developing countries and a fall in demand.

Bryer says: 'BSC should not have carried on with the strategy when the market changed dramatically. The reality is that having closed smaller plants to provide work for the large plants, in a flat market BSC has yet to make the massive works profitable.'

Brignall adds: 'The steel industry needs flexibility in the current world market'. This is why he sees Shotton and Corby as a test of BSC strategy.

In the study of the Corporation's case for closing Corby, Bryer and Brignall put their views bluntly: 'The large plants which BSC wishes to support are in their essence inflexible, requiring some 85% utilisation before breaking even. Corby breaks even at some 65% capacity... it can therefore stand fairly substantial swings in demand'.

Apart from heavy losses incurred by the large integrated works at Llanwern and Port Talbot last year the lecturers cite operating costs at Redcar. BSC's newest and largest blast furnace at Redcar has a designated output of 10 000 tonnes a day with a cost per tonne of £65.

Bryer and Brignall have been informed that BSC management has now revised the expected cost per tonne because it has emerged that energy costs had been underestimated and achievable throughput of the furnace overestimated. It has been inflated from £65 to £85 a tonne.

The existing three blast furnaces at Redcar's Clay Lane works produce iron at £67.43 per tonne.

BSC chairman Sir Charles Villiers has said that when he meets representatives from Corby for the first time on September 20 to discuss closure plans he will look at any figures produced by the union. This is a reference to Bryer and Brignall's study.

While BSC wants to use hot coiled strip from its Ravenscraig plant in the finishing end at Shotton permanently from the beginning of next year it has yet to explain to the unions where the estimated £40 million a year savings will come from.

Cost of steelmaking at Ravenscraig and transport are fundamental to the Corporation's case to close the heavy end at Shotton.

# Shotton Steelworkers' Action Committee

SECRETARY: K. W. MONTI, 25 CHESTER CLOSE, SHOTTON, DEESIDE.

Please reply to:

3rd August, 1979.

## SHOTTON CALL FOR TOP-LEVEL GOVERNMENT INQUIRY INTO BRITISH STEEL

The Works Action Committee, fighting the British Steel Corporation's plans to close steelmaking at Shotton Works, Deeside, next year with the loss of at least 8,000 jobs, today called for a top-level in-depth investigation into the way B.S.C. operates and makes its decisions.

They want the Prime Minister, Mrs. Margaret Thatcher, and the Industry Minister, Sir Keith Joseph, to order an immediate independent inquiry into the full financial and technical implications of the Corporation's plans for the short and long term future of the industry "in the national interests".

The Action Committee, which has campaigned for the retention of steel-making at the Deeside Works since 1972, claims that it has proof that the Corporation 'cooked the books' when the future of Shotton was being considered in 1974.

"Many of the people who were party to what went on in B.S.C. five years ago are still advising Government and influencing decisions at the highest level", said Committee chairman, Mr. Monty Hughes.

# Shotton Steelworkers' Action Committee

SECRETARY: K. W. MONTI, 25 CHESTER CLOSE, SHOTTON, DEESIDE.

Page 2

Please reply to:

"We want to be quite certain that the major decisions now being made by the Corporation with the authority of the Government - such as that which affects Shotton - are based on 100 per cent accurate costings. Furthermore, we want the Government to fully appreciate the dire consequences of those decisions on the industry and particularly on traditional steelmaking areas", he added.

An independent economist/accountant has made available to the Action Committee his appraisal of the figures submitted by B.S.C. in 1974 for either the development of Port Talbot to 6 million tonnes capacity (known as the single plant scheme) or of Port Talbot to 3 million tonnes and Shotton, to 2 million tonnes, known as the twin plant scheme.

This states that the figures presented by the B.S.C. were "too biased to be reliable" and adds "A decision to proceed with the closure of steelmaking at Shotton on the strength of these one-sided and misleading reports would be yet another example of the dangers of handing unfettered control of an industry to technocrats with unlimited access to the public purse and no longer subject to the independent and additional financial disciplines imposed by the Companies Act and the Stock Exchange".

• Mr. Hughes revealed that the Action Committee had now sent the report together with other data relating to the options for the development of steel-making at Shotton to economists at Warwick University for even more detailed appraisal.

"Even the initial report," he said, "should be of grave concern to those with the interests of the Welsh steel industry at heart." Events have proved that both Shotton and Port Talbot would have benefitted from the twin-plant scheme but it was apparently scuppered because of a juggling of figures.

# Shotton Steelworkers' Action Committee

SECRETARY: K. W. MONTI, 25 CHESTER CLOSE, SHOTTON, DEESIDE.

Page 3

Please reply to:

"Instead, development of Port Talbot has been inhibited and there is even redundancy there, while the whole of Shotton is now under threat".

Mr. Hughes said that his Committee believed that the hierarchy of B.S.C. had much to answer for and were now making decisions which threatened to destroy the whole of the Welsh steel industry, once the pride of the nation. They wanted the Government to look more deeply into the running of B.S.C. before it was too late.

"Shotton simply cannot accept that it is in the best interests of either the Corporation or the nation to close the major part of a works which not so very long ago was consistently in profit, has a loyal work force with one of the best industrial relations records in British industry, has never failed to meet its production targets and enjoys the esteem and goodwill of thousands of customers both home and abroad.

"All that must count for something even at a time when losses are being incurred through no fault of the local management and workers.

Mr. Hughes continued: "The closure of Shotton's heavy end and rationalisation of its cold rolling mill will strip the British steel industry of an asset which it cannot afford to lose.

"We have hundreds of customers for uncoated as well as coated strip products and many have already indicated that they will buy from abroad rather than from elsewhere in B.S.C. if Shotton cannot supply them. That will mean still further loss of the home market and more plant closures".

The Shotton Action Committee is to continue to press the Corporation and the Government for investment in new steelmaking plant at the works, on commercial, strategic and social grounds.

For further enquiries Ring Deeside 812345  
Extn.269 or 8346

MONTY HUGHES  
CHAIRMAN

After office hours  
Home 051-608-3968

PRIME MINISTER

PA  
MS

ant

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Debate on Shotton

The Speaker agreed this afternoon to an S.O.9 Debate tomorrow on Shotton. It will follow Sir Keith Joseph's Statement on Regional Policy, and will therefore begin at something like 1630. Barry Jones, who asked for the Debate, will speak first and Sir Keith Joseph second. Adam Butler will wind up. There will be a Division after three hours, to be followed by the Opposition Supply Motion, which will be taken through until 2200. Opposed private business will be taken after that.

Sir Keith Joseph will speak to the Press after his Shotton speech, and will therefore have to leave the Chamber for an hour or so.

Following today's events, the Department of Industry have been looking ahead to see whether there are any other Statements which might be switched from Written Answers to Oral Statements. Their only candidate at the moment is their announcement on disposal of aerospace and shipbuilding assets, which is to be discussed in E(DL) on Thursday. Sir Keith will put a recommendation to you after that meeting, and that recommendation will include his views on the form of presentation to the House.

MS

16 July 1979



PRIME MINISTER

c.c.Mr. Lankester

PA <sup>Wab Ind</sup>  
MS 2

Shotton

Sir Keith Joseph answered a PNQ from Mr. Barry Jones about Shotton this morning.

Mr. Jones accused the Government of washing its hands like Pontius Pilate, and of condemning many men and women to a decade on the dole. He said that closing Shotton would be an unwarranted and foolhardy risk, since the British Steel Corporation would not be able to guarantee the supply of sheet steel to the remaining part of the Shotton works.

Sir Keith Joseph said that Labour's attempt to defer adapting to the market had led to greater changes now than would have been necessary if the Beswick plans had gone ahead in full; and that if the BSC was not competitive many more jobs would be at risk.

Sir Anthony Meyer described the closure as inevitable, but asked for very special measures to deal with the ensuing unemployment. Mr. Alec Jones described the closure proposal as a scandal, given the 1977 pledge by the Chairman of the Steel Corporation. Sir Keith Joseph said that he paid tribute to what had already been done at Shotton, but that it was necessary to compensate for the huge investment in new plant for the BSC by taking out some of the old plant. He said that the 1977 context was different from the present one: in particular, there had then been plans to rebuild Port Talbot. Now there was enormous over-capacity, and the consequence of supporting an industry larger than consumer demand could sustain would in the end be longer and longer dole queues, and a poorer and poorer country. In response to repeated pressure, he said that he

/ didn't

did not under-estimate the social consequences of closure if it happened, but there were also the consequences of keeping the jobs going. He said that there was some hypocrisy in maintaining that all closures were reprehensible. Mr. John Silkin said that the Government could not shrug off its responsibility and put it on the BSC. He asked how, as a man of honour, Sir Keith could support the BSC in these negotiations given the 1977 pledge. He also said that it was time for Sir Keith to face the reality that the BSC could not be brought back into profitability by March, 1980.

Sir Keith said that the Labour Government had nationalised the steel industry, and had put responsibility for its management on the BSC Board. The Government were committed not to bear revenue costs in 1980/81, but there would be a high call on the taxpayer in that year in any case for capital expenditure on modernisation.

There was not much discussion of the measures which are being proposed to alleviate the effects of a closure of Shotton; you may be able to speak on that theme when the topic comes up at your own Question Time next week, as it surely will.

MS

13 July, 1979.

## Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard  
Columns 880-888

13/07/09  
Shotton Steelworks

Signed *A Wayland* Date *3 November 2009*

**PREM Records Team**



10 DOWNING STREET

*From the Private Secretary*

12 July 1979

Nationalised ✓ B  
c DIM Industries  
DOE DIN  
CS/HUT  
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WOO  
DT Trade

SHOTTON

This is to confirm that the Prime Minister has agreed that BSC should go ahead and make their announcement on the closure of iron and steelmaking at Shotton today. Although no public announcement will be made until some time after 15.30, the Prime Minister is aware that the news may break earlier since BSC were obliged to warn the Shotton workforce last night that there would be a special meeting of the workforce this afternoon before the announcement.

I am sending copies of this letter to the Private Secretaries to the members of E(EA) Committee and to Martin Vile (Cabinet Office).

I. P. LANKESTER

Peter Stredder, Esq,  
Department of Industry.

5



DEPARTMENT OF INDUSTRY  
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From the  
Minister of State

Lord Trenchard

11 July 1979

G C G Craig Esq  
Private Secretary to the  
Secretary of State for Wales  
Gwydyr House  
Whitehall  
London SW1A 2ER

*Mitch*

*R 14/7*

*Des Gray,*

SHOTTON REMEDIAL MEASURES

I attach the final text of the statement which we shall release in Lord Trenchard's name on Thursday to coincide with the announcement by British Steel Corporation of their proposals to close iron and steel making at Shotton. It takes account of your comments in your letter of 5 July. This is subject of course to the clearance we are seeking from No 10 to allow BSC to make the announcement then.

I am sending copies of the letter and statement to the Private Secretaries of the Members of E(EA) and, in view of the Parliamentary Question down about Shotton to the Prime Minister on that day, to No 10.

*Yours sincerely,*  
*David Rowlands.*  
DAVID ROWLANDS

cc PS/No 10  
PS/Members E(EA)  
PS/Secretary of State  
PS/Mr Butler  
PS/Mr Mitchell  
Miss Mueller  
Mr Lightman RPDG  
Mr Binning RSI  
Mr Macdonald NWRO  
Mr Walmsley RSI  
Mr Gross IS  
Mr Pownall IS  
Mr Hilton IS  
Hd Inf  
Mr Walker IS  
Ms P Marshall Inf  
Mr Steel RPDG  
Mr Gregory RPDG (on file)



#### STATEMENT ON SHOTTON

The British Steel Corporation announced today their wish to have early consultations with their trade unions nationally and to continue discussions with the Shotton workforce about the future of iron and steel making at Shotton.

The Government regards the future of individual works as a matter for the Corporation. It is for the management to make decisions about the future of Shotton in the light of the need for the Corporation to operate efficiently and commercially. Unless BSC's long term viability is re-established there can be no secure employment for the Corporation's workforce.

Shotton is a Development Area. In addition, if iron and steelmaking at Shotton were to end the facilities of the Manpower Services Commission, the European Coal and Steel Community as well as those of BSC(Industry) Ltd would be available to Shotton on a similar basis as in any other area affected by a steel closure.

The Government is urgently considering what further measures might be taken to help create alternative employment in and near Shotton should the closure occur, including a review of infrastructure priorities. In particular we are examining the scope for the construction of more advance factories there and would be looking most carefully at the case for making the area a Special Development Area.

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11 JUL 1979

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)

*Oddi wrth Ysgrifennydd Gwladol Cymru*



WELSH OFFICE

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Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

*From The Secretary of State for Wales*

The Rt Hon Nicholas Edwards MP

10 July 1979

*Den Tom*

*R 1/7*

DRAFT STATEMENT ON SHOTTON

I understand that the statement will now fall to be made later this week and that our officials are working on a revised version which will take into account recent comments, including a reference to infrastructure priorities.

One question which continues to concern me is that of financing the costs of remedial measures. I have seen the comments in the letter of 6 July from the Private Secretary to the Chief Secretary and I am bound in view of these comments to place once again on the record the severe difficulties I see in finding the resources from within a reduced Welsh Office programme.

At some stage soon, therefore, we shall need to discuss the question of financing either collectively or bilaterally in the hope of resolving a dispute which cannot reasonably be allowed to continue much further.

In short, I think we must all recognise that the announcement will be made on Thursday or Friday of this week in a form which commits us to action but action for which so far the resources have not been supplied.

I am sending copies of this letter to members of the Cabinet and to Sir John Hunt.

*John Evans*

The Rt Hon Lord Trenchard  
Minister for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON  
SW1E 6RB

*Nick*



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JUL 1979



DEPARTMENT OF INDUSTRY  
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 123 VICTORIA STREET  
 LONDON SW1E 6RB  
 TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

PS/Secretary of State for Industry

*per Mr. [unclear]  
 Mr James*

9 July 1979

T Lankester Esq  
 Private Secretary to the Prime Minister  
 10 Downing Street  
 LONDON SW1

*Prime Minister*

*Agree that BSC should  
 announce Shotton closure  
 plan on Thursday?  
 (Mr Edwards is content).*

*Dear Tim,*

*Agreed Mr*

It was agreed by E(EA) on 28 June (E(EA)(79)5th, item 5) that the British Steel Corporation should be free to announce, during the week beginning 9 July, their proposals to end iron and steelmaking at their Shotton works. It was also agreed that the Government would simultaneously make a short general announcement indicating the kind of measures which would be considered for helping to create alternative employment in or near Shotton, should closure take place.

*TL  
 10/7*

At last week's Cabinet (CC(79)8th, item 6) my Secretary of State was asked to invite the BSC to defer their announcement until after the Government's statement on Regional Industrial Policy.

We have been in touch with BSC about this and they have informed both my Secretary of State and the Secretary of State for Wales that they would see very great difficulty about delaying further their approach to the TUC Steel Committee.

The position is that when we told BSC after the discussion in E(EA) on 28 June that they could go ahead in the week beginning 9 July, they accordingly put the necessary arrangements in hand. The next meeting with the Planning Committee of the TUC Steel Committee is scheduled for Thursday 12 July and BSC have added Shotton to the Agenda in confidence. Their intention was to talk to the Shotton workforce (before any public announcement) at the same time, given the Corporation's promise to talk to them as soon as the Corporation had anything to say. Secondly, the Corporation are holding their first ever Steel Council with representatives of all the BSC workforce, at Redcar on 19 July.

*X ||*

The Corporation have explained that it would make their position impossible if they say nothing on Shotton until a day or two after the Council meeting: they would be accused of having deliberately kept the Council in the dark. So any delay in their present timetable would mean an effective delay of at least 2-3 months: it would be very difficult in practice to set up a

*(on Wednesday)*

*X DoI say that BSC will have to say that there will be a meeting - The work-force may deduce from this that an announcement is imminent, and the news may*

*break on Thursday morning.*

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further meeting with the TUC Steel Committee before then. This would pose a serious threat to BSC's hopes of achieving the financial target for 1980/81 that my Secretary of State announced in Parliament on 3 July.

Sir Charles Villiers saw the Secretary of State for Wales this morning to explain the problems that would be caused by further delay. The Secretary of State for Wales has now agreed that BSC should be allowed to proceed with their plans to seek consultations with the TUC Steel Committee when they meet on Thursday, on the understanding that no public announcement would be made until some time after 3.30 pm that day. This BSC have accepted.

In view of this development and the reasons given by BSC my Secretary of State would like to be able to give BSC the go ahead to make their announcement this Thursday. At the same time Lord Trenchard would issue a statement to the press to the effect that the Government was considering possible remedial measures for Shotton including consideration of making Shotton a Special Development Area in the event of closure.

The statement has been cleared with E(EA) colleagues. It will not be possible then to refer to the concept of "pilot areas" that the Chancellor is considering urgently at the Prime Minister's request in the context of the regional policy announcement but the mention of possible SDA status (without commitment) should be welcome in Shotton.

I am copying this letter to the Private Secretaries to the other members of E(EA) and to Sir John Hunt.

*Yours sincerely,  
Pete*

PETER STREDDER  
Private Secretary



10 JUL 1979

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cc. Principal Private Secretary  
PS/Financial Secretary  
PS/Minister of State (C)  
PS/Minister of State (L)  
Sir D Wass  
Sir L Airey  
Mr F Jones      Mr T Roberts  
Mr Dixon        Mr Patterson  
Mr Lavelle      Mr Scholes  
Mr Monck  
Mr Wiggins

Treasury Chambers, Parliament Street, SW1P 3AG

D Rowlands Esq  
Private Secretary to  
The Viscount Trenchard  
Minister of State  
Department of Industry  
Ashdown House  
123 Victoria Street  
London SW1E 6RB

T  
u (7)

6 July 1979

*Dear David,*

DRAFT STATEMENT ON SHOTTON

The Chief Secretary is agreeable to the release of the draft statement attached to your letter of 3 July 1979.

However, he has asked me to make clear that his clearance does not imply that he is sanctioning any additional bid to cover the costs of possible remedial measures. The Treasury's view, spelt out in paragraph 26 of the report attached to E(EA)(79) 15, is that any resources needed for remedial measures should be found from within the reduced Welsh Office programmes.

I am copying this letter to the Private Secretaries of the other members of E(EA) and to Sir John Hunt.

*Yours sincerely,  
A C Pirie*

A C PIRIE  
(Private Secretary)

6/15/19

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90121



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Secretary of State for Industry

25 June 1979

Tim Lankester Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW 1

Dear Tim,

SHOTTON

You requested a note from me about the sale  
of Shotton to the private sector.

*See Butler to Edwards of 25/6.*

... The attached letter from one of the Ministers  
of State here to the Secretary of State for  
Wales, which has been approved by the Minister  
of State, contains the relevant background.

Your sincerely,  
Peter Stredder

PETER STREDDER  
Private Secretary





*Nationalised Industries 2*

DEPARTMENT OF INDUSTRY  
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From the  
Minister of State

The Hon Adam Butler MP

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales  
Gwydyr House  
Whitehall  
London SW1A 2ER

? 25  
June 1979

*Prinny Amisth*

*You asked if Shotton  
could be sold to a  
private buyer. This letter  
from Mr Butler shows that  
this is a non-starter.*

*mt*

SHOTTON

Following the meeting at E(EA) on 14 June, you asked Tom Trenchard to explore urgently whether there was any chance of a private buyer being found for Shotton. I am replying since steel comes within my responsibilities.

*TL 25/6*

This Department have kept in touch with proposals in the private sector for strip mill plants, including the Alpha Steel plant at Newport, which came into operation a year or two ago, and the project by the GSK Group for a fully integrated small steel plant making strip products. However, we are not aware of any private sector interest in buying all or part of Shotton. Nor is BISPAs, the very knowledgeable private steel sector trade association, whom we have consulted in confidence.

We gathered from your officials that your query arose from a discussion with Mr Stephen Gray, who is of course a member of GSK. The Department's officials have therefore explored the issue with him.

Mr Gray confirmed that Shotton was in no way suitable for the GSK project since the latter looks to quite a different process route which does not overlap with any of the process route which does not overlap with any of the process stages at Shotton.

/ ... Also, Mr Gray



Also, Mr Gray believed that none of the private sector interests who had been approached, without much success, by GSK, including Vickers and the Dutch firm, Estel, would be interested in buying some or all of the present Shotton installations. This confirms our view.

As we understand it, Mr Gray's idea is that the whole of Shotton, including the very modern cold rolling mill and coatings complex, should be hived-off from BSC and run as an independent but still state-owned organisation. He believed that Shotton could then become viable, and obtain a useful share of the market now supplied by imports, provided however that there was a good deal of new capital investment. In particular, the following major items would be needed:

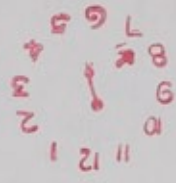
- a) new port facilities at Birkenhead capable of handling 80,000 tonne ore carriers, as against the present 25,000 tonne limit;
- b) a new basic oxygen steelmaking plant and
- c) associated continuous castings.

The open hearth steelmaking furnaces, the slabbing mill and perhaps some of the sinter lines could then be shut: this, with other modernisation, would still involve about 3,000 redundancies at Shotton.

He agreed that (a), (b) and (c) would require new public investment of at least £100 million (in our view, very considerably more in total). Mr Gray saw no hope of any significant proportion of this being put up by private capital. His main point was that, if a public sector company were set up to run Shotton independently of BSC, if the necessary new capital investment were then undertaken, and if (as, to be fair, he confidently expects) the operation then proved a success, at that stage, private sector investors might well be prepared to buy an interest in the business.

As you will note, there are several 'ifs' above. Meanwhile as matters stand, like Mr Gray, I cannot see any chance of finding a private buyer for Shotton. It is right to consider very carefully any alternative proposals for Shotton, and we have done so in this instance. However there seems to me no case for massive public investment in a new steelmaking plant and associated equipment at Shotton, in the face of the already burdensome excess steel capacity in the country. The main argument for closing Shotton is the new steel capacity for strip now coming into operation at Ravenscraig and the expansion at Llanwern only recently completed.

ADAM BUTLER



25 JUN 1979

CONFIDENTIAL

LPO



c. c. DM.  
DOE  
SO  
WO  
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Ch. Sec.  
DTransp  
Cab. Off.

10 DOWNING STREET

From the Private Secretary

25 June 1979

*Dear Peter,*

BRITISH STEEL CORPORATION :  
SHOTTON

The Prime Minister has read your Secretary of State's minute of 21 June reporting on the outcome of E(EA)'s discussion on Shotton. She agrees with the Committee's proposals, and in particular that the closure of Shotton should not be announced until further work on remedial measures has been done.

I am sending a copy of this letter to the Private Secretaries to the members of E(EA), Genie Flanagan (Department of the Environment, Transport) and to Martin Vile (Cabinet Office).

*W. C. W.*

*T. L. L.*

Peter Stredder, Esq.,  
Department of Industry.

CONFIDENTIAL

tnw



PRIME MINISTER

BRITISH STEEL CORPORATION : SHOTTON

As you requested in the minute from your office of 14 June, I am reporting to you the outcome of E(EA)'s discussion on Shotton. 27/6

2 We concluded that we should not stand in the way of the Corporation's beginning discussions on closure with their unions. We recognised the strong economic case for closure of iron and steelmaking. BSC have told us that if closure were completed by April 1981, then they could expect an improvement to their profitability of around £45 million per year from 1981-82 onwards. This is despite initial redundancy costs which we estimate at around £50 million.

3 However E(EA) shared Nicholas Edwards' concern about the likely strong local reaction to the closures. We took his point that reaction could be more severe than in other closures which BSC have announced. This is partly because of the relative youth of the labour force : redundancy payments are less compensation to young employees for job losses than to the older workforces. Partly it is because we can expect people to point to the earlier pledges on Shotton's future.

4 E(EA) accepted your own views that the pledges should not now be regarded as a valid objection to the closures. But their existence does mean that the announcement of discussions on closure will come

I did not put it as strongly as this JL

/as a.....

CF  
Speaker to Stoddard (D21) who will provide a note by the weekend  
CONFIDENTIAL  
Would any other company buy Shotton? The BSC would resist but it would be an attempt at a job.  
Yes not.

Prime Minister  
Agree that the closure should not be announced until further work on remedial measures has been done? JL



as a greater shock than it otherwise would. It also means that little urgent work has been carried out locally into appropriate remedial measures because no one there in a position to do this was expecting an early announcement.

5 For these reasons we agreed that BSC should not be authorised to begin discussions on closure until we were in a position to make an announcement at the same time about the kind of remedial measures we would consider appropriate.

6 We did not consider in detail the specific measures proposed by Nicholas Edwards : we felt that these would need further discussion between Departments, so that they could be examined for cost effectiveness and any suitable alternatives proposed.

7 We were most anxious that BSC should not incur unnecessary extra cost through delaying their timetable for consultation. Equally it will not be possible in a short time to do more than propose a very limited and tentative package. I am, however, arranging for officials in my Department to hold urgent interdepartmental consultations, with a view to producing agreed remedial measures, including those which might be announced at the same time as BSC announce their intention to begin their own consultations on closure.

8 We were very much aware that the type of measures we agree to at Shotton may well set a precedent for this Administration for other

/nationalised.....



CONFIDENTIAL

3.

nationalised industry plant closures; and we have asked officials to pay particular attention to this aspect.

9 We have asked officials to consider urgently the proposal that Shotton might be made a "decontrol area" on the lines suggested at your meeting on Government strategy on 19 June and by the Chancellor, when in opposition, in his Isle of Dogs speech.

10 I hope that officials can report back in time for us to consider their proposals at E(EA) in the week beginning 25 June.

11 I am copying this minute to members of E(EA), to Norman Fowler and to Sir John Hunt.

KJ

K.J.

21 JUNE 1979

Department of Industry  
Ashdown House  
123 Victoria Street  
London SW1



21 JUN 1979



CONFIDENTIAL

Nat. Inds.

208



five

10 DOWNING STREET

From the Private Secretary

11 June 1979

BRITISH STEEL CORPORATION: SHOTTON

The Prime Minister has now had an opportunity to consider your Secretary of State's minute of 1 June about the proposed closure of the "heavy end" of the Shotton steel works. She has also read the minute of 5 June from the Secretary of State for Wales, and the Chief Secretary's minute of 7 June.

The Prime Minister agrees with Sir Keith Joseph that, since the BSC Board (including the trade union members) fully support the closure, the Government should not try to intervene to prevent it. However, she believes that the Secretary of State for Wales has raised some valid points about precise timing and possible remedial measures; and she would like these to be considered by E(EA) Committee at the meeting which has been arranged for Thursday 14 June. The Prime Minister was somewhat surprised that, on these matters, there has not been more consultation between your Department and the Welsh Office.

Your Secretary of State will no doubt report further to the Prime Minister following the meeting of E(EA) Committee. The Prime Minister has asked that this further report should make clear what redundancy payments the Shotton steel workers will be eligible for; and that it should set out how much the closure will save - both gross and net of redundancy payments and the cost of remedial measures. She also hopes that the implications of the pledge which the previous Government and the Chairman of BSC gave in 1977 can be clarified. Her own understanding is that this pledge was given in the context of the Port Talbot expansion, and that since this project has now been shelved, the Shotton pledge - in a sense - no longer is relevant.

I am sending a copy of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, the Environment and Transport, the Lord President, the Chancellor of the Duchy of Lancaster and Sir John Hunt.

T. P. LANKESTER

Andrew Duguid, Esq.,  
Department of Industry.

CONFIDENTIAL

VLC

CONFIDENTIAL

Prime Minister

of the workforce

Agree that -

i) we should not intervene to prevent the closure,

but ii) E(CA) should consider remedial measures?

Ref. A09741

MR. LANKESTER

Shotton

TL 8/6

Flag A  
Flag B or C

There is a difference of view between the Secretary of State for Industry (his minute of 1st June) on the one hand and the Secretary of State for Wales (his minute of 5th June) and the Chief Secretary (his minute of 7th June) on the other about the closure of the "heavy end" of the Shotton Steel Works.

Sir Keith Joseph says that this closure is essential to his target of restoring the Steel Corporation to viability by the end of the year. He does not want to do anything to divert the Corporation from this objective. The Corporation themselves have long wanted to close down steel making at Shotton, although they intend to keep the "finishing end" of the plant going for some years. He has told Sir Charles Villiers that he must warn his colleagues about the intending closure, but that he will give him a final decision at their next meeting on 20th June.

Thereafter, the Corporation intend to open consultations with the unions under the normal procedure. This means that the decision to close will automatically become public.

The Secretary of State for Wales is worried about the speed with which this decision is being taken, about the effect on local employment, and about the lack of any remedial measures. He asks that before any final decisions are taken, there should be a study at official level. It is worth noting that Shotton is only just in Wales (by about half a mile) and that a portion of its workforce comes from the Chester and Merseyside areas, and not from the Wrexham/Queensferry part of Wales at all.

Not another.

There is no chance of completing such a study, and submitting it to Ministers for proper consideration, before 20th June. The choices are therefore:

- (a) To support Sir Keith Joseph: allow the BSC to go ahead as quickly as possible: and to risk a public and political row.

I have read this group of papers. I have the following comments.

1. As the BSC Board including the T.U. members seem to agree, then I do not think it should intervene to prevent this closure.
2. The question of review groups and mitigating measures which Mike Edwards raises is however

valid and must be given due consideration.  
It is only fair to the people who will be sitting  
with and to our whole M.P. who will  
have to defend the decision. However there will be  
a debate in the House and we shall have to be constructive  
in reply.

3) What about the amount of redundancy payments?

4) I am somewhat astonished at the insufficient  
consultation with S.N.U. for ideas on the decision  
or remedial measures.

5) The matter of the 'pledge' must be properly cleared up.

6) How much does the closure save - gross &

- net after redundancy,
- net after remedial measures.

over

(b) To intervene to set back the announcement of prospective closure, while the studies proposed by the Secretary of State for Wales are concluded. In this connection, it is relevant that the Chief Secretary, in his minute of 7th June, supports Sir Keith Joseph's line and adds that anything to be spent this year on remedial measures will have to be found within the existing Welsh allocation. (Remedial measures, in this context, means some local road building, construction of advance factories and other inducements to create alternative job opportunities around Shotton.)

Page C

(c) To remit the question of remedial measures to a Ministerial Committee for urgent consideration. E(EA) is the obvious one except only that Sir Keith Joseph is in the chair. I do not think this is decisive: Sir Keith is perfectly capable of acting impartially. The Sub-Committee is in any case due to meet to take other business on Thursday 14th June.

Given this choice, the Prime Minister will probably want to rule that the Government should not intervene to defer this closure i.e. that course (b) is not acceptable. There would however seem to be advantage in a collective discussion (course (c)) given that time is (just) available.

*MJV.*

M. J. VILE

8th June, 1979



PRIME MINISTER

SHOTTON

Keith Joseph sent Geoffrey Howe a copy of his minute to you of 1 June.

The Chancellor and I attach great importance to removing obstacles to the British Steel Corporation's progress back to break-even. I believe it to be essential that the Corporation, which faces very great difficulties in a continuing weak world market, should be free to do what is commercially necessary to get their operations back onto a sound financial basis. We should not, therefore, try to delay or otherwise stand in the way of the Shotton closure. If we falter at this fence we shall have the greatest difficulty in restoring sound financial arrangements in other nationalised industry cases.

I note what Nicholas Edwards says about the problems he may face in financing remedial measures to mitigate the effects of the closure. He in turn will be well aware of the very great difficulty we face with public expenditure during the current financial year, and of the need to make every possible effort to absorb any additional expenditure in respect of Shotton within the present cash limit. For next year and subsequent years the question can be considered in context of the Public Expenditure Survey.

I am sending copies of this minute to the Secretaries of State for Industry, Employment, Environment and Wales and to the Lord President, the Chancellor of the Duchy, the Minister of Transport and Sir John Hunt.

WJB

JOHN BIFFEN  
7th June 1979

-7 JUN 1979





PRIME MINISTER

BRITISH STEEL CORPORATION: SHOTTON

1 I have seen the Secretary of State for Industry's minute to you dated 1 June in which he proposes that negotiations for the closure of steelmaking at Shotton should go ahead.

2 I am not clear precisely what is being proposed by way of Government announcements since the approach in the letter has not been discussed with me or my officials. I am, however, clear about the strength of feeling news of this proposal would arouse and I think we need to look in more detail at the reasons given for closure and the implications of going ahead this year before committing ourselves to what would be a crucial decision for steel-making employment in Wales, which could have widespread political repercussions. Closure of the heavy end at Shotton within the timescale now proposed, together with the plans for demanning at other BSC plants in Wales, would mean the loss of at least 9,000 job opportunities in Wales before March 1981.

3 I believe that a proposal announced now to end steelmaking at Shotton would be most fiercely resisted. We need to be sure of our ground and of our plans for remedial measures if we are to go ahead. The workforce at Shotton exerted heavy pressure in 1973 when our predecessors announced the same proposal. I recognise, of course, that other steel closures, including some in Wales, have since then been successfully negotiated. But the position in Shotton has special features. The workforce know that replacement job prospects in the area are particularly difficult. But they have been reassured by the pledge given as recently as March 1977, endorsed by the Labour Government and since repeated by the Chairman of BSC, that the future of steelmaking at Shotton would not be reviewed, let alone implemented, before 1982/83 at the earliest. The attitude of the workforce has been guided by this pledge and planning within Wales has been based on the assumption that steelmaking would continue to make a substantial contribution to job security in the Clwyd area for some time yet.

4 In these circumstances, I suggest that before taking decisions we ought at least to be given a clear picture of the implications of what is proposed for future operations at Shotton and what will be possible by way of replacement jobs.

5 We would need, for example, to know that the security and cost of supplies to the finishing end will not be jeopardised by the loss of steelmaking and that there will be no resort to imports.

/Our backbenchers

+ But this pledge was given in the context of the Port Talbot expansion: Shotton was to continue to make up for the disruption of supplies at Port Talbot. In the event, the Port Talbot expansion was shelved. So Shotton is now totally redundant. TC.



Our backbenchers have expressed concern about this and it is an argument that the workforce are likely to put forward strongly. The latter have, I understand, only recently put forward further alternative proposals for the future of steelmaking, and these and any other options should be properly considered.

6 The scale of remedial measures needs also to be assessed. I agree with Keith Joseph about the importance of such action and I welcome his reference to reviewing Assisted Area status in Clwyd; an upgrading there would help. But there will be need also for substantial additional expenditure on infrastructure. Without that the task of attracting new industry becomes well nigh impossible. Our predecessors authorised substantial expenditure of this kind at Cardiff and Ebbw Vale and we could not reasonably do less for Clwyd. We shall need time to review all our expenditure programmes to see what can be done. For my part I am already in real difficulty on existing programmes. The cost of remedial measures will, I fear, mean that additional financial resources will have to be made available to me.

W 7 To sum up, while I accept the necessity for BSC to make every effort to reduce its losses, I believe we need to look at this closure proposal most carefully and to give ourselves ample time in doing so. I suggest that we should ask officials to prepare an urgent report on its implications so that we can discuss these, and timing and presentation, collectively. This would also allow the opportunity to set the Shotton proposal in the context of other developments on regional policy support which Keith Joseph has in mind to discuss with us.

8 I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Industry, Employment, the Environment and Transport, the Lord President, the Chancellor of the Duchy of Lancaster and Sir John Hunt.

*Nick Clegg*

RNE

5 June 1979



15 JUN 1979





PRIME MINISTER

SHOTTON

I am discussing with Sir Charles Villiers actions by the British Steel Corporation to restore profitability. After losses totalling some £1,100 million in the last four financial years the Corporation is faced with uncertain market prospects, too much capacity and too much manpower. I have insisted that the management should continue to work towards the target of operating at a break-even rate by the end of the current financial year adopted by the BSC Board in April 1978. This means that efforts to cut costs, improve efficiency and eliminate surplus capacity will have to be stepped up.

Closures which have so far been delayed will need to go ahead, including the end of iron and steelmaking at Corby (which BSC is currently discussing with the unions) and at Shotton in North Wales, where no announcement has yet been made. The Corporation intends to start consultations with the unions about Shotton as soon as possible. Closure would probably begin in November/December 1979, by which time alternative sources for supplying steel to the modern coatings complex at Shotton should be established, and would then proceed as fast as possible on a phased basis. Including demanning through productivity agreements in the surviving plants at Shotton, some 6,000 job opportunities would be lost. About 4,100 jobs would remain.

I do not propose to stand in the way of the closure plans which Sir Charles Villiers assures me have the full support of the BSC

/Board ...



Board, including the trade union members. I have no formal powers to intervene and would regard it as quite inappropriate to do so informally, both because of our general approach to Government/nationalised industry relationships and our need to support the Board's efforts to get the Corporation back on its feet.

We will of course need to consider what, if any, remedial measures should be taken in the Shotton area. Sir Charles Villiers has told me that BSC (Industry) will be making a special effort in the area. The Secretary of State for Wales has responsibility for selective assistance in the immediate area and for the Welsh Development Authority, and would no doubt expect to take the lead in this. However, other Departments, including my own, will need to be involved because there are also implications for adjacent areas of England, especially Mersey. We will need to consider assisted area gradings in the course of our examination of the region's problems and prospects.

Copies of this minute go to the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, the Environment and Transport, the Lord President, the Chancellor of the Duchy of Lancaster and Sir John Hunt.

14

K J

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February 2010