

PREM 19/310

PART 5

MT

SECRET

Confidential Filing

The Steel Industry

NATIONALISED INDUSTRIES

Part 1 : June 1979

Part 5 : February 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
20.2.80							
22.2.80.							
5.3.80.							
6.3.80							
7.3.80							
11.3.80.							
12.3.80							
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PREM 19/B10

PART 6 begins:-

Tel Norton to PM 12.3.80

PART 5 ends:-

S. Gross to PM 12.3.80

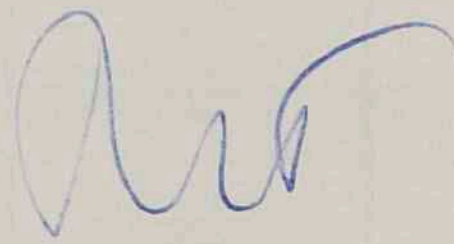
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Not Incl.
Prime Minister
URGENT
AS

PS/PRIME MINISTER

Steel Pay Negotiations

1. After a full day of talks, the present round was adjourned this evening without agreement. The union representatives will now report back to their negotiating bodies. The intention is for the two sides to meet again next week.
2. During the day, agreement was reached first on the central agreement and then on a cut-off date of 30 June for local productivity bonus schemes. BSC confirmed their offer of 10 per cent plus 4 per cent against these. However, the unions asked for 14 per cent against the central agreement, plus 5 per cent against the local bonus schemes.
3. BSC have asked the union representatives to ballot their members on the BSC offer. The unions "noted" this request. Until the unions decide against such a ballot, BSC will make no move about a second ballot of their own.
4. Mr. Scholey said that Mr. Sirs appeared under considerable pressure from the other union representatives during the day but in the end they stood by him.



S.J. Gross
Department of Industry
12 March 1980

cc: S.J. Gross
S/S for Industry

CONFIDENTIAL

FILE

LPO

Original in G/R.



CF to note

10 DOWNING STREET

*CC D/I
WO
D/M*

THE PRIME MINISTER

11 March 1980

Alan D. Coleman

Thank you for your letter of 20 February about the petition sent to me by employees of Metal Box at Neath concerning the steel strike and the wider effects of the BSC's closure plans in West Glamorgan.

We are, of course, very conscious of the problems the steel strike is causing for firms such as Metal Box. While the lack of supplies of tinsplate from BSC is obviously a major contributor to these problems, I understand that at Neath a significant part of Metal Box's difficulties are caused by secondary picketing of the works. I deplore such interference, and it is precisely to deal with picketing activities of this kind that we have put forward the proposals embodied in the Employment Bill now before the House.

That said, we do very much want to see an end to the dispute between the British Steel Corporation and its unions as soon as possible. I am deeply disappointed that previous attempts to find a solution broke down, and I hope that renewed efforts will soon be possible. ACAS are ready to give their assistance if this would help, either directly or through the appointment of a mediator or arbitrator if both sides agree. But in view of the BSC's competitive /weakness,

weakness, it is vital that any settlement that is reached should be on terms the BSC can afford.

On the question of remedial measures for those areas affected by the BSC's closure proposals (including West Glamorgan), the Assisted Area gradings for these areas are currently being reviewed. Keith Joseph hopes to make an announcement on the results of this review as soon as possible after final decisions have been reached by the BSC following the necessary consultations with the unions. And as you know, Nicholas Edwards announced in the Welsh Affairs debate on 4 February that the Government will be making available some £48 million (mainly through the WDA) for the development of industrial sites and factories in the areas likely to be affected.

In the area of employment measures, Jim Prior announced in the House on 14 February that the Youth Opportunities Programme would be expanded from 210,000 entrants in the current year to 250-260,000 entrants in 1980-81, with the number of filled places rising to 100-150,000. And we have agreed to proposals from the Manpower Services Commission that the Community Industry scheme should be maintained at the current level of 6,000 places nationally, and that the Special Temporary Employment Programme for long term unemployed adults should be maintained at 12-14,000 filled places nationally, concentrated in Special Development Areas, Development Areas and designated inner city areas.

Through all these types of remedial measure, the Government is demonstrating that it fully accepts its responsibility for helping to alleviate the consequences of a rapid decline in employment at BSC.

/But the

But the Government can only help; the mainspring for recovery must lie with the enterprise and imagination of individual firms - and the greatest contribution government can make is to create an environment which encourages such enterprise and does not stifle it.

I should add that Keith Joseph has written to the Metal Box Works Council at Neath agreeing to meet them.

Yours sincerely
Raymond Deliber

D. R. Coleman, Esq., O.B.E., M.P.



DEPARTMENT OF INDUSTRY ²

ASHDOWN HOUSE

123 VICTORIA STREET

LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301

SWITCHBOARD 01-212 7676

Secretary of State for Industry

*✓ Mr Lankester
Mr Downing*

11 March 1980

Tim Lankester Esq
Private Secretary
to the Prime Minister
10 Downing Street
London SW1

Mr Downing

Dear Tim,

12/13

... I attach a copy of the 20th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this to the private secretaries to members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

*Yours ever,
Pete*

PETER STREDDER
Private Secretary

CONFIDENTIAL

STEEL STRIKE: 20TH REPORT OF INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 11 March.

BSC

2 The result of BSC's ballot was announced over the weekend, and of the 65% of ballot papers returned, 69% voted in favour of a second ballot about the present pay offer and 31% voted against. The Corporation see the result as an indication that a majority of the workforce want to settle the strike quickly and return to work; the ISTC General Secretary has argued that since less than half (44%) of the eligible workforce voted in favour, the result was a victory for the unions.

3 Yesterday, the joint industry committee of the 13 unions involved in the dispute met with the Corporation and presented a new draft agreement, which was discussed in detail. It was made clear that the unions are looking for a 12 month agreement with effect from 1 January. Discussions have been resumed today, and the Corporation hopes they will make worthwhile progress on the productivity aspects of an agreement. So far, there has been no indication by the unions, or discussion, of the precise terms for a settlement.

Private Sector Producers

4 Almost all the private companies are now back in production and making deliveries, a number of companies in the Midlands having resumed yesterday. At the remaining steelmaking plant, Alpha Steel in Newport, whilst production has not resumed, deliveries of sheet steel were made to customers over the weekend. There are signs that the private sector companies in the Midlands are not yet completely clear of difficulties, the ISTC Midlands organiser having re-issued instructions to members not to load or unload steel. Workers in two small re-rolling companies have already responded, but it is too early to say whether this will spread to other works and lead once again to disruption and stoppages of production on a wider scale. Generally, picketing at private sector plants has been quiet, with the exception of Dupont (Llanelli) where heavy and violent picketing took place yesterday. But there was no serious effect on employees, movement of supplies or deliveries.

Steel Supplies and Transport

5 Steel supplies from the private sector have increased further with more companies back in production, but this does not cover the full product range. Similarly, stockholders are continuing to make good deliveries of the majority of products but shortages continue in sheet products (e.g. domestic appliance users), shapes for constructional use, and other products in which BSC predominate. Over the weekend there have been increased efforts by pickets to stop imports, in response to renewed TGWU instructions. In particular, there is now heavy 24-hour picketing at some East Coast ports (e.g. King's Lynn and Boston) and at the London wharves, completely blocking steel movement. There is no change to report generally in the movement of steel by road.

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Effects on Steel Users

6 There is little new to report on the stock position and potential endurance of steel users. Further limited layoffs are expected this week at Metal Box and at one of the drop forging companies which supply components to the automotive sector. British Rail have reported a rapid slowing down in their track renewal programme, because of shortage of rails from BSC.

7 The CBI have indicated privately that of the 58 companies in their sample survey, 21% are now significantly affected. Whilst this is a slight increase on the previous week, their members have also reported that overall production, which was falling gradually, has stayed between 95 and 96% of normal. Average stock levels at companies in the CBI survey have remained steady, reflecting receipts of new supplies from private sector sources and imports.

8 There is increasing evidence that some users are placing big orders for steel from overseas, and this is frequently linked to agreements for long term contracts. This will make the Corporation's task more difficult after the strike as they seek to regain UK market share, e.g. for tinsplate, sheet steel and plates. The CBI drew public attention to this in their recent rebuttal of the ISTC allegations of a "conspiracy of silence" about the effects of the steel strike on user industry.

Department of Industry
11 March 1980

PRIME MINISTER

cc Mr. Wolfson

1
Nationalised
Industries

Steel Negotiations

The following is ~~the~~^a state of play report at 7 o'clock this evening.

BSC and the unions spent all day going line by line through the union document. As I told you earlier today, it was BSC's aim to move the unions to a central agreement as close as possible to "agreement 6b", which the craftsmen agreed earlier in the dispute. The union side have moved significantly towards this during the course of the day. There remain two significant difficulties: first, Bill Sirs is refusing to include a reaffirmation of the 1976 agreement and, secondly, he wants no cut-off date for the local productivity payments.

BSC want some reference to the 1976 agreement because it included certainly important changes in manning, etc., which are not otherwise mentioned in the unions' proposals; but they are willing to show some flexibility on the cut-off date for local productivity payments. (By this, I assume they mean they will go a few months beyond the four months originally offered.)

There was an adjournment of the talks at 7 o'clock to allow BSC to retype the trade union proposals in the way they would like to see them. The talks are now being resumed and, apart from the points of difference mentioned above, they will now move on to money. The unions will ask BSC how much they regard the proposed agreement as being worth, and BSC intend to repeat their offer to the craftsmen of 14.4 per cent. If this develops into an argument, Scholey will suggest an adjournment until tomorrow or later in the week.

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11 March 1980

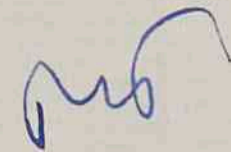
PRIME MINISTER

Steel Pay Talks

- 1) BSC - unions talks adjourned this evening. They will resume at 11 a.m. tomorrow. The union representatives will first meet privately amongst themselves from 10 am to 11 am.
- 2) Today's talks concentrated almost entirely on the terms of the central productivity agreement. Percentage increases were not discussed although Mr. Scholey has privately told some of the more moderate union representatives that he is sticking to the 14.4%.
- 3) Some signs of internal dissension amongst the different union representatives with some critical of Mr. Sirs quibbling approach today. Object of tomorrow's meeting may be for the other union representatives to bring pressure on Mr. Sirs.
- 4) According to Mr. Scholey Mr. Sirs' fighting talk to the media after the adjournment in no way accurately reflected the restrained and relatively low key discussions during the day.
- 5) Unless there is an unexpected break through Mr. Scholey fears that the talks will end in disagreement some time tomorrow.

11 March 1980

Solly Gross
Department of Industry



STEEL OPTIONS: A DISCUSSION DOCUMENT

What we can do depends a lot on what our legal advisers and Parliamentary draftsmen say is possible in various time scales. I suspect that they will not be prepared to give a final answer until they have read and considered the House of Lords judgements. Whatever else we do I am sure that we need a cold clear analysis of how far the present Prior Bill deals with the existing situation which is now a new and changed one, and what amendments are needed to reinforce it and in what time scale it could become law. The Prime Minister can rightly argue the need for a complete reassessment of the situation in union law in the light of recent developments. Against this background I see the following options open to us.

1. Do nothing.

Pro arguments:

- (a) Probably least likely to divide colleagues;
- (b) Prior Bill passing through the House of Commons and White Paper on further action on immunities available for consultation;
- (c) Cannot make industrial situation in short term much worse;
- (d) In immediate future without even knowing the reasons for the Law Lords' decision probably inevitable.

Con arguments:

- (a) Public and party opinion will be running high;
- (b) Government already being accused of weakness;
- (c) Situation gives great encouragement to strikers;
- (d) Doubts about how long industry could hold on;
- (e) Might end fairly quickly in complete defeat with Government having to anti up full demand;
- (f) Prior Bill widely regarded as inadequate to the situation which now exists.

2. Do nothing but greatly strengthen present Bill

Pro arguments:

- (a) Provides some long term solution to this type of situation;
- (b) Seeks to cover issue in a general context rather than a one off solution on steel;
- (c) Could be accompanied by powerful statement of objectives by Prime Minister;

Con arguments:

- (a) Will not affect the present strike;
- (b) Will not be effective until autumn;
- (c) Probably lead to settlement of dispute on strikers terms;
- (d) Will be accompanied by long drawn out battle with TUC;
- (e) Unlikely to satisfy party or public opinion and will be compared with swift reforms introduced by Labour.

3. Short swift Bill repealing all Labour legislation on topic or any other means advised to repeal McShane decision or strengthen management.

Pro arguments:

- (a) Only way likely to affect present dispute;
- (b) Satisfies party opinion pressing for action;
- (c) Takes pressure off private steel mills;
- (d) Probably does represent what we were put in power to do and might well carry a great deal of public opinion including trade union opinion.

Con arguments:

- (a) Thought by some to be likely to precipitate a general strike;
- (b) May not be technically possible;
- (c) Changing rules in middle of the game;
- (d) Likely to be pretty divisive among colleagues.

4. Settle the steel strike and proceed with new legislation.

Pro arguments:

- (a) If we are going to lose the steel strike it could be argued that a settlement would be easier to defend attributing it to the declaration of the Law Lords that the law of this country permits every strike to be a general strike;
- (b) If the strike was out of the way discussion among colleagues in seeking a realistic and much tougher approach to T.U. reform might be easier.

Con arguments:

- (a) It would probably be represented as an important defeat for the Government and a personal one for the Prime Minister;
- (b) With the steel strike removed, it might be even harder to impose an adequately tough reform of the law upon an exultant trade union movement.

I would put forward the following tentative conclusions:

- (a) That we insist on the need to hear the House of Lords reasons before making final decisions;
- (b) That we use the interval to get clear advice from the Law Officers, Parliamentary draftsmen as to the legislative possibilities;
- (c) That we conduct a private opinion poll on attitudes to the situation. I have draft questions available;
- (d) That we announce our objectives and our reasons for wishing to hear the Lords' judgement on the present state of the law in Ministerial broadcasts by the Prime Minister making it quite plain that an "every strike a general strike" is not in our view a

/ tolerable

tolerable situation and making some clear and simple points about the way the public is being exploited;

- (e) Such an approach shows respect for the Lords, gives time for careful consideration, enables contingency planning to be carried out, allows public opinion to be both tested and to some extent formed, is not easily shot down inside the Cabinet, and provides a chance either to toughen the Prior Bill or to draft a separate one.

DRAFT QUESTION LIST

(Not In Order)

- Q. Do you think that a Labour Government would have handled this British Steel situation better or worse than the Conservatives are doing ?

Labour would have done better
Labour would have been worse
Would have been no different
Don't know

- Q. If the steel strike were to go on for another month or so how much do you think it would affect your everyday life ?

Quite a lot
Not much
Not at all

- Q. Do you think that the courts and some of the judges are generally biased against the Trade Unions or do you think they try and deal with them as fairly as with everyone else ?

Biased
Fair
Don't know

- Q. Do you think that Trade Unionists should obey the Judges or the Courts however strongly they may disagree with what they say, or do you think that if they feel strongly they should go against Court decisions ?

Should obey
Should go against
Don't know

- Q. If the Government were to bring in a new law quickly to prevent secondary picketing do you think that this would be in the national interest or do you think it would cause more problems than it is worth ?

In national interest
Cause more problems
Don't know

Q If the answer to the previous question is "In the national interest"

How strongly do you feel that this would be in the national interest ?

Extremely strongly
Very strongly
Fairly strongly
Not very strongly
Don't know

Q It does not matter how you answered the previous question, would you please say whether you believe the Government :

Should or should not introduce a new law on Trade Union Reform quickly ?

Should
Should not
Don't know

Q. Which of these do you think is the best description of the steel strike as it stands now ?

(a) It is mainly about political disagreement between the Unions and Government

or (b) It is mainly about steel workers getting a reasonable living wage from the British Steel Corporation.

Q. a. Which of these statements do you think best expresses what the Government is trying to do in the steel strike ?

i. They don't care at all what happens

ii. They care more about having a showdown with Trade Unions generally than they do about getting a fair settlement in the steel strike

iii. They really do care, but genuinely believe that it is up to management and Unions to solve industrial disputes like this

Q. b. Which of these statements do you think best expresses the motives of the Trade Unions ?

i. The T.U.'s is fighting a battle against the Conservative Government and care more about this than they do about getting a fair settlement in the steel strike

ii. The T.U.'s is trying to get a settlement in the steel strike and cares more about this than it does about the political situation.

Q. At present groups of workers who are not on strike can "Black "
 READ OUT : (That is stop goods moving in order to help workers who
 are on strike) Do you think that the Government should introduce
 legislation to stop this or do you think that it would cause too many
 problems?

Should introduce
 Would cause too many problems
 Dont know

IF " SHOULD INTRODUCE"

Q. How important do you think it is that the Government should do this ?

Extremely important
 Very important
 Fairly important
 Not very important
 Don't know

ASK ALL

Do you think that to introduce a law to prevent blacking would be in the
 national interest or do you think that it would cause more problems than it is
 worth

In National interest
 More problems than it is worth.
 Don't know

Q. Do you think that there should be a law or not to stop strikes in a firm
 when the only reason for them is to try and help other strikers in other
 firms or industries ?

-
 Should
 Should not
 Don't know.

ASK ALL SAYING "SHOULD"

Q. Do you think the Government ought to introduce such a law quickly, or
 do you feel that they ought to take their time ?

Quickly
 Take their time
 Dont know

ASK ALL.

Q. Do you think that firms who face losses because of action by strikers
 who have no dispute with those firms should or should not be allowed by law to
 sue the Unions involved in the strike action ?

Should
 Should not
 Don't know

Q. Some people have said that the right to strike without previously having had a ballot should be restricted just to workers who are in dispute with their employers. Do you agree or disagree with this ?

- Agree
- Disagree
- Don't know

Q. Thinking about the present steel workers strike, which one of these groups do you think is most to blame for it ?

- The steel workers
- The steel Trades Unions
- Mrs. Thatcher and her Cabinet
- British Steel Corporation management
- The TUC
- The CBI
- The Civil Service
- None of these
- Don't know

Q. Which of these groups do you think should be doing most to try to settle the steel workers strike ?

- The steel workers themselves
- The steel Trades Union leaders
- Mrs. Thatcher and her Cabinet
- British Steel Corporation management
- The TUC
- The Advisory, Conciliation and Arbitration Service (ACAS)
- The CBI
- None of these
- Don't know

Q. In its attitude to the steel strike is the Government being too tough, too weak or about right ?

- Too tough
- Too weak
- About right

Q. If the Government were to introduce laws very quickly to deal with some of the strike problems would you be inclined to see this as :

- (a) A firm step to deal with a serious problem
- or (b) A sign of weakness because they haven't been able to solve the problems by means other than laws.
- or (c) Just a political move to try and harm the Trade Union movement.

Q. I am going to read you some statements which people have made about the current industrial situation. For each one could you tell me whether on the whole you agree or disagree with it.

1. On the whole the Conservative Government this year have a better record in dealing with strikes than the Labour Government did last year.
2. The higher the pay rises the steel workers get this year, the more the redundancies will have to be in the long run.
3. ~~But~~ Although there have been some strikes this winter it has been nothing like as bad as last winter.
4. The steel workers pay rise has got to be earned by increased productivity.
5. There will be a lot more strikes before the winter is over
6. If the B.S.C. Management had handled the situation better there would have been no strike.
7. It is time for the Government to take firm action to deal with strikes
8. However annoyed the steel-workers are by the BSC attitude, they should still put the good of the Country first.
9. If the Government tries to take firm action on strikes it will lead to more trouble than people are prepared to accept.
10. It is time for the Government to take firm action to deal with strikes.
11. What the Country needs quickly is new laws to deal with the Trade Unions
12. No matter what the Conservative Government does we will have trouble with the Unions.
13. Even if there were a Labour Government we would still have trouble with the Unions.

Q. Which of these statements is closest to your own view ?

The Government should move more slowly on Trade Union reform, because if they move quickly it will cause a lot of disputes,

OR.

It is important for the Government to introduce Trade Union Law Reform quickly, even if this means trouble with the Unions

OR

The Government should not introduce Trade Union Law Reform at all.

Q. Do you think that the Government should pay more to strikers to prevent strikes now, despite what it might cost,

Or do you think that the Government should stand firm and make sure that strikers are not paid more than what they are being offered?

Q. Do you think that it would be in the National interest for the Government

- a) To drop all its proposals for Trade Union Reform.
- OR b) To press ahead with its proposals for legislation outlined in the manifesto
- OR c) To speed up the legislation it proposed to deal with the main problems we have faced this winter.

Q. Do you think that a Labour Government would have handled the problems this winter better than the Conservatives are doing ?

Would have handled better.
Would not have handled better
Would have been no different
Dont know.

PRIME MINISTER

Prin *sun* *7.*

Ant *ind* *2*
c. Mr. Wolfson
Mr. Ingham

Steel Negotiations

I have had the following report from Solly Gross on yesterday's steel negotiations.

As the press have reported, the talks went off very smoothly: both sides were polite and made it clear that they did not want another breakdown.

They discussed the unions' proposal for a central agreement. This agreement would be considerably less stringent in terms of de-manning and productivity than the so-called "agreement 6b" which the craftsmen accepted earlier in the dispute. Scholey has told Solly that BSC are prepared to move a little towards the union side on this; but they would not be willing to go anywhere near accepting their proposed agreement in full.

Scholey is not very optimistic about reaching a settlement in this round of talks. This is partly because he does not believe the unions will move far enough on the central agreement, and partly because they are asking for another 4 per cent in return for negotiating as a joint body - and Bill Sirs, at least, does not look like coming off this. If the talks do break down, BSC's preference would be to go for a second ballot rather than to arbitration. The Electoral Reform Society have now said they would be prepared to run a second ballot for BSC: earlier, they had said that they would only do it at the behest of the unions. On the strength of the first ballot, and with what looks like mounting grass roots pressure against the strike, a second ballot could well succeed.

B.

11 March 1980

MEETING BETWEEN COMMISSIONER VREDELING AND SOS FOR EMPLOYMENT,
7 MARCH.

Commissioner Vredeling called at his own request on Mr Prior, in the course of a visit to London [for talks with Mr Len Murray]. There was a general discussion of the problems posed by the need to restructure the UK steel industry. Commissioner Vredeling explained to Mr Prior as he had earlier in the week to Mr Adam Butler how his "social proposals" now under discussion in Brussels might have a part to play in easing the UK problem. Social matters discussed other than steel, included:-

Possible infringement proceedings on Equal Pay

Industrial Relations: Multi-national Companies

Fifth Directive on Company Law

Future Meetings of the Social Affairs Council

Record of meeting is attached.

STEEL AND THE EUROPEAN SOCIAL FUND

BACKGROUND - ANNEX A

Line to Take (if raised)

The Social Fund provides assistance for training, retraining and resettlement of unemployed workers generally. It does not provide for specific help to steel workers. Steel closure areas benefit from the general allocations made from the Fund's resources to schemes of the Manpower Services Commission and Department of Employment such as the Training Opportunities Scheme and the Employment Transfer Scheme.

In addition to these general measures, an application has been submitted to the Fund by British Steel Corporation (Industry) Ltd for £4 million pounds assistance. This application is for assistance towards the retraining of unemployed persons in areas affected by steel plant closures. The application is provisional (and is being discussed with the European Commission on that basis) pending decisions about the details of the scheme and the public authority share of the funding.

NOTE FOR THE RECORD OF A MEETING BETWEEN SECRETARY OF STATE AND
 COMMISSIONER VREDELING - 7 MARCH 1980

Present:	Secretary of State	Commissioner Vredeling
	Lord Gowrie	Mr Tak
	Mr Moore	Another Official
	Mr Butcher	
	Mr Dykes	
	Mr Murray (DI)	
	Mr Hardman	

1 The Secretary of State welcomed Commissioner Vredeling, and said he was glad to have this opportunity of discussing current issues in the employment and social policy field.

SPECIAL MEASURES FOR STEEL (AND SHIPBUILDING)

2 Commissioner Vredeling said that he had met Adam Butler on 4 March, and Len Murray and David Lea on 6 March. These meetings had provided a valuable opportunity of going over the issues involved. Technically the Commission's role was passive at this stage, while detailed talks took place about the form for possible schemes of assistance. There had been misunderstanding about the social proposals for steel which had become wrongly associated with the Community debate on Worksharing. The proposals had been aimed primarily at giving the industry time to adapt. He recognised that the UK position was complicated by differences in organisation, structures and financing compared to the steel industry in other member states [the question of the availability of matching support from European Community funds for BSC pension arrangements was a case in point]. In other countries it had proved possible to provide support from European Community funds to help to maintain earnings levels during periods of re-training and adaption to new skills - in Luxemburg, for example, steel workers had not always been made redundant and many had retained their employment links but had been transferred to other work, sometimes at lower pay rates. European Community funds had protected their earnings levels during this process. Also, in the UK the arrangements for guaranteed pay meant that workers on short-time (say 20hrs/week) did not get less than their 40-hr rate while in other countries there was a proportionate reduction of pay. This had enabled

the European Community to give assistance in maintaining earnings levels above the short-time working level (thus encouraging this form of worksharing) - but this model was not available in the context of current UK arrangements. However, despite these problems, he was hopeful that arrangements could be worked out to enable the European Community to assist the UK in efforts to allow workers made redundant to adapt to new skills and different forms of employment.

3 The Secretary of State wondered if the Commission was confident that the necessary funds could be made available for any special measures?

4 Commissioner Vredeling said that there were problems, and the original proposal for 100 MUA had been modified to provide 50 MUA over 5 years. He felt confident, however, that this proposal would get through the budgetary process. He recognised it was specially important to get French agreement and he would be approaching them.

5 The Secretary of State said that he was, of course, concerned to ensure that the UK obtained a substantial share of any funds available.

6 Commissioner Vredeling said that he could not give any firm commitment, and it was important that the UK appreciated that benefits could come over 3 years - and would not necessarily be concentrated in the first year. A lot depended on the age profile of the workforce in member states if early retirement was to be supported. Len Murray had pointed out that it would be an anomaly if early retirement was encouraged at the same time as systematic overtime working continued. Assistance under Article 96 would be subject to discretionary distribution rules laid down by the Commission, and such rules could take account of the circumstances and needs of the UK. Such assistance was to be preferred to funds under Article 56, where the money was available for all eligible applicants - possibly even profitable plants which had no real need for assistance to cushion an inevitable redundancy problem. The plan was for funds to be transferred from within the current European Community budget to the ECSC budget.

7 Lord Goyrie said that he hoped that the Commission might be able to provide some special assistance for young people in areas like South Wales which were likely to be particularly badly affected by steel closures and loss of job opportunities. We had so far not persuaded the Commission to provide help for them under the European Social Fund. It was important that some way should be found in helping them.

8 Commissioner Vredeling said he was aware of the problems which had affected European Community assistance to certain geographical areas of the UK due to technical issues related to the available employment statistics and the UK pattern of assistance to young people up to 19 years through "national" rather than "regional" youth aid programmes. Of course he had to beware of creating precedents that might help South Wales today, but would lead to similar claims from other regions (eg Lorraine, South Italy) tomorrow. In answer to a question he was hopeful that the next relevant meeting of the Social Fund Committee (June 1980) would be able to use statistics updated from national sources which might help applications for Wales.

9 The Secretary of State said that he hoped that the European Community might be able to provide funds to help with redundancies in the shipbuilding industry as this was a problem likely to loom large in the future.

10 Commissioner Vredeling said that talks were in progress on our application to the Social Fund from British Shipbuilders, but that there was still some considerable way to go in formulating special measures for this industry.

11 In discussion it was noted that a full consideration of the best way of assisting workers in the UK steel industry would have to await the end of the present strike, when the details of the BSC closure programme would be more clearly established.

EQUAL PAY

12 Lord Goyrie expressed the concern felt by the UK at the prospect of infringement proceedings over the issue of the reconciliation of domestic legislation with the European Community Directive. He pointed

out that the record of the UK in achieving equal pay and equal treatment for women was as good or better than that of other countries which were not being threatened with infringement proceedings. In addition, the publicity given by the Commission to the affair was creating problems for the government because it was stimulating groups to publicly demand legislation changes where, in reality, these were not necessary and might prove very disruptive.

13 Commissioner Vredeling said that he appreciated much of what Lord Gowrie had said, but the Commission had to fulfil its technical duty, and the issue of the form of domestic legislation and its relation on the terms of the Directive was basically a legal question. In these circumstances there was little he could say about the prospects for action against the UK in the European Court of Justice.

5th DIRECTIVE/INFORMATION FROM MULTI-NATIONAL COMPANIES

14 The Secretary of State asked about progress on these issues.

15 Commissioner Vredeling said that a priority as far as he was concerned lay in a Commission initiative on the issue of the provision of information to employees of multi-national companies. He thought there was a genuine case to be made out for providing employees with the right to obtain information from the HQ of a multi-national enterprise in which they were employed. He fully recognised the need to adapt any Commission initiatives to the circumstances and patterns of employee participation in the various member countries of the Community. He cited the informal and private views of Philips, who had supported the concept, while suggesting that there was also a need for unions to make clear the use to which any information obtained would be put.

16 The Secretary of State said he was glad to hear that the Commission appreciated the need for flexibility, and he stressed his concern that the flow of investment into the UK by multi-national companies should not be diminished by the imposition of undue burdens and requirements.

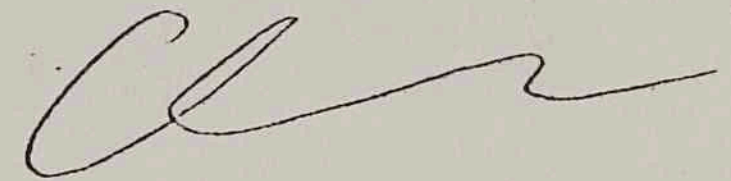
Turning to the issue of the 5th Directive, the Secretary of State said that he had heard that the Legal Committee of the European Parliament was about to produce a report which suggested a much better arrangement for encouraging employee participation than the rigid and unrealistic 5th Directive itself. From what he had heard of the report, he felt that the UK would be able to support its recommendations.

18 Commissioner Vredeling said that this subject was the responsibility of his colleague Viscount Davignon, but he would pass on to him the Secretary of State's comments.

VENICE CONFERENCE

19 Commissioner Vredeling reported the Germans had now agreed, albeit reluctantly, to a joint meeting between Finance and Employment Ministers as part of the informal meeting to be held by the Italians in Venice. Signor Scotti had found some other reservations but he was hopeful that the meeting might take place around 16 May. The subject would be discussed at the Finance Council later this month.

20 In conclusion, the Secretary of State thanked Commissioner Vredeling, and said that he looked forward to meeting him again.



ANDREW HARDMAN

(0 March 1980

Private Office

cc	PS SoS FCO	Mr Shepherd	Mrs Kent
	PS SoS Treasury	Mr Hudson	Mr K T King
	PS SoS Trade	Mr Derx	Miss Rice-Pyle
	PS SoS Industry	Mr Galbraith	Mr Seaman
	PS MoS Industry	Mr Hillier	Mr Butler
	Mr Taylor	Mr Pirie	Mr Brand
	Mr Norris	Mr Hodgkins	Mr D West
	Mr Waring	Mr Moore	Mr Dawe
	Mr Wye	Mr Billam	Mr G R Wilson UNREP EEC Byss
		Mr Garcia	Mr L Pritchard Welsh Office
		Mr Paul	Mr Murray (DI)

THE EUROPEAN SOCIAL FUND

1. Object of the Fund: The European Social Fund is an employment fund. It may grant assistance to schemes of training, re-training and resettlement to help mainly the unemployed.
2. How the Fund works: There are no national quotas under the Social Fund. Member States submit applications which, assuming they are eligible under the Fund's Regulations, are judged according to a pre-determined set of guidelines which enable the applications to be ranked in an order of priority. The guidelines are necessary because eligible applications exceed the Fund's budget.
3. To be eligible for assistance from the Fund, a scheme must have financial support from a public authority. In the case of a scheme run by a public authority, the Fund can meet up to half the cost of a project. In the case of a scheme run by a private organisation, the Fund may match the public authority support. In Northern Ireland, and a few regions of similarly serious unemployment in other member states, the amount of assistance calculated on these criteria is increased by 10 per cent, i.e. for the most part Northern Ireland schemes earn a 55% contribution from the Fund.
4. Measures assisted by the Fund: The Fund operates under two main budgets. The Article 4 budget assists particular groups of workers with special difficulties in the labour market. The groups at present assisted are young people, migrants, women, former agricultural workers, and workers in the textile/clothing sector. The Article 5 budget is mainly reserved for schemes to help workers from regions of high unemployment (at least half the Fund's total budget must go to such schemes). These regions are in practice those eligible for ERDF assistance - in the UK this means the Assisted Areas. Note that though the Social Fund makes no specific provision for steel workers, high priority is given to schemes to assist workers "in regions and areas eligible for assistance from the ERDF affected by serious industrial restructuring problems, notably steel, for which Community policies exist."
5. The Social Fund Budget: The total budget for the Fund in 1979 was about 2500 m; in the draft for 1980 about 2600 m. The UK share of the

Fund has averaged 23.39% since accession.

6. UK Benefit from the Fund: In 1979 the UK was allocated £130 m. from the Fund (26% of the budget). A summary of the main headings included over £21 m. for Training Opportunities Scheme (TOPS) training. Over 90% of the UK's allocations are for measures run by central government departments and agencies. Applications from local authorities, private and voluntary organisations, are also received, though on a relatively small scale in view of the conditions of eligibility required, notably the need for a financial contribution from a public authority.

7. Social Fund Help for Steel Closure Areas: Steel closure areas benefit from the Fund through the general allocations made to MSC and Department of Employment Schemes like TOPS, Employment Transfer Scheme, etc.

8. In addition to these general measures, an application has been submitted to the Fund by British Steel Corporation (Industry) Ltd for £4 m. assistance. This application is for assistance towards the retraining of unemployed persons in areas affected by steel plant closures. The application is provisional, pending decisions about the details of the scheme and the public authority share of the funding.

Nat. Ind.



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

7 March 1980

Tim Lankester Esq
 Private Secretary
 to the Prime Minister
 10 Downing Street
 London SW1

Pm - Smith

Dear Tim,

R 7/3

... I attach a copy of the 19th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this to the private secretaries to members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

*Yours ever,
 Pete*

PETER STREDDER
 Private Secretary



CONFIDENTIAL

STEEL STRIKE : 19th REPORT OF THE INTERDEPARTMENTAL
CONTINGENCY GROUP

This report summarises the position on 7 March.

BSC

2 All the unions concerned in the steel strike met on Wednesday, 5 March and formed a joint industry committee to draw up a new proposal for a settlement and to pursue negotiations with the BSC during the present dispute. The Corporation have long hoped for joint negotiations with all the unions and have welcomed this as a significant move. Further negotiations between the Corporation and the unions are now expected to start next Monday, but it is not clear whether the new proposals represent any narrowing of the gap on productivity. The result of the management's ballot should be known on Monday.

3 In the meantime the unions have called for an intensification of the strike; in particular the TGWU have repeated their instruction to lorry drivers not to cross picket lines, and dock workers not to move imported steel from the docks. There is still no evidence that this has produced any significant changes affecting steel movements; one would have expected signs by now if the instructions were meant to be more than presentational - the price, it is thought, to the ISTC for forming the joint committee.

Private Sector Producers

4 Over 90% of the private sector companies are now back in production and making deliveries, including a large proportion of the re-rolling plants covered by the Midland Wages Board, whose pay negotiations are currently in abeyance. Resumption of the negotiations is conditional on a full return to work at all the plants concerned. The remaining steelmaking plant on strike in the Midlands, Patent Shaft, which is due to close permanently in June, is now expected to resume production next Monday. There is no news yet of a return to work at the Alpha Steel plant in Newport. There has been light picketing at some works but no interference with workers reporting for work, or with steel movements.

Steel Supplies and Transport

5 Supplies of steel from the private sector are continuing to increase and, despite the imbalance in some steel products, this will assist in particular the endurance of the drop forging (eg components) and engineering sectors. Picketing of steel stockholders has eased in many parts of the country, and good deliveries are being made to users from most stockholders, with the exception of Wales and some parts of

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Scotland. Stocks are running low at some stockholders but the National Association of Steel Stockholders believe that the resumption of private sector deliveries and continuing imports will substantially replenish these. There is no change to report on the movement of steel. Identification in the press today of specific ports of entry for imported supplies could lead to more determined and effective picketing.

Effects on Steel Users

6 This week's survey by the Business Statistics Office shows that overall manufacturing production in week ending 21 March was 95% of normal (just over 97% if BSC production loss is deducted), similar to the previous week. The metal-using sector production continued its gradual fall to a level 3% below normal (1% lower than the previous week), reflecting the drop in production in shipbuilding, tinsplate cans, drop forgings and the automotive sectors. Estimates for this week are that, with the resumed production and deliveries from the private sector steel companies and the continuing flow of steel from stockholders and direct imports, overall manufacturing production will again be about 95% of normal. A press report suggesting that companies in Scotland have been particularly adversely affected is not borne out by our regional information.

7 Additional layoffs continue on a limited scale, mainly in the food canning sector. It is difficult to make a reliable estimate of the total number of people laid off as a direct result of the strike, because some sectors are also affected by reduced demand for their products. Lower demand has also produced some short-time working, particularly in companies supplying the automotive sector. However, reports from the Regions and the Business Statistics Office survey indicate total layoffs of up to 30,000, most of them in road haulage, tinsplate can production and food canning.

8 In the automotive sector, British Leyland still expect to be able to continue their planned reduced level of car production until 14 March, but thereafter production of some Allegros and Minis is likely to be stopped. Marina and Sherpa production could be affected from 21 March, whilst other models are secure for steel supplies until the end of the month. In the case of commercial vehicles, some heavy trucks are continuing to be produced short of certain components but the range of vehicles produced will be maintained at least until 14 March, except for one type of van produced at Bathgate.



9 The other automotive companies now expect to continue planned car production for at least the next two weeks, though component shortages are beginning to affect the production rate at Vauxhall.

10 In the tinsplate can and food canning sectors, the production of cans at Metal Box will remain low throughout March, and the food-canning sector is expressing anxiety about their inability to maintain full production of peas, beans and pet foods. Inevitably there is some speculation about imminent shortages of these products, but MAFF remains satisfied about the overall tinned food supply situation.

Financial Effects of the Strike

11 There is evidence that, as a result of the general economic situation, pressure on companies' short-term liquidity is increasing, but the Bank of England have no reports that companies generally are seeking additional finance from the Banks as a result of the steel strike.

Attitudes

12 The threat of a general stoppage in Wales, at one time announced for 10 March, seems to have petered out for the moment, but the continuation of tough picketing in some places is indicative of a persistent militancy and impatience.

Department of Industry
7 March 1980

Seen by the Home Minister.

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RM

Tii

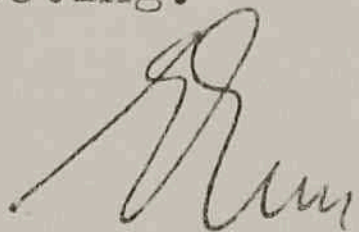
PS/Secretary of State

- cc PS/Mr Butler
- PS/Mr Marshall
- PS/Sir Peter Carey
- Mr Ridley Dep Sec
- Mr Murray IS3
- Mr Long IS(Tech)

STEEL DISPUTE: PRESENT POSITION

As requested by the Secretary of State, I spoke to Mr Scholey yesterday and to Dr Grieves today about contingency planning on arbitration and/or mediation. They told me they had given considerable thought to the drafting of proposed terms of reference, which would certainly include reference to the ability of the Corporation to pay, ie their inability to pay wage increases that were not self-funding. On the selection of a mediator or arbitrator it appeared that they had not so far given much thought to individuals whom they might propose. Dr Grieves said that, in the first instance, he would be content to consider the ACAS list. I noted that this might include some figures traditionally given to "splitting the difference". I fed in the names we had discussed - Dr Atterton, Mr Edmund Dell and Sir Richard Way. Dr Grieves thought that Sir Richard Way would no longer be acceptable to Mr Hector Smith because of his recommendations on the Llanwern dispute.

2 Monday's resumed negotiations start at 2.30 pm. Dr Grieves said that BSC had not received a copy of the new draft central agreement that had been drawn up by the Unions in concert and, on past form, did not expect to receive it much before the start of Monday's meeting. For this reason BSC were planning to adopt a largely passive role, ie listen to what the Unions had to say. Dr Grieves was trying to get in touch with Mr Sirs today to seek advance agreement that Monday's session should adjourn at 6 pm or so, so that BSC could then go away and assess the value in self-financing terms of the proposed agreement. It looks therefore as though Monday's session will be of a preliminary nature, to be followed by more detailed negotiations at a subsequent meeting.



S J GROSS
 Hd IS Division
 816 Ashdown House
 212 8705
 7 March 1980



Don Smith

Scholey has now spoken to Sirs, who confirms that they will "play it cool" and avoid another confrontation and breakdown. P. 213

Handwritten text at the top of the page, possibly a title or header.



7 MAR 1980

Handwritten notes at the bottom of the page, including the number '215' and other illegible text.



Prime Minister
Tramway has agreed
Industry proposals for
assisting Consett and
Scunthorpe - but
within existing
PEEC provision.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Sir Keith Joseph MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1

7 March 1980

TL
1573

Dear Secretary of State,

REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWNS

Flam A

Geoffrey Howe has asked me to reply now to the points in your letter of 28 February which have a bearing on public expenditure and an early announcement on measures to help Consett and Scunthorpe.

Since Nick Edwards has already announced a package of infrastructure measures in South Wales I recognise that some early announcement may be unavoidable for the English areas as well. I am sure you are right to exclude from this any question of enhancing assisted area status (which is not an option for Consett because it is already a Special Development Area). I do not think that there should be any soundings with the European Commission until the steel strike is out of the way.

There are wider issues concerning our approach to remedial measures generally, and the need to rely as far as possible on the private sector to provide more productive jobs in expanding industries. I am not covering these aspects in this letter and Geoffrey Howe may wish to write later.

For the remedial measures discussed in the report by officials I endorse the position taken by the Treasury representative that any expenditure should be contained within Departments' existing allocations (Summary Chapter 8, paragraph 1). Since we have now agreed these allocations in our expenditure plans to be published later this month I am sympathetic to measures to help Consett and Scunthorpe to the extent that they can be met within the public expenditure White Paper totals. But I cannot see my way to authorising any claims on the Contingency Reserve for this purpose.

So I am very grateful to you for agreeing that a five-year programme of providing advance factory premises in Consett and Scunthorpe costing £19 million at 1980 Survey prices will be financed within your programme totals. I very much agree with your approach that the amount of vacant space available at any one time should be limited.

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The private institutions may be very reluctant to finance speculative building in places like Consett. It would make a bad situation worse if we use the taxpayer's money to build factories which we can neither sell nor let.

I am also grateful to you for agreeing to accommodate any extra expenditure on regional selective assistance within your programme. I must ask for a similar assurance from Nick Edwards for South Wales. I agreed to a special addition to Welsh programmes for part of the £48 million package (1980 Survey prices), and this is incorporated in the forthcoming White Paper. I did this because of the concentration of the steel problem in South Wales, the inadequate size of the Welsh Development Agency's budget for a problem of this magnitude and the substantial reductions Nick Edwards was prepared to make on his water programme to limit the extra cost. I cannot go further than this.

I share your hope that Michael Heseltine and Jim Prior will be able to endorse the proposals for derelict land clearance at Consett and for expenditure on mobility and training. Expenditures of £1-2 million a year on each of these purposes are not easy to finance at a time of general public expenditure stringency, and may need some adjustment of priorities, both for derelict land and other DOE expenditures and within the grant-in-aid of the Manpower Services Commission. For these items too I could not support a claim on the Contingency Reserve.

You will no doubt consult me on the content and timing of the proposed public announcement. The crucial point for me will be a clear statement that we are making provision for all the proposed measures within the agreed programme totals to be published on Budget Day. If Jim Prior agrees we might be able to pick out the proposal to extend small business training in these rundown areas in the announcement, to demonstrate our faith in new enterprise. I hope too that any references to advance factory building could emphasise the importance of premises for small firms at the cheaper end of the market as well as our policy of encouraging private sector involvement in speculative factory provision.

I am sending copies of this letter to members of the Cabinet and E Committee, and also to Sir Robert Armstrong.

Yours sincerely
A. Hine

p.p. JOHN BIFFEN

[Approved by the Chief Secretary
and signed in his absence]

CONFIDENTIAL

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9 MAR 1980



10 DOWNING STREET

From the Private Secretary

Nat Ind. H.S.
Original on
NAT IND
Electricity & Gas Prices
Sept 1979.
6 March 1980

Nationalised Industries' EFLs for 1979-80 and 1980-81

The Prime Minister has now considered the Chief Secretary's minute of 4 March on the above subject; she has also read the letter of 29 February from the Secretary of State for Energy, and the letter of 4 March from the Secretary of State for Industry.

The Prime Minister agrees with the Secretary of State for Industry's proposal for transferring £150 million of BSC's EFL for 1979-80 to 1980-81, which the Chief Secretary has endorsed. She also agrees with the arrangement proposed by the Chief Secretary for the electricity industry's EFL for 1979-80, and she agrees that the present EFL for 1980-81 of £187 million should now be accepted and confirmed in the Public Expenditure White Paper. However, she does not think it would be right at this stage necessarily to accept that the only way of living within the 1980-81 EFL is to put up electricity prices by 10% in July. Instead, she would like the Secretary of State for Energy to bring a full paper to E Committee with recommendations on the ways in which the industry might stick to its EFL. This paper should look at all the options, including the possibility that working capital requirements might be lower next year on the assumption that it may not be necessary to spend so much on building up fuel stocks as in 1979-80 and it should be ready for discussion in E Committee immediately after the Easter Recess.

I am sending copies of this letter to the Private Secretaries to the members of E Committee, Godfrey Robson (Scottish Office) and David Wright (Cabinet Office).

T. P. LANKESTER

A.C. Pirie, Esq.,
Chief Secretary's Office:

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Nat Ind

Ref. A01614

MR. LANKESTER

Original on
Nat Ind: Sept 1979
Electricity + Gas Prices

Nationalised Industries' EFLs for 1979-80 and 1980-81

You asked for advice on the minute from the Chief Secretary dated 4th March in which he asks for very urgent decisions about the EFLs for the BSC and the electricity supply industry in England and Wales both for 1979-80 and 1980-81. He needs certainty about the figures because they will be published on Budget Day.

2. The recommendations about EFLs for the BSC are probably inescapable. They represent a simple transfer of expenditure from one year to the next brought about by the steel strike. The problem is presentational rather than real - with a danger of misrepresentation on the 1980-81 figures against the background of the Government's firm adherence to £450 million for that year. But the presentational difficulties are not insuperable.

3. The EFL for the electricity supply industry in England and Wales presents a different problem. Here we are talking about real overruns and corrective action. You will recall that when E Committee discussed this subject on 26th February (E(80) 8th Meeting, Item 3) they agreed that the electricity industry's EFL for 1979-80 should be held at £200 million with a deferment of about £100 million of expenditure from 1979-80 into 1980-81. The Chief Secretary is now offering to absorb the greater part of the overrun into the 1979-80 figure (no doubt making use of the underspend on BSC as an offsetting factor). In the circumstances there is no need to object to this action - which indeed is helpful. But even without a carry-forward the electricity industry is heading for a substantial overspend in 1980-81, the full details of which are set out in Mr. Howell's letter to the Chief Secretary of 29th February.

4. The essential problem is this: a figure for electricity in 1980-81 must be published in the White Paper (Table 3.4 of the present draft) - and the White Paper goes to Press this week. Quite apart from publication problems, however, the Chancellor needs to know the number as part of his Budget arithmetic. The Chief Secretary suggests sticking to £187 million and accepting the consequences (which

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could include a 10 per cent price increase from July rather than the 5 per cent increase in October which Ministers have already agreed). The alternative would be to decide now on a different number. But this is neither practicable in the timescale nor sensible, given that the actual means by which the electricity industry would comply with the EFL have still to be argued through. In the circumstances the best course might be to agree to the maintenance of the present limit but expressly to reserve decisions on how to achieve it for the time being. Even a price increase as early as July does not need feeding into the consultative machinery before April or May and the Prime Minister would, I am sure, prefer to be able to take into account as well the work she has commissioned from the CPRS on electricity investment. It is of course also possible that at the end of the day Ministers might find that the most convenient package of measures also involved some adjustment of the industry's EFL (if necessary at the expense of the Contingency Reserve) - but this too is for the future.

5. If the Prime Minister agrees, the best course might be:-
- (a) To endorse Mr. Biffen's and Sir Keith Joseph's suggestions on the BSC's EFLs.
 - (b) To endorse the proposed arrangement for the 1979-80 EFL for the electricity supply industry in England and Wales as proposed by Mr. Biffen.
 - (c) To endorse the electricity industry's present EFL for 1980-81 for publication in the expenditure White Paper and to commission Mr. Howell to bring a full paper and recommendations on the ways in which the electricity industry might live within this EFL to E Committee immediately after the Easter Recess.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

6th March, 1980

CONFIDENTIAL

P.M. for SW

Chambers of Commerce Information



2

STATEMENT EMBARGOED UNTIL 1800 HOURS WEDNESDAY 5 MARCH 1980 PR 4/80

Am. March 5

This is helpful - especially X.

pm seen

ABCC NATIONAL COUNCIL DISCUSSES STEEL STRIKE AND EMPLOYMENT BILL

At its meeting today (5 March) the National Council of the Association of British Chambers of Commerce gave further consideration to the steel strike situation and to the Employment Bill. 173

Notwithstanding the long term damage that the steel strike will inflict upon industry, Council was unanimous in the view that far greater damage would be caused to the economy if the union demands were conceded. These would mean even higher subsidies from the taxpayer to steelworkers, whose earnings were already well above the national average and who had the opportunity of earning substantially more by greater productivity. Council reiterated its opposition to any interference by Government.

On the Employment Bill, Council reaffirmed its objection to the extent of the immunity given to members of trade unions who took part in industrial action which caused severe damage to innocent parties.

In particular:

- (a) it urged that breaches of the law, as amended by the Employment Bill, should give those damaged a right of action against unions and their funds for acts done by their officials or by their members, unless the union could show that it had used its best endeavours to prevent such breaches;
- (b) it strongly objected to all forms of "legalised" secondary action and would be putting forward representations on this when the Green Paper on trade union immunities was published. If it is no longer practicable to effect such changes in the present Employment Bill, amendments must be made to the proposals in the Government's Working Paper on secondary action. The principal one is that immunity in the case of "blacking" or other forms of "secondary" action causing breaches of a commercial contract of a first supplier or customer should be strictly limited to contracts with a party to the industrial dispute.

X ↑

-ooOoo-

For further information please contact Lynn Howarth on:

Office: (01) 240 5831

Home: (01) 653 8421

*on Ind PD
- Employment bill
At +*

Not Found
cc Mr. Whitmore
Mr. Lankester ✓

PRIME MINISTER

British Steel

Mr. Wyatt telephoned to say that Bill Sirs had told him that the various negotiating bodies of all unions concerned have decided to come together to make a common approach to British Steel. They are having meetings about it today and will shortly be in touch with BSC.

British Steel feel there is a little bit of co-operation from the blastfurnacemen.

CAROLINE STEPHENS

5 March 1980

NOTE FOR THE RECORD

The Secretary of State met Sir John Greenborough and Mr Brian Rigby at 3.00 pm on Tuesday 4 March in his Room in the House to discuss the steel strike. The Secretary of State told Sir John that it was a great help to the Government that broadly it had CBI support for the principle that the taxpayer should not have to pay people's salaries in nationalised industries, particularly where they were bankrupt and the workforce had the opportunity to earn pay rises through higher productivity. Of course nothing was ever tidy and there was no clear coherence in the Government's position; there was an obvious contrast with the coalminers and the waterworkers. However it was a comfort to the Government that there were no voices from the CBI as yet, wanting a settlement at all costs. He was also grateful to the CBI for keeping him in touch with the endurance of industry during the strike; it appeared that the position on this was much as it had been when the strike began. Sir John Greenborough said that there had been total support for the Government's position at the last Council meeting. As to endurance, the position the last time the CBI had reviewed the situation seemed a little better than it had been in the previous week. In a way this was not surprising with the private sector returning to work. British management was often criticised but it had shown a lot of ingenuity by swapping, and ^{using} imports, stockholders and the private sector to ameliorate the position. Of course lack of demand was also a factor. However, there were a number of mismatches and Metal Box looked increasingly vulnerable.

2 The Secretary of State went on to say that he really wanted to focus on the following question. He could not predict when the strike would end and had to assume that it could go on for many more weeks. During that period the climate might change and it might be that there would be increasing pressure on the Government from industry for a settlement of the strike. He wanted to see this pressure deflected towards the trade unions and could not be expected to cave in as soon as some firms faced real trouble. Sir John Greenborough said that he thought there would be a mixed bag of reactions when the position got worse. In 4 weeks time there were a number of firms who would

/probably ...

probably make harsh statements about the handling of the strike. But there was also likely to be a feeling, particularly in view of the experience of the engineering strike, that industry had managed to withstand the strike for 3 months and would throw away the benefits of that by urging a premature settlement. Moreover the pressures were neither universal nor immediate, they focussed more on the longer term future for individual companies. A number of them would undoubtedly be operating on a completely cash basis as the strike bit harder. In his view the strike would cause extreme discomfort but did not amount to the death penalty for industry. Mr Rigby said that the strike was likely to hurt most at the heart of the traditional engineering industry but his guess was that in 4 weeks time there was more likely to be criticism of the parties to the strike for showing intransigence rather than of the Government. The Secretary of State said that he hoped insofar as the CBI's members would take guidance, the CBI might suggest to them that they should ask their trade unions to put pressure on the steel trade unions whose actions would be jeopardising their jobs.

3 The Secretary of State and Sir John Greenborough agreed to keep in close touch over the next 3 - 4 weeks about progress on the strike and Sir John Greenborough said that he would speak personally to the Secretary of State if there was a clear change in the attitude of his members.

Peter Stredder

PETER STREDDER
PS/Secretary of State for Industry
Rm 11.01 Ashdown Ext 3301

5 March 1980

Circulation
PS/Ministers
PS/Secretary
Mr Ridley
Mr Gross
PS/Prime Minister
PS/Chancellor
PS/SoS(Employment)

10 11 12 13 14 15 16 17 18 19 20

6 MAR 1950



Original on:

NAT IND
Electricity & Gas Prices
Sept 1979

PRIME MINISTER

NATIONALISED INDUSTRIES' EFL FOR 1979-80 AND 1980-81

Play A
You will have seen Keith Joseph's letter to Geoffrey Howe of 4 March about BSC's inability to pay 1979-80 bills worth about £150 million until 1980-81. You will also have seen David Howell's letter of 29 February about the electricity industry's EFL for 1980-81.

By B
Elec + Gas Prices
There seems no defensible alternative to allowing BSC in these exceptional circumstances to transfer £150 million of its EFL for 1979-80 to 1980-81, though I agree with Keith that we should present this separately from the existing 1980-81 EFL of £450 million. The consequent increase in public expenditure (a little over £100 million in Survey prices) makes it even more important to avoid any other increases in EFLs for 1980-81.

I also think we need to reconsider the decisions we took on electricity at E Committee last week in view of the new information. As I understand it, David Howell is in effect saying that if we force the electricity industry to defer £100 million of its payments from this year to 1980-81, which is the effect of limiting the increase in this year's EFL to £200 million, he can see no acceptable way of ensuring that the EFL of £187 million for 1980-81 is made to stick. In all the circumstances I would now be ready to drop all but £20 million of the proposed deferment, provided that the electricity industry agrees on the basis set out below to take steps to live with the EFL for 1980-81. The electricity increase this

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year would then be £280 million (before allowing for the further losses from the steel strike mentioned at the end of Davids's letter which might bring the total to around £300 million). I think we must accept that the industry would on current assumptions need to raise prices in July by about 10 per cent as a minimum in order to achieve the first stage of its financial target and to reduce its capital expenditure by the means David mentions which add up about £40 million. The industry would still be left with about £40 million to absorb next year to remain within the agreed EFL of £187 million for 1980-81.

Now that the electricity story is in the public domain I think we should be ready to publish the electricity figure for 1979-80 in the White Paper at the same time as we publish BSC's transfer of £150 million from 1979-80 to 1980-81. Given the publicity on electricity it would be difficult to defend leaving the present unrealistic figure in the White Paper. We can leave the question whether there should be a separate announcement on electricity before the Budget until we see when the steel strike comes to an end, unless of course, the weekend Press reports mean that we can make an announcement now.

The timetable for the White Paper is now very tight and I propose to make the changes proposed above unless I hear to the contrary by Thursday lunch-time.

I am sending copies of this minute to Members of E Committee, George Younger and to Sir Robert Armstrong.

Acline

p.p JOHN BIFFEN
4 March 1980

[Approved by the Chief Secretary
and signed in his absence]

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

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

4 March 1980



Secretary of State for Industry

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1P 3HE

BIAB
PSIMM
Sec
Mr Ridley
Mr Lightham
Mr Nicolson
Mrs Cohen
Mr. Gross (File)

Dear Geoffrey,

BSC: 1979/80 CASH LIMIT

The steel strike is causing an unexpected distortion of BSC's cash flow; money is continuing to flow in from their debtors but BSC are finding it much more difficult administratively to pay money out. Accordingly, and quite contrary to what they told us at the end of January, BSC now expect to be about £150 million underspent on their external financing limit for 1979/80. This does not reflect any improvement in their financial position but only a spill over into 1980/81 of debts and obligations incurred in 1979/80 but which cannot be paid because of the strike.

BSC still expect their cash needs to March 1981 to exceed the external financing limit by £300-500 million. This does, of course, raise serious policy issues which we last discussed on 30 January but we need to see how things work out after the strike before considering how best to deal with this. Meanwhile, we are pressing the Corporation to maximise the raising of funds from their own resources in 1980/81, eg by reducing working capital and disposals.

The present inability to pay debts and obligations incurred in 1979/80 is a much more limited problem. BSC have considered a number of expedients by which the outstanding balance up to the external financing limit could be drawn and a formal underspend avoided. Thus, the balance could be placed in deposit in a way that stood outside the PSBR or it could be paid into a trust fund which would hold monies due to redundant workers or it could be used to make advance payments to large suppliers.

These expedients would all be artificial and would also look extremely odd for a body in BSC's critical financial position. Unless you can suggest a better expedient, it seems to me that the best solution would be to acknowledge the facts of the matter, namely, that the shortfall in 1979/80 has arisen solely through an inability to pay debts and obligations because of the strike;

/that ...



that these debts and obligations will consequently fall due for payment in 1980/81 and that BSC therefore needs to carry over the 1979/80 underspend into 1980/81 so as to meet these payments. The carry over should be kept quite separate from the cash limit for 1980/81 and should not be added to the latter, which should remain at £450 million. This will avoid any suggestion that we are giving BSC more public money for 1980/81 than we have already announced.

I should be glad to know if you agree that we can tell BSC that the underspend in their external financing in 1979/80, which arises because of the present strike, can be carried over as a separate package into 1980/81 so as to make payments against debts and obligations incurred in 1979/80. The formal external financing limit for 1980/81 would remain at £450 million. If you do agree, I would see no difficulty in our publicly announcing, eg at the time of the Budget, what we have done and why, making it clear that this created no general precedent for carry overs.

L. Carr

L. Carr

Copies to E Committee

4 MAR 1950





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

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

PS/ *Secretary of State for Industry*

M6

2

4 March 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

*cc Mr White
Mr Brown*

Mr White

Dear Tim,

*12
4/3*

... I attach a copy of the 18th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this to the private secretaries to members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

*Yours ever,
Pete*

PETER STREDDER
Private Secretary



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STEEL STRIKE : 18th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 4 March.

BSC

2 The Corporation's ballot asking employees whether they want a ballot about the pay offer should be completed by the end of this week, the result being known next Monday. Meanwhile the Corporation has mounted a substantial advertising campaign in the popular press urging support for the ballot, whilst the Unions have recommended that it be boycotted. There are no worth-while indications yet which way it may go.

3 Mr Len Murray is engaged in consultations with all the unions involved in the strike with a view to a joint meeting this week. The ISTC and NUB Executives are due to meet tomorrow 5 March. These meetings are meant to consider the unions' future strategy, including, in a fairly confused situation, both ways of intensifying the strike and the possibility of some form of mediation.

4 The TGWU have separately agreed with the ISTC and NUB on closer co-operation, and in particular that a TGWU representative will accompany the ISTC and NUB in future negotiations with BSC. The arrangement appears to be linked to a renewed instruction by the TGWU to drivers not to cross picket lines and to dockers not to allow imported steel to leave dock areas. There is at present no evidence that this will (as ^{it} is perhaps intended) produce much general change in steel movement.

Private Sector Producers

5 The ISTC Executive last Friday reviewed its attitude to strike action in the private sector companies. Whilst not withdrawing the strike instruction, they agreed not to press for its members to strike again where they have already voted to return. Over the weekend the return to work has continued and production has been resumed at two important steel plants in South Wales - GKN (Cardiff) and Duport (Llanelli). Each plant supplies major re-rolling units in the respective Group. In addition there has been a return to work at a number of companies engaged in steel tubemaking, forging and re-rolling. This leaves two steelmaking plants (at Newport and in the West Midlands), and a small number of steel re-rolling and cold processing plants in the Midlands, where workers are still on strike.

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6 The steelmaking companies which are now working normally are estimated to account for at least 80% of the private sector capacity. Their output, together with the continuation of operations at re-rolling and cold steel processing companies, will further assist the endurance of the steel-user industries, although imbalance in types of steel and products will continue.

Steel Supplies and Transport

7 Private sector production is being delivered both direct to users and to replenish stocks at the stockholders. Imports also continue to reach stockholders who, despite continued picketing, especially in South Wales, are maintaining good deliveries of a wide range of steel products. Imports are also continuing to reach steel-users direct and considerable ingenuity is being used to prevent identification of incoming steel products by the pickets at the docks.

8 Reports over the weekend about the Port of London suggested a new restriction on steel movement by dockers (no doubt partly reflecting the TGWU instruction noted in para 4 above). However, only at two private wharves are dockers refusing to load steel away from the docks after it has been unloaded from vessels. Apart from this and an isolated instance of restricted movement at a company in Scotland, there is no change to report on the movement of steel.

Effects on Steel Users

9 There is little new to report on the position of steel-users and their potential endurance. A small number of layoffs are expected this week on top of the very limited numbers reported earlier. The CBI have indicated privately that, of the 58 companies in their survey, the proportion being significantly affected by shortages of steel continues to rise slowly - now at 19%. They also indicate that the gradual fall in overall production is continuing, but there is evidence that the potential endurance of a number of their companies is being assisted by continuing receipts of imported steel; endurance will be enhanced further by the increased supplies now being received from the private sector steel plants. On the whole the outlook seems if anything slightly better than a week ago.

10 Metal Box, the major tinplate can producer, also expects to benefit shortly from supplies of imported tinplate. On current plans the company expect to maintain a supply of tinplate cans to the canning sector of up to 25% of demand for the remainder of March, and, granted no serious interference with imports, to increase to a 50% level beginning in April.

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-3-

Attitudes

11 The President of the CBI has reaffirmed to the Secretary of State for Industry the strong support of managements generally for the principles on which BSC, with Government's backing, have taken their stand.

Department of Industry
4 March 1980

CONFIDENTIAL

E-4 MAR 1980





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BSC PAY NEGOTIATIONS AND BALLOT : POSITION ON 4 MARCH

The BSC announced on 25 February that they would ballot their employees about whether they wished to be balloted on the pay offer, which provides for a minimum payment of 14.4%, and which would enable up to a total of 18-21% to be earned through local productivity bonuses.

2 The Electoral Reform Society (ERS) is carrying out this ballot, and has despatched ballot papers by post to all steelworkers. The ballot officialy closes on Saturday 8 March but the ERS have decided to wait until Monday 10 March before counting in order to allow last minute returns. The ISTC has recommended its members to boycott the ballot, ostensibly on procedural grounds (there is no provision for a ballot in the ISTC rules) but probably the main reason is that ISTC object to BSC going over the heads of the negotiations to their membership.

3 No further meetings have been arranged between BSC and the unions. BSC have, however, made it clear that they are ready to resume discussions with ISTC and NUB during the ballot period, and that they remain ready to accept arbitration or mediation to settle the dispute. Mr Callaghan and Mr Michael Foot are pursuing their proposal for the appointment of a mediator. Mr Foot is seeing both BSC and the TUC meeting unions today.

4 A meeting of the Executives of the unions involved in the strike (ISTC/NUB/TGWU) which was to have taken place today (4 March) has been postponed until tomorrow. This new meeting, arranged by the TUC, will now include delegates from all the other main unions in the TUC.



PRIVATE SECTOR RETURN TO WORK

A large proportion of the private sector steel plants have now resumed production, leading to over 80% of the steelmaking capacity now being in operation. Two steelmaking plants (one in South Wales, one in W. Midlands) and a number of steel re-rolling companies (mainly in the W. Midlands) remain on strike.



EEC ASPECTS

Ministerial and BSC meetings in Brussels

Mr Butler, Minister of State for Industry, is visiting Brussels today (4 March) to meet Commissioners Davignon and Vredeling. He will seek to confirm that the UK is making full use of existing Community aids for areas affected by steel closures and redundancies, and will discuss the possibility of further Community aid, in particular early retirement, a measure suggested earlier by the Commission as part of wider proposals to ease steel redundancies.

2 This course was explored yesterday (3 March) when Mr Scholey (BSC Chief Executive) and Dr Grieves (Managing Director, Personnel) met both Commissioners to discuss the 15 million tonne target, the closure programme and ways the Community might help. The BSC suggestion was early retirement at 55 (or 50+), a measure which would be particularly useful in dealing with South Wales. The initial Community response was equivocal, and discussions will have to take into account the current EEC/ECSC budgetary difficulties.

EEC and Pay settlement

3 Press and television reports suggest that EEC aid to match BSC redundancy payments might release more money to go towards a higher pay settlement. This is misleading. The Government would obviously welcome aid to soften the impact of redundancies in areas affected by steel closures/redundancies, but it has made clear that none of the Government's £450 million cash limit for 1980/81 can go towards the financing of losses. While EEC supplements to the part of the cash limit earmarked by BSC for redundancy payments (December figure £317 million) would release money for other purposes, the Government will not allow this to be diverted to finance an unrequited pay settlement, which would add to BSC's losses. A higher settlement would have to be financed through disposals of assets, stock reduction, etc, but not public money.



EEC ASPECTS

QUESTION AND ANSWER

Will more EEC aid for redundancies enable BSC to release more money for a wage settlement?

[No]. Additional Community aid to help those affected by the BSC's redundancy plans would be very welcome. But the £450m cash limit is earmarked for capital expenditure, working capital and redundancies and Community aid will presumably also be earmarked to ease the social consequences of redundancies. As we have made clear all along, we do not intend to let the BSC use taxpayers' money to finance operating losses in 1980-81.

ds

file
B/F 14.3.80

3 March 1980

I enclose a copy of a letter to the Prime Minister from the Honorary Secretary of the Standing Conference on Regional Policy in South Wales. You no doubt already have a copy of the report to which Mr. Rush refers.

I have acknowledged without promising any further response. It would nevertheless be most helpful for the Prime Minister to have a brief note of your Secretary of State's response to the report. Could this reach us by Friday, 14 March please?

M A PATTISON

George Craig, Esq.,
Welsh Office.

13

ds

3 March 1980

I am writing on behalf of the Prime Minister to thank you for sending her a copy of the report on the steel crisis in South Wales, prepared by the Standing Conference on Regional Policy in South Wales.

M. A. PATTISON

M.E.J. Rush, Esq.

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JH

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of Duguid



see the letter

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

TELEPHONE DIRECT LINE 01-212 3301

SWITCHBOARD 01-212 7676

29 February 1980

PS/ Secretary of State for Industry

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

ms

Prime Minister

BSC held a press
conference this afternoon.
The correspondents
there gave the impression
that they thought the
union would
soon cave
in.

Dear Tim,

I attach a copy of the 17th Report of the
Interdepartmental Contingency Group on the
Steel Strike.

I am copying this to the private secretaries to
members of E Committee, the Secretaries of State
for Scotland and Wales, the Paymaster General,
the Minister of Transport and Sir Robert Armstrong.

PL
29/2

Yours ever,
Pete

PETER STREDDER
Private Secretary



CONFIDENTIAL

STEEL STRIKE : 17th REPORT OF THE INTERDEPARTMENTAL
CONTINGENCY GROUP

This report summarises the position on 29 February.

BSC

2 The Corporation's ballot of its employees, asking whether they think there should be a ballot about the pay offer, is being carried out by the Electoral Reform Society, and should be completed by the end of next week. The ISTC has recommended its members to boycott the ballot. So far the Corporation have received only a few hundred replies to their broadsheet about the pay offer, and perhaps not surprisingly the majority continue to express positive support to the offer.

3 No further meetings have been arranged between the Corporation and the unions, but the Corporation have made it clear that they are ready to resume discussions with the ISTC and NUB during the ballot period.

4 It remains to be seen if any significant developments result from the recently resumed proposal for mediation. Attitudes may possibly change as a result of informal contacts between the TUC General Secretary and the main unions concerned as well as from the ISTC Executive meeting today.

Private Sector Producers

5 Many of the major private sector companies have restarted steel production following the return to work of about half the ISTC members in this sector of the industry. The major companies which have resumed steelmaking, rolling and deliveries during this week include Hadfield's (Sheffield), Firth Brown (Sheffield), Manchester Steel (Bidston and Manchester), GKN (Brymbo), Round Oak (Brierley Hill), Templeborough Rolling Mills Ltd (Sheffield). In addition a small number of steel re-rolling companies in the Midlands have resumed production. There has been light picketing at most works, with isolated incidents, but no interference with workers reporting for work. It remains to be seen whether picketing will be intensified against the resumption of work at specific plants. At the three remaining major steel-producing plants (Duport, GKN and Alpha Steel, all in South Wales) discussions are continuing between management and workers, aimed at resumption of work over this weekend. To what extent this will be influenced by the reception given at today's meeting of the ISTC Executive to delegates from these plants remains to be seen.

6 Sheerness Steel continues to operate normally and make deliveries despite the threatened expulsion from the ISTC of 600 employees. Several other steel companies, which carry out cold processing and finishing of steel bars and strip, and whose employees are in unions other than ISTC, have continued producing and making deliveries, and remain almost unaffected by the strike.

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Steel Supplies and Transport

7 It is estimated that the potential steel production of the private sector is now back to just over half the normal level. This will substantially improve the supply of special steels and will particularly assist the drop forging (eg components) sector. The improvement will be over a restricted range of types of steel and products, leaving continuing shortfalls in products in which BSC predominates, eg tinsplate, sheet steel and heavy structural steel.

8 Picketing of steel stockholders, with isolated exceptions in Wales, the West Country and in Scotland, remains light and good deliveries to users are being maintained. Imports continue to arrive at many ports and move freely to stockholders and other users. Movements of steel by road transport have continued with no change reported.

Effect on Steel Users

9 This week's survey by the Business Statistics Office shows that overall manufacturing production in week ending 23 February was 95% of normal (just over 97% if BSC production loss is deducted). This is slightly lower than in the previous week, continuing a gradual downward trend. The metal-using sector production was also slightly down on the previous week, but still only just over 2% below normal. 15% of the 440 companies in the survey, which covers both suppliers and customers of the steel industry are now being affected by the strike. Estimates for this week are that overall manufacturing production will have continued to fall slightly (but by less than 1%).

10 Prospects for March, particularly in the metal-using sector, are of increasing lay-offs from next week and in the case of some users a sharper fall in production from the middle of the month. Indications received direct from main steel-using sectors are of slightly less anxiety than previously about a sudden fall-off in production because of steel supplies; this is probably due in part to the more general downturn in demand now being experienced by manufacturing industry. The CBI, however, remains noticeably more cautious about the effects of the strike and on prospects over the next month.

11 The Group has reported earlier (15th Report - 22 February) on increasing problems related to steel supplies at engineering companies in the drop forging sector (eg components), hand tools, and tinsplate can producing sectors. The resumption of work in the private sector could help to lengthen the endurance of companies in the drop forging and hand tool sectors. In the case of tinsplate can producers however, output will continue to shrink and by mid-March it will be very small indeed. MAFF remain satisfied that, although there are limited effects of tinsplate can shortages in the food canning sector, there are plentiful supplies of tinned food in the supply and distribution chain and in the shops - besides, of course, many alternatives to tinned food.



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12 Other industrial sectors, where problems will be increasing from mid-March onwards, include some domestic electrical appliances, process plant, parts of British Shipbuilders, and the automotive sector.

13 In the automotive sector, British Leyland expect to be able to maintain their planned reduced level of car production until the middle of March, but with significant further reductions thereafter if the strike continues beyond the next week. They believe that supplies of components will also be sufficient until mid-March. On the commercial vehicle side, production of almost the full range of vehicle types seems assured throughout next week, but some heavy trucks are being produced short of certain components. The new truck model now being launched could also be affected.

14 The other automotive companies expect to continue planned car production at least until mid-March, with perhaps some restriction in the range thereafter. On the commercial vehicle side, Vauxhall have stopped production of one model in its truck range.

Attitudes to the Strike

U 15 The vast majority of industrialists continue to express support of non-intervention by Government.

Department of Industry
29 February 1980

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10 9 8 7 6 5 4 3 2 1

STANDING CONFERENCE ON REGIONAL POLICY IN SOUTH WALES
CYNHADLEDD SEFYDLOG POLISI RHANBARTHOL YN NE CYMRU

County Councils of :

Gwent
Mid Glamorgan
South Glamorgan
West Glamorgan

M.E.J. Rush
Honorary Secretary
M.R. Hill
Assistant Secretary

The Guildhall
P.O. Box 11
SWANSEA SA1 4PA

Swansea 50821

Our Ref: MRH/AG

Your Ref:

Date: 28 February, 1980

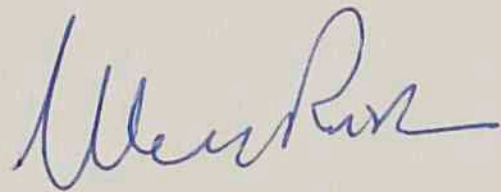
Dear Prime Minister,

THE STEEL CRISIS AND SOUTH WALES

Standing Conference (consisting of the four South Wales County Councils) has recently produced the attached report on the above subject. It attempts to constructively illustrate the impact of the crisis on South Wales and to make practicable suggestions for remedial action.

I hope you will find it a positive and helpful contribution to discussions on this subject.

Yours sincerely,

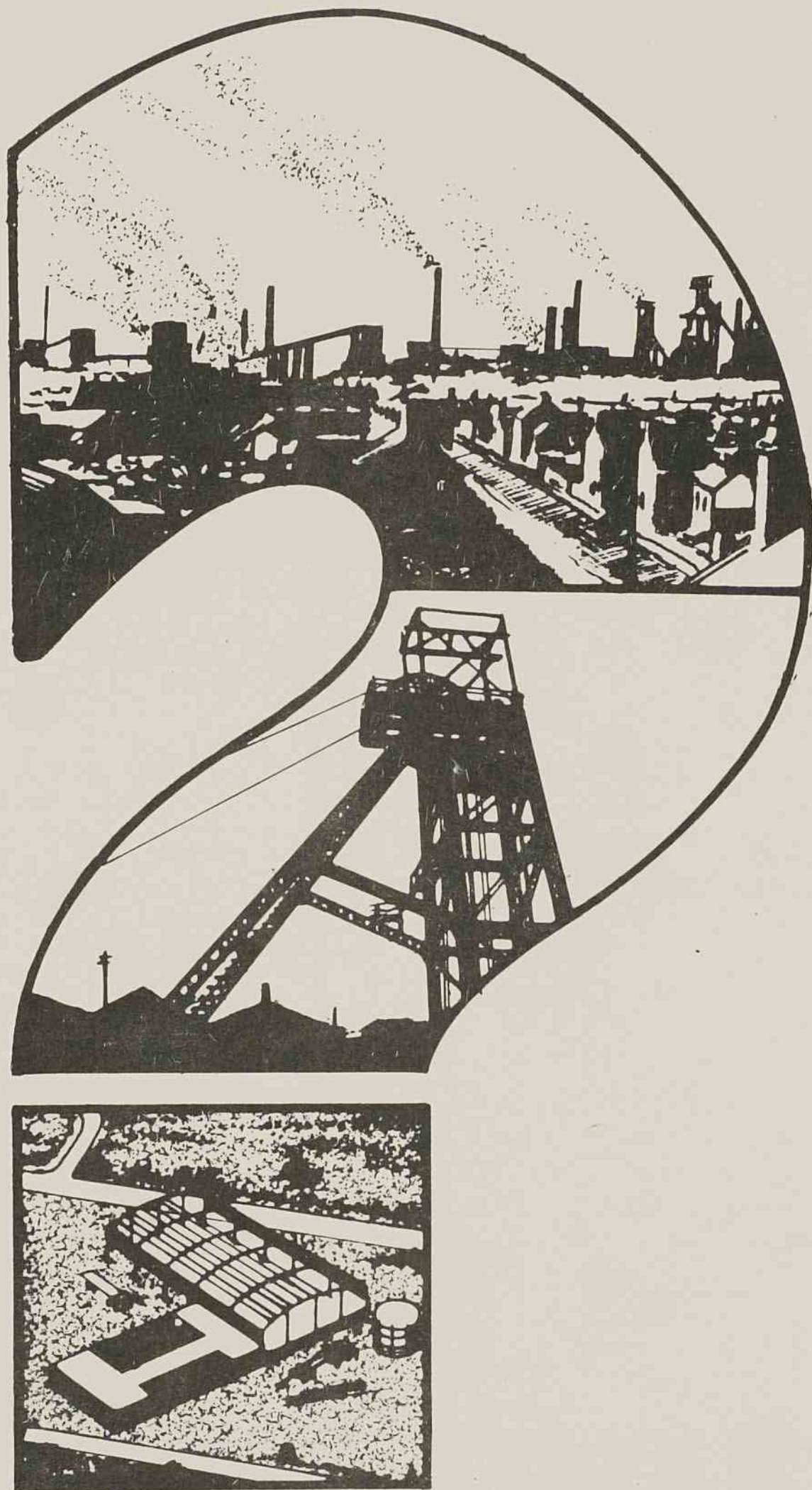


M.E.J. RUSH
HONORARY SECRETARY

ENC.

The Prime Minister,
10 Downing Street,
LONDON

South Wales & The 1980 Steel Crisis



An Impact Study & Action Proposals

STANDING CONFERENCE ON REGIONAL POLICY IN SOUTH WALES
CYNHADLEDD SEFYDLOG POLISI RHANBARTHOL YN NE CYMRU

PREFACE

Standing Conference (consisting of the 4 County Councils) has in consultation with the District Councils in South Wales produced this document, which responsibly analyses the grim impact of the 1980 steel crisis on this region and outlines a remedial programme to be urged on the Government and its Agencies.

Standing Conference has long been concerned over the battle to modernise and diversify the South Wales economy away from the labour shedding coal and steel industries. This was slowly being achieved. Now with the recent B.S.C. announcement on the run down of Port Talbot and Llanwern works and the proposed loss of 11,400 jobs from steel alone, by August 1980, this process must be dramatically speeded up. To generate the necessary momentum to maintain the South Wales economy in its pre 1980 steel crisis state will require at least 20,000 new jobs in manufacturing industry, with all that this implies.

It is in this united and single minded spirit of determination that the current crisis can, and must be overcome that we commend this document to the decision makers, whose policy will bear heavily on the future of South Wales and its people.

County Councillor P. Squire, C.B.E.
Chairman of Standing Conference

Standing Conference on Regional Policy in South Wales

M.E.J. Rush, Honorary Secretary

M.R. Hill, Assistant Secretary

P.O. Box 11

The Guildhall

Swansea

Tel. 50821

PREFACE

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SOUTH WALES AND THE 1980 STEEL CRISIS

A SUMMARY

BACKGROUND TO CRISIS

1. The South Wales economy has undergone an unparalleled restructuring in the last 25 years with 100,000 jobs already lost in steel and coal. Across the region unemployment levels are already 25%-60% above the national average, and South Wales is faced with an expanding working population in the 1980's. The current situation before the 1980 steel crisis was therefore serious enough.

IMPACT OF CRISIS ON EMPLOYMENT

2. Real unemployment (the total number of people who would otherwise be in work) will rise by 38,150 to 97,850. The projected number who will register as unemployed (excluding those who take early retirement, housewives who give up the search for work etc) will rise by 32,050 to 91,750. This latter figure would give an unemployment rate across the region of 12.5% and make South Wales the worst unemployment effected region in the U.K.

NEGATIVE COSTS OF THE CRISIS

3. Those costs borne by Local Authorities and other public agencies in terms of unemployment benefits, lost rateable income, extra demands on social services and so forth. This is estimated to be in excess of £200 million.

COSTS OF REMEDIAL ACTION

4. Essentially this is the cost of providing 20,000 new jobs in manufacturing industry to generate the momentum to maintain the economy in its present state. The total estimated cost (including Regional Aid) is estimated as being a minimum of £380 million. Excluding regional aid the figure is still in excess of £200 million. This latter figure compares with the £48 million of aid announced by the Government to date. This sum is warmly welcomed and must be utilised quickly by the closest collaboration between Public Bodies. It should be seen though as only a first step in a five year programme to complete the modernisation of the South Wales economy after 25 years of crisis and restructuring.

PROGRAMME FOR REMEDIAL ACTION

5. The main elements identified are
- Operation of Regional Policy. In particular the designation of much of South Wales as a Special Development area (precedents: Tyneside, Merseyside, Strathclyde).
 - Special Government Aid. £380 million is required, much must go to the Welsh Development Agency but Local Authorities can also play an important role here and relieve W.D.A. of some of the strain on its staff and management resources.

- Local Authorities. Have a massive role to play in industrial development (sites, factories, advice services) and training (through Colleges of Further Education). With the loss of rate income from this crisis some of the Special Aid must be made available to Local Authorities to enable them to pursue these objectives.
- B.S.C. Industry. Must have an important role and their remit should be drawn widely to cover the large hinterlands of the steel works.
- Land and Infrastructure. Wherever possible existing sites should be utilised but in the longer term there is a requirement for close co-ordination between W.D.A., L.A.W., Local Authorities and Public Utilities to bring forward development programmes for industrial land. A minimum of an additional 800 acres will be required.
- Development of New Industry. Burden must rest mainly on attraction of new manufacturing industry with the concomitant massive promotional campaign. However two other areas should not be neglected - attraction of footloose service industry and development and maintenance of indigenous industry. In this latter category an aggressively marketed and co-ordinated programme to encourage the development of new small businesses could be particularly important.
- Training. A restructured economy requires a workforce with different skills. The need for training and retraining facilities rests primarily on the Manpower Services Commission.
- The E.E.C. Must have a crucial role. There is a need for a co-ordinated approach by the Commission to such a massive regional problem as will exist in South Wales.
- Tourism. As a longer term project stimulation of tourism in the valleys could create 7,000 extra jobs in the 1980's.

CONCLUSIONS

- 6. This latest crisis if great care is not taken could overwhelm the progress made during the last 25 years in massively restructuring the economy. With sufficient aid now, South Wales has the human resources, ability and confidence to build an economy fit for the present and next century.

CHAPTER 1

INTRODUCTION

THE CRISIS

1. In December 1979 The British Steel Corporation announced that as part of their national policy of reducing steel making capacity, annual production in South Wales was to be reduced to 2.75 million tonnes. Four options were put forward for achieving this:
 - i) Closure of Llanwern.
 - ii) Closure of Port Talbot.
 - iii) Amalgamation of Llanwern and Port Talbot through closing of finishing processes at Port Talbot and steel making at Llanwern.
 - iv) The scaling down of production at both Llanwern and Port Talbot to the level necessary to achieve the B.S.C. production target.
2. A variety of organisations including the Works Councils at Port Talbot and Llanwern expressed the view that option (iv) was the least damaging. Subsequently in January 1980 B.S.C. announced that this option was indeed to be adopted with the loss of 11,400 jobs in the steel industry by August 1980. In addition there will be massive indirect losses from such supplying industries as coal and in the general multiplier effect on such sectors as the retail trade. It is this total loss, which will be well in excess of 30,000, that must be used when calculating the real impact on the region of this decision. This total loss is examined in detail in Chapter 2.
3. An important additional background point is that as part of B.S.C. efforts to improve productivity at surviving plants, upto a further 5,000 jobs may be lost in South Wales. Already B.S.C. have announced 1,500 job losses in the Tinsplate and Associated Products Groups across South Wales.

BASIC DATA

4. Industrial South Wales stretches some 80 miles from East to West and 30 miles North to South. The vast majority of the region coincides with the area of the four Counties: Gwent, Mid, South and West Glamorgan. With a land area of 1,400 sq. miles and a population of 1.8 million, South Wales forms 1/5 of Wales and has over 3/5ths of its population. South Wales has a working population of 0.8 million of which 30% are in manufacturing (7% in metal manufacture) 5% in mining and quarrying and 45% in service industry.

ECONOMIC BACKGROUND

5. This crisis is the more severe because it does not stand alone but is the culmination of an almost constant and painful restructuring process since the last war. In that time over 100,000 jobs have been lost from the traditional industries of iron and steel, and coal. Virtually anyone in work in the region today is either in a job that did not exist before 1945 or did not exist in its present location.
6. This restructuring took 3 main forms:

TABLE 1

THE UNEMPLOYMENT IMPACT ON SOUTH WALES

LOST JOB OPPORTUNITIES AND MORE PEOPLE SEEKING WORK

1. B.S.C. Planned Redundancies for Port Talbot and Llanwern August 1980 ⁺		11,400
2. The Ripple effect in Coal and other Associated Industries and Services		14,800
3. Non-Related Redundancies known as definite for 1980 in other Industries (including Tinsplate)		4,500
4. Coking Coal crisis. B.S.C. may reduce by upto 0.6 million tons use of South Wales Coal through importation. This is despite N.C.B. £22 million subsidy in 1980 and will place further pits at risk		2,400
5. Ripple effect in Mining Communities		600
6. More people seeking work in 1980 ^x		4,450
	Extra total Unemployed*	Total 38,150
	(Extra Registered Unemployed)	(32,050)
	Current Unemployed	Current 59,700
	Total "true" Unemployed* Post Steel Crisis	<u>97,850</u>

+ N.B: B.S.C. expect there will be further redundancies elsewhere in the Welsh Division following productivity negotiations at plant level. No official statement is available on the scale of this effect in South Wales, but estimates as high as 5,000 have been made. This would in turn have a 'ripple' effect. 1,500 Tinsplate job redundancies were announced 8.2.80 at Trostre and Velindre, effecting at least 500 West Glamorgan residents. Bryngwyn, Cwmfelin, Neath and Ebbw Vale are also mentioned. Mining and Tinsplate job losses in Dyfed upto 2,000 are also not included in table.

* Not all the true unemployed will register as officially unemployed. Eg. some will suffer enforced early retirement. The jobs lost will not show up in Government unemployment statistics. Nevertheless these are real lost job opportunities, not available for school leavers and other workers.

x It is highly relevant that there will be an increasing working population throughout the 1980's given present age structure: an increase of some 70,000 is forecast.

CHAPTER 2

THE UNEMPLOYMENT IMPACT

INTRODUCTION

1. Table 1, opposite, summarises the employment impact on the South Wales economy of this crisis. Appendix 1 explains the detailed workings whereby these figures were arrived at. Care has been taken, where definite evidence is unavailable, to make modest and conservative assumptions. For instance only 900 job losses are assumed from B.S.C.'s continued exercise to increase productivity at individual plant level, whereas a much higher figure is likely in practice. However, should any reader wish to question an assumption made, this can be done by referral to Appendix 1. The total job losses are however extremely unlikely to fall below 30,000 however optimistic a particular reader is. A brief commentary on the components of the job losses is given below.

B.S.C. ANNOUNCED REDUNDANCIES

2. 11,400 steelworkers will lose their jobs as B.S.C. reduce their output to only 2.75 million tons. Current plans are to complete this massive demanning by August 1980.

THE 'RIPPLE' EFFECT IN COAL AND ASSOCIATED INDUSTRIES

3. B.S.C. will need 1.6 million tons less coal to produce the reduced volume of steel. This reduction will place some 7,300 miners jobs at severe risk, within the four Counties, though strenuous efforts are being made by the N.C.B. to find alternative markets. However at the time of writing (mid February) the position is still uncertain as to the future of these 7,300 jobs and this figure is therefore retained. If, hopefully, it emerges that some of these jobs are to be saved this "saved" number of jobs (plus the multiplier) should be taken away from the total unemployed figures given to arrive at the new correct total. These losses will be only part of a 'ripple' effect hitting all associated industries and services. A further 7,500 will be lost in the rail, other transport, tinsplate, construction, engineering, service and retail sectors.

4. Therefore 11,400 steel redundancies will bring an extra 14,800 job losses in the region (a multiplier effect of about 130%, a ratio greater than 1 for 1).

NON-RELATED REDUNDANCIES KNOWN FOR 1980

5. To give the complete employment situation facing South Wales account has also been taken of known redundancies not-related to the B.S.C. crisis itself. District and County Councils so far know of 4,500 definite redundancies which will take place in 1980 and are as yet not recorded as unemployed. These are not related to the crisis at B.S.C. but are caused by other economic factors. This figure will rise during 1980, but so will the number of newly created jobs. 4,500 is therefore taken as the short fall in the absence of any acceptable and definitive data.

THE COKING COAL CRISIS

6. If, in addition to the "scaling down" effect, B.S.C. cut back on the use of South Wales coal through importation then further colliery jobs will be at risk. The short-sightedness and even recklessness of such a decision is self-evident and the Government should intervene to protect the long term future of the domestic coal industry. Due to a special N.C.B. subsidy of £22 million only about 0.6 million tonnes of coal will be imported this year. This will nevertheless place 2,400 jobs at risk (including 600 through the "ripple" effect). In the longer term (next year) if no satisfactory agreement is reached between N.C.B. and B.S.C. upto 7,000 further jobs will be at severe risk both directly and through the ripple effects.

MORE PEOPLE SEEKING WORK

7. Even before the steel crisis, the region had a problem in just creating extra jobs for the increasing numbers of school leavers and others seeking work. Even after allowing for those retiring and leaving the workforce, the year 1980 alone in normal economic circumstances would see a net increase of almost 4,500.

8. Unfortunately many older redundant workers may be forced into early retirement, as opportunities are so scarce. Upto 4,900 may be affected in this way, given the age structure of the workforces in the steel and mining industries. Upto another 1,000 people, who would normally register as seeking work will probably be dissuaded, by the lack of any hope of a job and their ineligibility for unemployment benefit, from being registered officially as 'unemployed'. Nevertheless these 5,900 will be true UNEMPLOYED even if not registered as UNEMPLOYED in Government statistics. Economists call these groups the 'HIDDEN UNEMPLOYED'. Alternatively this concept can be expressed in terms of lost job opportunities - the jobs these people have lost will no longer be available for future school leavers to take up, even if these present incumbents do not register as unemployed.

CONCLUSIONS

9. Total unemployment of virtually 100,000 can be expected in South Wales - although some of unemployed will not register due to the discouraging job situation. Even on the basis of only those likely to register as unemployed South Wales will jump well ahead of all other U.K. regions with 91,750 projected registered unemployment - 12.5% (see Appendix 1 for comparative figures). The real significance of this figure can be made clear by once again emphasising that it took 10 years in a favourable national economic climate to create 30,000 jobs in new manufacturing industry. Action needs to start now if long term damage to the economy is to be minimised.

CHAPTER 3

SOME REAL COSTS OF THE STEEL RUN DOWN AND OF THE

ESSENTIAL REMEDIAL AID

INTRODUCTION

- 1. The impact on employment of the steel run down was analysed in the last chapter. There are however various other "hidden" or "negative" costs which have to be considered, and examples are given below (paragraphs 2 to 11). An estimate of the global cost to the Government of the "positive" costs of providing the necessary remedial aid is then made (paragraphs 12 to 14).

THE EFFECT OF DIFFERENTIAL WAGE RATES, BENEFITS ETC.

- 2. Both the steel and coal industries offer high wage earning potential for their employees and boost average manual earnings in Wales to the national average. With the loss of these jobs the converse will be true.
- 3. In the short term, with severance payments, benefits and made-up pay, the impact of loss of earnings to the individual will be cushioned but at a substantial cost to the public agencies. It is estimated that in the first year, the cost to Central Government, B.S.C. and the E.E.C. of payments to the 11,000 steelworkers made redundant will be of the order of £66 million, while a further 14,000 jobs lost in mining, transport and other services will increase the burden to £137 million. These figures include unemployment benefits, training costs, redundancy lump sums and loss of tax and insurance revenue. Beyond the first year there would be a continuing burden from increased unemployment, retirement and social security benefits.
- 4. In the longer term, the loss of earnings will not of course be cushioned. In the unlikely event of sufficient replacement jobs being attracted to South Wales in the near future wage levels will probably not compare to those current in the coal and steel industries. On the most optimistic assumption that all jobs are replaced, but at average wage rates, a loss of £15 million per annum to spending power in the region will result. However, if early retirement and longer term unemployment are taken into account, losses would be at least £30 million per annum and may well be up to double that amount with a consequential long term impact on the South Wales economy.

IMPACT ON OTHER INDUSTRIES

- 5. The impact of the run down of the steel industry in South Wales should not just be seen in terms of lost jobs and lost job opportunities but also in the wider financial context, in the profitability of local firms serving the steel industry, and in the possible bankruptcy and closure of firms, particularly in the transport industries.
- 6. An equally important point in the context of transport is the impact on the region's railway network. For instance nearly half of the freight traffic in West Glamorgan is generated by the steel industry. Considerable concern must also be expressed over the future of the valleys network if colliery closures occur with the consequential loss of freight traffic. Bus operators will also be severely effected with a loss of revenue of about £240,000 for each 5,000 increase in unemployment.

- 7. B.S.C., besides being the largest manufacturing employer in Wales is also the biggest spender. Prior to the closure of the East Moors Steelworks in 1978, B.S.C. spent £17 million within a 15 mile radius of Cardiff. This gives some idea of the scale of spending for a closure involving only one quarter of the production now involved in the run down at Port Talbot and Llanwern. By far the major supplier to B.S.C. in Wales is the National Coal Board and the number of pits directly under threat is estimated at between 11 and 20, which represents between a quarter and a half of all pits in South Wales. A large cut in this expenditure would also have a considerable impact on local suppliers.

EFFECT ON LOCAL AUTHORITY SERVICES

- 8. There is a potential loss of rate income to local authorities, following a scaling down of operations at Llanwern and Port Talbot. This situation, however, is far from clear as, unlike a complete closure, B.S.C. will continue to completely occupy the plants and as such will be liable for rates. It is likely, however, that they will, following the reduction in production seek a deduction from their rateable value. This might well take some considerable time to resolve during which local authorities would suffer the loss of the relevant rate income. Also under the Government compensation arrangements there would be a time lag over the immediate period when local authorities would be under the greatest pressure.
- 9. With redundancies of well over 30,000 there will be an increased demand for local authority further education courses, and for Government sponsored courses at Colleges. It is difficult to anticipate the demand, and the expenditure involved would depend to a great extent upon the courses undertaken. However to give an indication of the scale of expenditure, courses following the closure of East Moors Steelworks cost some £500 per person to run. A large demand for places on extra courses is anticipated. Additional costs could therefore be of the order of £½ million.
- 10. Again it is estimated that families affected by redundancies will have over 10,500 children of school age. Following a period when the redundant workers will be receiving earnings related benefits, their children will become eligible for certain Education Service entitlements eg. free school meals, free transport, clothing allowance. To give an indication of the scale of expenditure, if 10,500 children were to receive free school meals the annual cost to local authorities would exceed £1 million.
- 11. Although it is difficult to isolate the direct effects of job losses on Social Services there is no doubt that the pressures and problems caused by redundancies do contribute to already stressful situations. One example is that for any one single child taken into care as a result of family breakdown the cost to the local authority is at least an additional £5,000 per annum.
- 12. Finally there will be extra demand for rate and rent rebates, even allowing for make up pay for the redundant steel workers in the immediate post scale down period. At a conservative estimate this demand would exceed £2 million.
- 13. It can be conveniently mentioned here - though it is a "positive" cost that local authorities also have an important role in industrial development-site acquisition and development; factory building; promotion and advice services to industrialists. The extra cost of these services will be many millions of pounds. The total additional costs to local authorities of this crisis (though difficult to calculate at this stage) are likely to be well in excess of £25 million.

COST OF REMEDIAL ACTION

- 14. The present programme of support for industrial development is partly to offset the effects of the previous closures at East Moors and Ebbw Vale, and also to mitigate the effects of the annual 10,000 redundancies a year that occur anyway in other manufacturing industry. An immediate and substantial increase in this aid is necessary if replacement jobs for this latest crisis are to be found and if the permanent damage to the Welsh Economy is to be reduced.
- 15. Merely to generate the momentum to maintain the South Wales economy in its pre steel crisis state will require at least an additional 20,000 new jobs in manufacturing industry (that is replacement for steel and coal jobs lost, plus additional manufacturing jobs lost in this crisis - see Appendix 3 for details). The cost of this is estimated as a minimum of £380 million. Rhodes and Moore (the Cambridge Economists) on the basis of past experience have put this figure much higher at £1 billion. The local authorities feel though that "no cost" measures such as the steering of new industry to the region and a concerted and massive campaign by all agencies can achieve the task for a more modest sum.
- 16. The £380 million figure is based on £50 million for improved access to industrial areas, £67 million on site acquisition and preparation, £110 million on advance factory building and as estimated £150 million on regional development grants, special financial assistance etc. The figure required net of regional development grants is therefore some £200 million. This expenditure to be spread over a realistic period of time, of course. A more detailed technical explanation of these figures is given at Appendix 3.
- 17. The Government announced on the 4 February 1980 that £48 million was to be made available for remedial action (this compares to the £200 million figure above). Standing Conference warmly welcomes this announcement and notes the need for the closest liaison between all public bodies to implement this remedial programme without delay and to the maximum benefit of the region. The allocation of money to particular projects must be agreed by the end of March and actual work be in hand shortly after this. To be effective this initial aid must form part of a larger programme over a period of 5 years to secure the regeneration of the South Wales economy (involving perhaps a further £150 million in special Government aid). The history of economic crisis in South Wales over the last 25 years and the detailed regional comparisons in Appendix 1 make the case for this extra aid without need for further elaboration.
- 18. Suggestions for the detailed elements that should constitute the remedial programme are made in the next chapter.

CHAPTER 4

SPECIFIC PROPOSALS FOR REMEDIAL ACTION

INTRODUCTION

- 1. The purpose of this section is to highlight the most important areas for action, and to serve as an agenda for debate and discussion with the Government and its Agencies. The question of discussion and liaison arrangements between the Government, its Agencies and the local authorities itself of course forms a crucial area for agreement. Wales is blessed with a large number of public authorities and it is vital in this crisis that each organisation's efforts are co-ordinated into a meaningful overall programme. This task rightly falls to the Welsh Office, and Standing Conference and the individual local authorities express their willingness to co-operate in appropriate co-ordination arrangements.
- 2. It is not the intention here to debate B.S.C. management decisions, on the run down of Port Talbot and Llanwern; but to deal with the consequences of this run down. One vital factor bearing on the consequences though is the timescale proposed: the loss of 11,400 jobs by August of this year. Standing Conference would make the strongest plea for the decision to be phased in over a longer period - probably with a net saving (allowing for the cost of remedial measures) to public resources!

The detailed suggestions for remedial action are outlined below.

REGIONAL POLICY

- 3. The erosion of regional policy in recent years, both in terms of the controls on the location of industrial development and the financial aid offered to companies to expand or to relocate in Assisted Areas, has undermined the ability of the South Wales economy to attract new jobs. The steel crisis demands the need for direct action on regional policy, with particular emphasis on:-
 - (i) Assisted Area Status and Incentives - The region as made clear earlier in this report, has undergone a massive restructuring in the last 25 years - almost without comparison. This latest crisis comes while strenuous efforts were being made to diversify and modernise the economy to deal with these previous crises. South Wales has a strong case by comparison with such existing S.D.A. areas as Strathclyde, Merseyside and Tyneside to be designated as a Special Development Area. The South Wales economy is closely interlocked, has suffered over 50,000 redundancies in the 3 years to 1979 and is already in the top half of the league in terms of unemployment levels. The interlocking effect is illustrated by the current crisis with the initial loss of jobs at the coastal steel plants being followed by colliery closures in the hinterland. However Standing Conference recognises the Government's policy of a highly selective regional policy and would be prepared to assist and co-operate in an exercise to define those areas in South Wales most urgently in need of S.D.A. status.

There is also an urgent need to review the manner in which the selective financial assistance scheme operates, with the objective of increasing the amount of aid and reducing the timescale in which decisions are made by the Welsh Office.

- (ii) Control of Development - There should be a tight control, under the recently revised rules for Industrial Development Certificates, on the location of major developments. In the light of the increasing importance of the service sector as a source of new employment opportunities, consideration should also be given to the introduction of a new form of control aimed at influencing the choice of location for warehousing, research and office developments.
- (iii) Steering - There must be a positive policy operated by the Welsh Office, with the full support of the Department of Industry in London, of "steering" new developments to South Wales. This policy must be implemented immediately, given the proposed timescale of the redundancies in the steel industry. A particular case in point is the proposal by INMOS to locate their first module in a non development area, Bristol. This decision should not be accepted by the Government, and the development directed to South Wales.

SPECIAL GOVERNMENT AID

- 4. The nature, extent and timing of the steel crisis must be met with a massive injection of special funds by the central government. The level of funds must be on at least a comparable scale with the assistance granted to other steel closure areas. However, it can be argued strongly that no other part of the U.K. has in recent times been faced with the scale of manpower reductions in steel and related industries, notably coal, in such a concentrated geographical area and, consequently, a higher rate of funding should be made available. In the last chapter this necessary injection was estimated as being £200 million over a 5 year period (net of regional aid) compared to the £48 million so far announced by the Government. The special funds are required primarily for industrial and commercial development, which is likely to include the need for land reclamation, providing on-site and off-site infrastructure, and a major programme of building advance factories. Inevitably, a significant proportion of the funds will go directly to the Welsh Development Agency and the public utilities. A plea must also be made for the local authorities to receive some of the special aid, bearing in mind the important contribution that they can make towards the provision of sites and factories and the demands that are being made on the manpower and financial resources of the Welsh Development Agency throughout Wales as a whole.
- 5. Again the point must be emphasised that the benefits of this special aid must be maximised through the closest co-operation of all public agencies and authorities.

LOCAL AUTHORITIES

- 6. Local Authorities are of course conscious of having an important role to play in this crisis. The limiting factor to their action is finance particularly in a period of falling rate income. The plea must be repeated for special Government Aid to be made available for local authorities projects aimed at strengthening the economy. Some examples of the areas where action is already in hand and could be expanded are outlined below:
 - (i) Acquisition of industrial sites and construction of factories (Local Authorities have already achieved much since 1974. For instance there are in Local Authority ownership a total of some 2,500 acres of industrial land or land to be developed for industry, as resources become available).
 - (ii) Advice to Industrialists. Apart from general "back up" services provided by Industrial Development Officers there are such schemes as Mid Glamorgan's INDIS project aimed at increasing in region purchases by industrialists or helping to identify market opportunities for new industrialists.

- (iii) Industrial Promotion. Local authorities are active in this field both through financial contributions to the Development Corporation for Wales and their individual efforts.
- (iv) Tourist Development. Standing Conference is discussing with the Wales Tourist Board an action plan to create upto 7,000 new jobs with 1980's through Tourism in the Valleys. Individual Counties are also active, and in West Glamorgan for instance it is hoped a narrow gauge tourist railway can be established in the Afan Valley.
- (v) Manpower Training. Much training is done through the Colleges of Further Education both directly sponsored by the Counties and through the sponsorship of courses on these premises by the Manpower Services Commission. The Careers Service also plays an important role in guiding young people to the new job opportunities as they become available.
- (vi) Regional Policy/Strategy. Through Standing Conference the Counties have come together to liaise with other public agencies on a regional basis in an attempt to have a maximum interface with these other bodies efforts. Standing Conference is of course the only body concerned with the South Wales region alone.

These are just some examples of where action is already being taken and where urgent reviews in the light of the current crisis are under way.

B.S.C. INDUSTRY LTD.

- 7. This organisation has already proved to be a successful body in giving direct and indirect forms of assistance to industrial development in steel closure areas, notably in Ebbw Vale. It is to be hoped that the British Steel Corporation will enhance the role of this organisation as far as South Wales is concerned. There should be a strengthening of the team operating in South Wales, an increase in the funds available for factory building and acquisition and an intensification of promotional campaigns. A re-examination of the areas in which B.S.C. Industry Ltd. can operate should also be made, taking full account of the extensive catchment areas of Llanwern and Port Talbot Works.
- 8. An equally important point that Standing Conference has been pressing for is the creation of an N.C.B. (Industry) Ltd. body based on the steel example. Its role should be to deal with the particular problems of colliery closures (which will be closely related to the steel run down).

TRAINING

- 9. One consequence of the steel run down is the need to retrain the existing workforce and train the next generation for a substantially restructured economy and the different skills that will be required. The Industrial Training Boards must be urged to extend their activities in South Wales as a matter of the greatest urgency. Furthermore, the Manpower Services Commission must now dismiss any thought of closing or reducing the scope of its Skill Centres in the area (in particular the proposals to close the Llanelli Centre serving as it does much of West Glamorgan should be urgently re-examined) and must re-assess its policies for providing training services, especially to firms setting up in South Wales. The role of the Industrial Training Co-ordinators in Mid Wales could very usefully be extended to South Wales, so that there is the closest possible matching of training with the

demands of industry and commerce. The proposed emphasis on New Entrepreneur training in the 1978 TOPS Review must also be translated into concerted action. Standing Conference has already established a helpful dialogue with the Welsh office of M.S.C. and will be pursuing these points in detail through the channels established. There is also a strong case to be made for South Wales to be designated as a priority area under the Social Fund of the European Economic Community; the complex rules, which act as a deterrent for private firms to obtain financial aid from the Social Fund, should also be investigated.

LAND AND INFRASTRUCTURE

- 10. The converse of the loss of steel, coal and other manufacturing jobs outlined in Appendix 2 is the creation of new manufacturing jobs with their positive multiplier effect. The need for these new manufacturing jobs is estimated at 20,000 (Appendix 3) and there is an associated requirement for land.
- 11. The land position in South Wales is a complex and intricate matter. The existing position is that there is some 1,200 acres available for development now with a further 500 acres available within a year. In the context of the steel crisis this is a most misleading figure for three main reasons.
 - (i) Some of this land is not yet in public ownership.
 - (ii) These land banks were created to cope with the "normal" existing problems. While some land could and should be urgently utilised for this crisis it would be totally unrealistic in assessing the requirement for remedial action to transfer current land stock into the "special" steel crisis category.
 - (iii) Finally, some of this land is located in the "wrong" place: at Ebbw Vale for instance (to deal with the previous closure there) rather in the coastal plain at Llanwern.
- 12. The additional requirement of land to create a further 20,000 jobs ranges from 800 acres to 1,500 acres depending on the type of development, the allowance for future expansion of units and so forth. The figure used in the calculation of costs (Appendix 3) is the most conservative one.
- 13. There is therefore an urgent need to commence the process of releasing and developing at the absolute minimum a further 800 acres of land - of the "right" type in the "right" location. This must inevitably take a little time and the release planned over the next three to five years. There is an urgent need therefore for the local authorities, the Welsh Development Agency and the Land Authority for Wales to work closely together to identify the priority sites for development; to bring sites into public ownership and to resolve development problems.
- 14. A major problem with much of the land potentially available for development is the lack of adequate service facilities: the lack of sewerage, drainage, water facilities, gas supplies, etc. Particular attention must be focused on the Welsh Water Authority and the Gas Council. The capital programme of the Water Authority must be reviewed urgently in the light of the changed economic situation in South Wales - with increased emphasis on financing the implementation of schemes that will open up sites for industrial development. An approach must also be made to the Gas Council to make supplies available as a matter of national policy for crisis regions such as South Wales. As an absolute minimum any reduction in the demand for gas from local steel and other industries should be reflected in new opportunities to firms establishing or expanding in the region.

"FOOTLOOSE" INDUSTRY

- 15. The attraction of new jobs to South Wales must take into realistic account the continuing "shortage" of manufacturing firms seeking opportunities for expansion or relocation - new investment in all manufacturing industry has about halved in the last 10 years. South Wales must though compete effectively with other parts of the U.K. and, indeed the E.E.C., for the investment that is available. The availability of advance factories over a wide range of sizes will inevitably be the most potent weapon that can be used in the battle for jobs. Tenants will not materialise automatically though and it will require a massive promotion and marketing campaign by the various Agencies and the local authorities - in so far as funds are made available - for this essential purpose. One particular point that attention must be paid to is the "image" of South Wales. It will also require close co-operation to ensure that each enquiry reaches its full potential.
- 16. Recognition must also be made of the changing nature of new industrial and commercial development so that all effort and hope is not placed entirely on advance factories. It is of particular interest to note the amount and types of service development that has taken place in recent years along the M4 corridor, especially between Reading and Bristol. There must be an urgent assessment by the W.D.A., Government and local authorities, in collaboration, of how such development can be attracted further west into South Wales - the need for speculative opportunities for the service sector should receive special attention, possibly through the more widespread use of private and institutional finance (the concept of "advance" offices and warehouses is relevant here).

TRANSPORT

- 17. South Wales is a "peripheral" region and this is increasingly relevant as energy costs increase. It is essential that it has adequate and efficient links with the South East. Particular points here are the potential for electrification of the main line to London, and the early completion of the M4 across South Wales (with adequate arrangements made for the severn crossing). The recent E.E.C. Green Paper on aid to transport infrastructure to assist peripheral regions should be relevant here.
- 18. An additional point is the potential for port related development with the region's deep harbours situated conveniently for Southern Europe. Investment is needed in the ports mainly in terms of access and development of port related industry.

INDIGENOUS INDUSTRY

- 19. Given the shortage of "footloose" industrial and commercial investment, increased emphasis must be placed on encouraging existing local industries to expand and on the creation of new firms.
- 20. In considering the expansion of existing industry, particular attention should be paid to medium-sized firms, notably in those industries such as electronics where there is a clear growth potential. The role of the Welsh Development Agency in facilitating extensions to premises could be particularly important.

- 21. Stimulating the growth of new entrepreneurs must become a key element in the re-generation of the region's economy. As a legacy of an economy dominated for 200 years by the basic industries of coal and steel there is a much lower than average proportion of small firms in the region (25% of firms in South Wales, in size range 11-19 compared to 31% nationally). The main components of such a programme would be the support of new entrepreneurs, through suitable training, (a recent survey of new small firms in Leicester showed that the largest group of new entrepreneurs were manual workers) identification of products, provision of premises and finance, and continuing advice on such business matters as technical, marketing and production problems.
- 22. Many elements of this work are already being carried out by individual organisations: the W.D.A., M.S.C. and the local authorities. What is lacking perhaps is a coherent and co-ordinated package that could be aggressively marketed to attract the interest of potential entrepreneurs. An example of such a co-ordinated package, aggressively marketed, exists in Mid Wales where the M.S.C., Manchester Business School, the Development Board and the local authorities have instituted such a programme (funded partly by the E.E.C.). Market research has identified business areas with growth potential and a competition held for specific new product ideas with a large cash prize funded by a national clearing bank. Selected entrepreneurs then have the opportunity to develop their ideas over a six month period in a context of maximum co-operation from all bodies. Similar efforts are being made to encourage new industry in the North of England and most recently in London by the Chamber of Commerce.
- 23. The Welsh Development Agency, the Manpower Services Commission and the Welsh Office should be pressed to formulate in co-operation with the local authorities a suitable "package" for South Wales.

TOURISM DEVELOPMENT

- 24. Tourism can make an effective contribution to the creation of new jobs; however, the potential for tourism schemes has been substantially held back by the very inadequate funding arrangements. It is to be regretted that the Wales Tourist Board's funds for grant aid have now been reduced compared to last year; this decision should be reviewed and the proposal to introduce interest relief grants for the tourist industry should also be implemented. Both these measures could aid the viability and attractiveness of tourism projects, particularly in the valleys. The extension of the W.T.B.'s scheme for grant-aiding small establishments could also be usefully extended to urban areas.
- 25. At present, most assistance in Wales is provided for accommodation development. Other tourist projects, such as the creation of museums, receive little if any support. Consequently, a wide range of tourism opportunities are neglected as the necessary financial support is not forthcoming.
- 26. There is also scope for a more aggressive approach to the marketing of tourism attractions in South Wales and for improving the information service to visitors. This requires positive action by the local authorities and the Wales Tourist Board.
- 27. Standing Conference is currently liaising with the Wales Tourist Board on the production of an action plan for the development of tourism in the South Wales Valleys. The W.T.B. have indicated that upto 7,000 jobs could be created in the 1980's through this work and there would also be important spin off effects in terms of improving the "image" of the area. It is important that this essentially long term project be adequately funded.

THE E.E.C.

- 28. Standing Conference published in December 1979 a paper entitled "South Wales and the European Community - The Way Ahead". This set out practical suggestions by which the E.E.C. could assist the region, and the need for effective action is now paramount. It is hoped that relevant Commission officials will visit the region to discuss the situation with inter alia the local authorities.
- 29. It is understood that the European Commission is concerned over the ad hoc application of its funds to regional problems and is concerned to develop with Central Government a co-ordinated "package" to meet the problems of particular regions. South Wales is an eminently suitable region for such an exercise and the local authorities could also contribute fruitfully to such a project. This point is strongly urged on Central Government and the Commission.
- 30. Two specific points of concern are: the allocation of money under the non quota section of the Regional Development Fund for steel affected areas and the non designation of Wales as a priority region under the Social Fund provisions. The steel areas to benefit from R.D.F. have been designated by the British Government and defined narrowly. Mid Glamorgan will not for example be eligible for aid despite the likelihood of coal closures in that County as a result of the steel rundown and the fact that 20% of the Port Talbot workforce commute to work from the Mid Glamorgan area. This is a matter that has been pursued with the Foreign Office by Standing Conference.

RATEABLE VALUE

- 31. The cutbacks in steel-making at Port Talbot and Llanwern are likely to lead to requests from the British Steel Corporation for rate reductions; other rate reductions will inevitably follow in industries forced to close or to contract business as a result of the steel decisions. Given the extreme pressures on local government finance, the local authorities have a strong case for compensation payments to be made by the Central Government for losses in rateable value and rates arising from the steel situation. The principle of rating compensation was established in the closure of steel making at Ebbw Vale and it is considered that a similar procedure should now be adopted in respect of Port Talbot and Llanwern. It is also important that this compensation takes into account the time lag between the loss of income and compensation arrangements being implemented.

Cardiff and Vale	33,740	4.70	
Glynaf	4,215	0.15	
Merthyr Tydfil	211,600	17.24	
Neath	17,140	0.50	
North and South Wales	82,931	0.45	0.45
Cynon Valley	19,254	1.83	0.9
West Central Wales	1,064,310	101.76	9.9
North East	863,445	79.11	9.2
South Wales - total for 2000 Areas	233,703	20.34	9.0
Cardiff and Ebbw Vale	106,561	9.31	9.7
Merthyr Tydfil	16,212	1.31	1.1
Neath and Glynaf	18,876	1.50	1.1
West Glamorgan	14,852	0.94	0.8

* These figures for 1979 are based on the 1978 valuation figures.

CHAPTER 5

CONCLUSIONS

The purpose of this document has been to highlight the impact of the current crisis on South Wales and to put forward a programme for remedial action. The phrase "current crisis" is used advisedly as the South Wales economy has been undergoing an unparalleled and massive restructuring since 1945. In particular in the late 1970's two previous steel closures at Ebbw Vale and East Moors took place with the loss of 10,000 jobs. Remedial work on these closures is still far from complete. However, over the last 25 years as a whole much had been achieved in difficult circumstances through diversifying the manufacturing base and attracting new industry. The current crisis poses a threat not only in itself but also to the progress achieved. The sum needed to maintain the region's long term recovery has been estimated at (excluding regional aid) a minimum of £200 million utilised through a coherent five year programme. In talking of such massive sums an element of unreality inevitably tends to develop but the present - and predicted unemployment figures (which take South Wales to the top of the league in the U.K. unemployment figures) - are real enough, as is the social impact they will have. However, with suitable aid, South Wales has shown that it has the ability and willpower to restructure and modernise its economy. For instance a recent survey by International Management Consultants (H.B. Maynard & Co.) of 100 American owned companies in Wales found that they had been generally strike free in the previous five years and experienced high productivity. The local authorities are confident therefore, that given the resources now, South Wales can achieve a viable and productive economy making a real contribution to national wealth; both this century and and next.

UNEMPLOYMENT LEVELS AND JOB LOSSES

PRE 1980 STEEL CRISIS: A REGIONAL

COMPARISON

Comparison with Standard Regions, 6th December 1979

	Unemployed	
	Total	%
Northern Ireland		
North	63,400	11.0
Scotland	117,700	8.5
Wales	180,300	7.9
South Wales*	85,200	7.8
North West	56,000	7.7
Yorkshire and Humberside	199,300	7.0
South West	117,800	5.6
West Midlands	93,400	5.6
East Midlands	126,300	5.4
East Anglia	73,800	4.6
South East	30,700	4.2
	267,600	3.5

* South Wales is not a Standard Region.

Source Department of Employment Gazette, January 1980.

Note: Projected Registered Unemployment in South Wales 91,750: 12.5%

Comparison with Special Development Areas at 6th December 1979

	Working Population*	Unemployed	
		Total	%
Falmouth and Redruth	33,540	4,364	13.1
Girvan	4,215	519	12.3
Merseyside	756,600	85,899	11.3
Wrexham	41,166	4,476	10.9
North West Wales	52,980	5,605	10.6
Livingstone	19,255	1,928	9.8
West Central Scotland	1,064,340	101,765	9.6
North East	863,445	79,111	9.2
South Wales - Total for S.D.A. Areas	233,703	20,984	9.0
Dundee and Arbroath	106,681	9,312	8.7
Glenrothes	16,232	1,315	7.8
Leven and Methil	18,876	1,363	7.8
West Cumberland	59,342	4,494	7.5

* These relate to 1976 base figures as do all statistics on this topic.

Source Department of Employment Gazette, January 1980.

COMPARISON OF SOUTH WALES WITH SOME SIMILAR AREAS WITH S.D.A. STATUS

BY NUMBER OF REDUNDANCIES IN 3 YEARS 1977-79

REGION	WORKING POPULATION	REDUNDANCIES
South Wales	1.7 million	53,700
Strathclyde	2.5 million	47,800
Merseyside	1.5 million	42,700
Tyneside	1.5 million	35,900

Source: Department of Employment

Note: While figures for the different regions are collected on a slightly different basis, this is not sufficient to invalidate the point that South Wales has suffered more redundancies than the other 3 areas before the current crisis. Further the only steel losses these areas are likely to suffer are at Consett (Tyneside) - 4,500 jobs and Hallside (Strathclyde) - 1,100 jobs.

Source: Department of Employment Gazette, January 1980.

These relate to 1976 base figures as do all statistics on this topic.

Region	Working Population*	Unemployed
West Cumberland	89,342	4,494
Leven and Merfyll	18,878	1,383
Greenwich	16,232	1,315
Dundee and Arbroath	108,681	9,318
South Wales - Total for S.D.A. Areas	233,703	20,984
North East	882,446	78,717
West Central Scotland	1,084,340	101,785
Livingstone	19,255	1,928
North West Wales	25,980	2,602
Wrexham	4,166	4,475
Merseyside	156,600	86,699
Strathclyde	4,215	619
Glynn	39,240	4,364
Falmouth and Redruth	39,240	4,364

TABLE 1

STAGE 1 STEEL CRISIS	WEST GLAM. COUNTY	MID GLAM. COUNTY	STAFFORDSHIRE COUNTY	SOUTH GLAM. COUNTY	SOUTH WALES
Registered Unemployed II	25,650	25,250	25,880	26,100	26,500
Early Retirement and Hidden Unemployed	10	10	10	10	10
Total	25,650	25,250	25,880	26,100	26,500
Estimated True Unemployment	25,650	25,250	25,880	26,100	26,500
Demographic Adjustment Factor	8,100	8,100	8,100	8,100	8,100
Total Shortfall of Job Opportunities	17,550	17,150	17,780	18,000	18,400
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DETAILED TECHNICAL EXPLANATION OF EMPLOYMENT EFFECT OF STEEL CRISIS

TABLE 1

STAGE 1 STEEL CRISIS	WEST GLAM. COUNTY	MID GLAM. COUNTY	GWENT COUNTY	SOUTH GLAM. COUNTY	SOUTH WALES
Non Related Private/Public Sector Redundancies in Pipeline	2,000	500	1,100	900	4,500
BSC Planned Steel Redundancies for August 1980	5,200	1,700	4,250	250	11,400
Coal Jobs at Severe Risk due to Reduction of BSC Output	1,500	3,900	1,800	100	7,300
Additional Ripple Effects including a known Coal Ripple Effect	3,000	1,600	1,900	1,000	*7,500
Impact of Stage 1 Redundancies	11,700	7,700	9,050	2,250	30,700
Registered Unemployed Current	13,400	17,100	15,600	13,600	59,700
Total Shortfall of Job Opportunities	25,100	24,800	24,650	15,850	90,400
Demographic Adjustment Extra People Seeking Jobs	+650	+1,950	+900	+950	+4,450
Estimated True Unemployment Total	25,750	26,750	25,550	16,800	94,850
Early Retirement and Hidden Unemployed	-2,100	-1,500	-1,800	-100	-5,500
Estimated Registered Unemployed II Total	23,650	25,250	23,850	16,700	89,350
Stage 2 Coking Coal Imports Crisis (0.6 m. tons less South Wales Coal)	-	1,200	1,200	-	2,400
Ripple Effects on Coal Mining Communities	-	300	300	-	600
Early Retirement Effect	-	-300	-300	-	-600
Estimated Registered Unemployed (Total Extra by County)	23,650 (10,250)	26,450 (9,350)	24,950 (9,350)	16,700 (3,100)	91,750 (32,050) (12.5%)
True Unemployed Total	25,750 (28,450TTWA)	28,250 (25,750TTWA)	27,050	16,800	97,850 (13.4%)

This means in South Wales an Extra 32,050 Registered Unemployed
an Extra 38,150 True Unemployed

EXPLANATORY NOTES AND SOURCES RELATING TO TABLE 1

EXPLANATION/COMMENTARY	DATA SOURCE
1 All known planned redundancies not related to current steelmaking crisis, not yet carried out but in 'pipeline' for 1980 includes 900 pipeline jobs announced as redundancies 8.2.80.	District/County Councils.
2 Announced loss of jobs at Port Talbot and Llanwern, by place of residence of workers. NB upto 4000 other redundancies may follow now at other plants as a result of a national productivity exercise.	BSC workforce data BSC announcement 17th January 1980.
3 Reduction in steel output to 2.8 m tonnes means 1.6 m tons less coal is needed. Jobs by place of residence (assumes no increase in coking coal imports) +Not including 1000 in Dyfed.	Data quoted by N.C.B. in press and in discussion with Standing Conference.
4 *Both coal and steel jobs, with Allowance for Cardiff's role as Regional Service Centre, form base for calculation Includes coal jobs ripple effect. Total multiplier therefore over 130%.	Various, including 1979 Welsh Council report using multipliers.
5 Total extra unemployment impact (adding lines 1,2,3 and 4) of Stage 1 steel crisis.	
6 Add to redundancies to get shortfall of job opportunities (unadjusted) total.	Dept. of Employment.
7 NB to produce new registered unemployment: Totals and rates, demographic adj. must be made, for retiring/early retirement school leavers/and other activity rate changes.	
8 Net increase in numbers of people who would be seeking work in normal economic circumstances during 1980.	Welsh Office statistics. Dept. of Employment activity rates. County Councils population data.
9 To find registered unemployment reduce this total by early retiring steel/mine workers, and hidden female unemployed not registering.	
10 Total 'hidden' unemployment, not registered. 25% miners, steelworkers retire early after redundancies.	
11 An extra 29,650 registered unemployed. An extra 35,150 true unemployed.	
12 On top of a 1.6 m tons cutback through reduced BSC steel output, BSC currently plan to import coking coal. This would mean upto an extra 0.6 m tons cut for South Wales pits, despite £22 m subsidy by N.C.B. to B.S.C. coal.	N.C.B. Data and press article P. Weekes 12/12/79. Also £22 m subsidy announced 11.2.80
13 25% multiplier affect on "Exogenous" coal jobs lost through importation of coking coal.	1979, Welsh Council Report.
14 25% earlier retirement demographic adjustment.	
15 An extra 32,050 registered unemployed. An extra 38,150 true unemployed	
16 TTWA = Travel to Work Area. Definition Differs from County Area.	

EXPLANATION OF WORKINGS ON EMPLOYMENT IMPACT FIGURES

DATA SOURCE	EXPLANATION COMMENTARY
1. 1980	1. 1980 figures for redundancies are based on current steelmaking capacity not yet capped out in 'pipelining' for 1980. Includes 11,400 redundancies at Port Talbot and Llanwern. 1980 figures for coal redundancies are based on a national productivity cutback of 1.6 million tons.
2. 1980	2. Productivity cutback in steel output to 2.75 million tonnes means 1.6 million tons less coal is needed. Loss of place of residence of 7,300 coal workers in coming coal imports, including food in byes.
3. 1980	3. Both coal and steel jobs with allowances for Cardiff's role as a regional service centre. Form base for calculation in Wales. Coal jobs ripple effect. Total multiplier effect over 130%.
4. 1980	4. Total extra employment impact (adding lines 1, 2, 3 and 4) of 4,500 jobs.
5. 1980	5. Total extra employment impact (adding lines 1, 2, 3, 4 and 5) of 11,400 jobs.
6. 1980	6. Total extra employment impact (adding lines 1, 2, 3, 4, 5 and 6) of 15,900 jobs.
7. 1980	7. Total extra employment impact (adding lines 1, 2, 3, 4, 5, 6 and 7) of 18,400 jobs.

EXPLANATION OF WORKINGS ON EMPLOYMENT IMPACT FIGURES

THE METHOD

1. A step by step approach has been adopted in order to isolate the complex and inter-relating factors at work in this crisis for the South Wales economy. The crisis has 3 main elements:-
 - i) The deteriorating National Economic Climate.
 - ii) The Steel Crisis resulting from 11,400 Steel Redundancies at Port Talbot and Llanwern.
 - iii) The Coking Coal Crisis resulting from a B.S.C. decision to import "cheaper" coking coal.

DETERIORATING NATIONAL ECONOMY

2. Through their contacts with Private Industry and Public Agencies in their areas County Councils and District Council have been able to ascertain redundancies yet to be carried out, but definitely 'in the pipeline'. These are redundancies not related to the B.S.C. scaling down decision, and not yet registered as unemployed.
3. As line 1 shows, these redundancies currently total 4,500. For the purposes of this exercise future redundancies in this category are assumed to be cancelled out by a similar number of new jobs during 1980 ie. deficit remains at 4,500. (Although a higher figure is probable there is no accurate method of estimating this).

B.S.C. REDUNDANCIES AND THE 'RIPPLE' EFFECTS

4. Line 2 shows place of residence of redundant steel workers by County area. This reduction from 4.3 million tonnes steel output to 2.75 million tonnes will reduce need for local coal by 1.6 million tons. This will place at least 7,300 coal jobs at severe risk. As these mining job losses are localised and identifiable, this exercise does not include them in an overall multiplier calculation, but attributes them to the County where the pit is located (see line 3).
5. Line 4 shows the use of a jobs 'multiplier' to calculate the extra jobs lost through the steel and coal redundancies. These jobs include rail and transport workers, tinplate workers, construction workers, maintenance and contract workers, engineering workers, service workers and retail workers. The coal effect is accounted for by a multiplier of x1.25 and a 1.50 factor is adopted for Steel.

THE COKING COAL CRISIS

6. Should the N.C.B. cutback on coal of 1.6 million tons, be added to by a further 0.6 million ton cutbacks due to B.S.C. importing coking coal, an additional 2,400 miners jobs will be lost.
7. These pits are located in Mid Glamorgan and Gwent. Stage 2 of the exercise traces the effect of this decision.

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- 8. A multiplier of x1.25 is used (25%) to calculate the localised effect on mining communities.
- 9. Premature retirement is allowed for as previously (25%). These latter two adjustments, therefore balance out the secondary adjustments.

THE MULTIPLIER

- 10. This is an economist's concept based upon the 'regional income multiplier'. A region is said to have 'Basic' industries, which 'export' goods and services to other regions and earn income for that region.
- 11. A region also has 'Non-basic' industries, which serve the 'Basic' industries (eg. retailing, education and other services).
- 12. When a 'Basic' industry expands, extra income is earned and job opportunities expand in that industry and the 'Non-basic' industries that serve it.
- 13. The reverse is also true, when a 'Basic' industry contracts, the service industries contract too.
- 14. The Multiplier is an attempt to quantify this relationship. This relationship differs from region to region, from industry to industry.
- 15. Studies of the Steel Industry have quantified this relationship as low as x1.25 (25% extra job loss) in the case of Bilston (West Midlands) and as high as x3.00 (200% extra job loss) in the case of a Welsh Council Study (The Welsh Social Accounts 1968: A Labour Dimension, Page 25) commissioned by the Welsh Office from the Institute of Economic Research, University College of N. Wales. This is a highly 'qualified' figure and the authors stress that extreme care should be exercised in making generalisations from one year's data.

THE MULTIPLIER 'AGREED' FOR THIS EXERCISE

- 16. A mid-point in the range of multipliers used elsewhere was thought appropriate following an initial technical discussion. Subsequently data was available in press and in discussions with N.C.B., as to mining jobs at severe risk because of existing financial problems and the impending 1.6 million tons of coal reduction in B.S.C.'s requirement. This data was thought far superior than any technical estimate, and therefore the multiplier used for other associated industries and services was at the level of 50% with a secondary effect of 25% for coal communities.
- 17. The overall effect of lost job opportunities (Stage 1 Line 5) could be represented as using a general multiplier of the order, 2.30 (130%). However further adjustments have to be made to this figure to derive an estimate for Registered Unemployment.

THE DEMOGRAPHIC ADJUSTMENT

- 18. Every year members of the workforce retire or die, with new members seeking work to take their place after leaving full time education, or having less family responsibilities. This demographic adjustment consists therefore of 2 factors:
 - 1. Numbers leaving the workforce
 - 2. Numbers entering the workforce

.. ..

.. .. 28.

- 19. The first factor includes those taking early retirement. This is thought to be as high as 25% in the case of the steel workers and coal miners effected by the current crisis given their present age structure.
- 20. Numbers entering the workforce, ie. seeking work, often reflects the number of jobs perceived as available at any time. Therefore at times of shortage, married women in particular, who would normally be actively seeking work do not bother even to register as unemployed (as they are usually ineligible for benefit). This creates 'hidden unemployment' not shown in the Department of Employment statistics. Also early retirement, even if cushioned by a lump sum could be said to be 'hidden unemployment'.
- 21. A close examination of the age structures of the working population by the County Councils has shown (line 8) a total of 4,450 extra people will be seeking work in 1980 compared to those seeking work in 1979.
- 22. The early retirement effect (line 10) will more than reduce this as it totals 5,500. Nevertheless, the adjustment is important as it highlights the 'true' rather than 'registered' size of those who would normally wish to be in employment.

SUMMARY

- 23. Unemployment rates are not given, except for South Wales overall, this avoids misleading anomolous effects. The absolute figures for unemployed are the relevant figures. The extra numbers by County areas are West Glamorgan +10,250; Mid Glamorgan + 9,350; Gwent + 9,350; and South Glamorgan +3,100.
These are figures for registered unemployment. As table shows, 'true' numbers are considerably higher.

REMEDIAL ACTION ON ECONOMY: COSTS

TECHNICAL EXPLANATION

AS RESULT OF STEEL RUN DOWN (11,400 JOBS LOST)

i)	4 million sq. ft. of floor space required:	
	Assume 2 million sq. ft. advance factory floorspace @ £25 per sq. ft.	£ 50 m
	2 million sq. ft. self build (see (v) below)	
ii)	Site purchase and preparation of 800 acres of land @ £50,000 per acre	£ 40 m
iii)	Improved access to industrial areas - £15 million each in Gwent and West Glamorgan (based on estimates of access expenditure at East Moors)	£ 30 m
iv)	Retention of training places in South Wales:	
	500 places at £12,500 per annum (£250 per place per week)	£ 6 m
v)	R.D.G., S.F.A. and other aid:	
	6,000 jobs in advance factories @ £5,000 per job	£ 30 m
	6,000 jobs in self build factories @ £10,000 per job	£ 60 m
	TOTAL FOR STEEL CLOSURE	<u>£ 216 m</u>

AS RESULT OF COAL RUN DOWN (7,300 JOBS LOST)

i)	2½ million sq. ft. of floorspace required:	
	Assume 2 million sq. ft. advance factory floorspace @ £25 per sq. ft.	£ 50 m
	½ million sq. ft. self build (see (iv) below)	
ii)	Site purchase and preparation of 400 acres of land @ £50,000 per acre	£ 20 m
iii)	Improved access to industrial areas (increase over West Glamorgan/Gwent accounted for by greater dispersal of need in coal closure areas)	£ 20 m
iv)	R.D.G., S.F.A. and other aid:	
	6,000 jobs in advance factories @ £5,000 per job	£ 30 m
	1,500 jobs in self build factories @ £10,000 per job	£ 15 m
	TOTAL FOR COAL RUN DOWN	<u>£ 135 m</u>

.. . . .

'RIPPLE EFFECT' (MINIMUM OF 5,900 JOBS OF WHICH 2,000 IN MANUFACTURING)

i)	700,000 sq. ft. of floorspace required:	
	350,000 sq. ft. of advance factory floorspace @ £25 per sq. ft.	£ 8.75 m
	350,000 sq. ft. of self build (see (iii) below)	
ii)	Site purchase and preparation of 140 acres of land at £50,000 per acre	£ 7. m
iii)	R.D.G., S.F.A. and other aid	
	1,000 jobs in advance factories @ £5,000 per job	£ 5 m
	1,000 jobs in self build factories @ £10,000 per job	£ 10 m
	TOTAL FOR 'RIPPLE' EFFECT (2,000 Jobs)	<u>£ 30.75 m</u>
	GRAND TOTAL	£ 381.75 m

TRIPLE EFFECT (MINIMUM OF 2,000 JOBS OF WHICH 2,000 IN MANUFACTURING)

(i) 200,000 sq. ft. of floor space required.
 250,000 sq. ft. of advance factory floor space @ \$28 per sq. ft.
 250,000 sq. ft. of self build (see (iii) below)

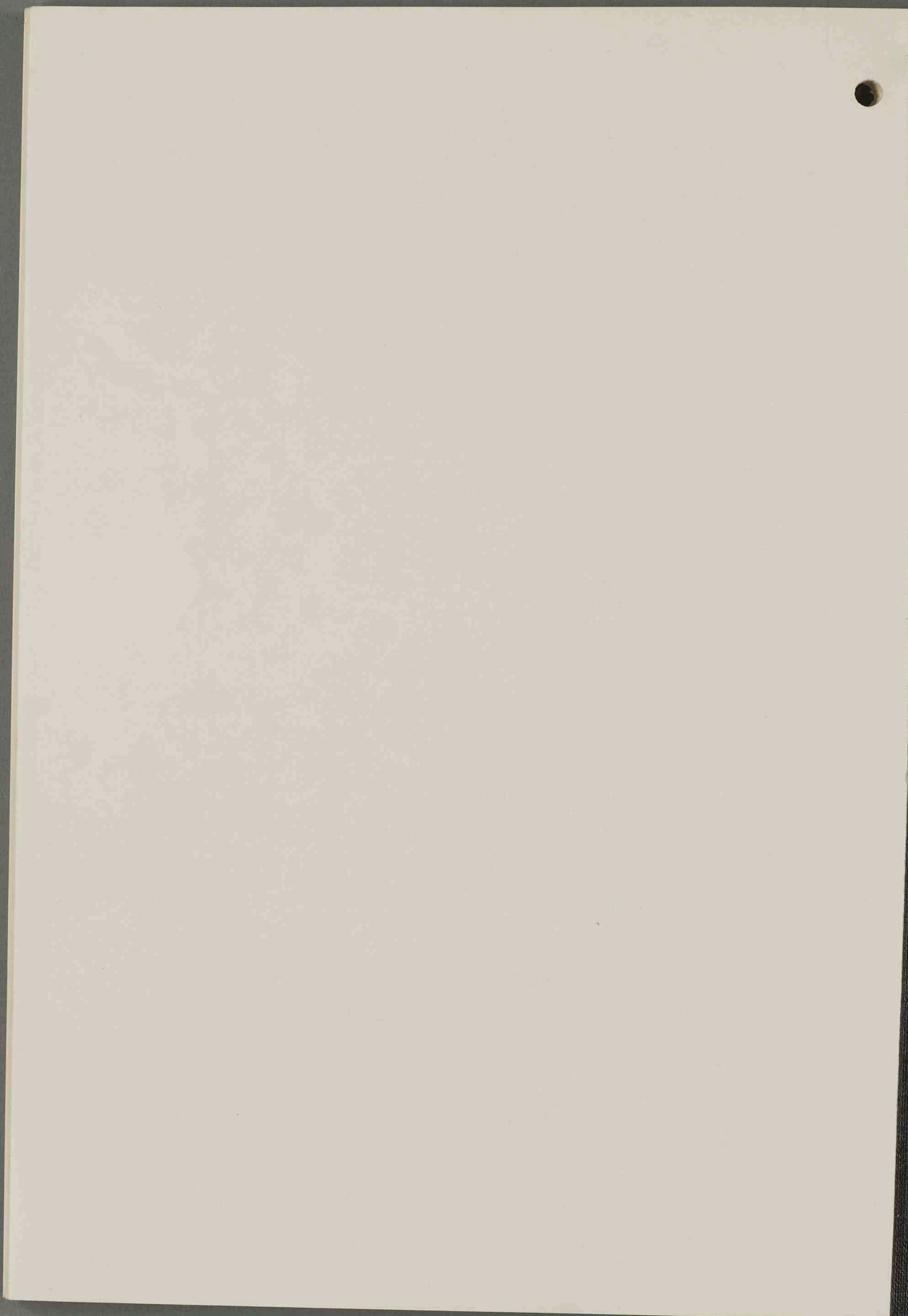
(ii) Site purchase and preparation of 140 acres of land at \$80,000 per acre.
 140 acres @ \$80,000 = \$11,200,000

(iii) R.D.G. 2 P.A. and other aid
 1,000 jobs in advance factories @ \$5,000 per job
 1,000 jobs in self build factories @ \$10,000 per job

TOTAL FOR TRIPLE EFFECT (2,000 jobs)

GRAND TOTAL

(iv) ...
 (v) ...
 (vi) ...
 (vii) ...
 (viii) ...
 (ix) ...
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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

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3HE.

MBM yet

28 February 1980 *25/3*

Dear Geoffrey.

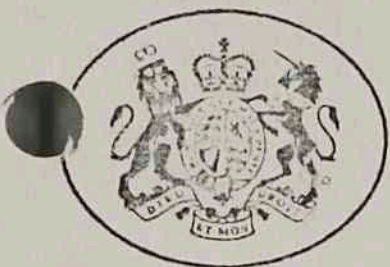
REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWNS

As you know officials have been considering the measures which the Government could take to alleviate unemployment in the areas affected by BSC's planned slimming down - Consett, Scunthorpe and parts of South Wales. I attach a copy of their report whose recommendations I endorse.

Nicholas Edwards has of course already announced remedial measures to cost £48 million for South Wales. I propose to make an early announcement of corresponding measures for Scunthorpe and Consett although the timing may be affected by the progress of the steel strike.

Consett will be the most hard hit of these areas, harder hit even than Corby. Unemployment in Consett could rise to over 20%. Moreover in the past, despite its Special Development Area (SDA) grading, the town has not proved attractive to new industry. The Northern Region as a whole - which suffers the highest unemployment rate in Great Britain - will consider our measures to help Consett as a test of the strength of our concern with unemployment in the North.

Following the pattern set by Nicholas Edwards for South Wales, I am proposing to undertake a special programme of advance factory construction in and around Consett and Scunthorpe. The expenditure to be undertaken in Wales over the next two years will appear embarrassingly large compared with the relatively limited expenditure I can sensibly recommend for Consett and Scunthorpe. This apparent discrepancy can be defended however on the grounds that the overall increase in unemployment in Wales can be expected to be considerably greater, and that/Consett in particular the difficulty of letting factories requires new construction to be spread over a much longer period.



I therefore propose to announce a five year programme to cost £19 million at 1980 PES prices, split 2:1 between Consett and Scunthorpe. Although I do not propose to include this in any statement, I intend the pace of expenditure to be governed by the success in letting in order to ensure that not more than a reasonable amount of vacant space is on offer at any one time while keeping within the maximum of amounts of expenditure proposed. These will be £2m in 1980/81, £5m in 1981/82 and £4m per year for the remaining three years.

I hope that Michael Heseltine will give most sympathetic consideration to the proposal for a substantial derelict land clearance programme at Consett because such a programme would be desirable in itself and also because it would visibly demonstrate our concern.

I also hope that Jim Prior will feel able to adopt the modest proposals by the Manpower Services Commission and that their implementation could be announced in my statement.

I think we can deal separately with the arrangements under Section 7 of the Industry Act for supporting in certain circumstances in-house training costs of firms in the SDAs and the Development Areas.

While obviously we cannot yet take firm decisions about any changes in Assisted Area (AA) gradings, I am anxious to arrange for officials to let the Commission know informally that we have some upgradings under consideration so that we can implement decisions quickly when the time comes. I propose therefore that my officials should make informal contact with the Commission based on the majority recommendations in the report, subject to further advice from officials on the treatment of Cwmbran.

My Department has been able to absorb within its existing allocations the costs of the advance factories proposed for Consett and Scunthorpe together with any additional Section 7 expenditure at Scunthorpe but it cannot manage more. As you already know, because of much larger than foreseen redundancies at BSC we face substantial additional and inescapable costs in respect of the statutory steel redundancy payments scheme above those allowed for in our PES totals. There is a reasonable expectation that some of these additional costs may be offset by the savings likely to arise in the present Regional Development Grant (RDG) provision because the downturn in investment may be greater than allowed for in our PES totals. But to the extent that such savings fall short of the additional redundancy costs, they, and additional RDG payments arising from the creation or upgrading of Assisted Areas (the bulk of which will be paid out in Wales), should, I hope you will agree, be a call on the Contingency Reserve. Nicholas Edwards will no doubt comment separately on the additional Section 7 expenditure in Wales that would fall on his Department's vote.

/I am ...



I am concerned at the political capital that is being made about the effect of steel closures on the coal industry in South Wales. The NUM are attributing a substantial number of job losses in South Wales to the Government's steel policy and as yet we have made no attempt to counter this. To some extent redundancies in the South Wales pits will arise anyway as coal seams become uneconomic and we need to make it clear that those redundancies that arise from steel retrenchment are the result of a fall in the demand for steel rather than of Government policy. Furthermore we have no clear idea of the likely timing of pit closures; it seems unlikely that they will take place as quickly as the redundancies in the steel industry. I have therefore asked officials here to discuss these problems with their colleagues in the Department of Energy and the Welsh Office and try to gain a clearer understanding. As a result of their work we may have to consider further remedial measures and whether the work already done by officials on modifying the assisted area gradings needs to be amended. We shall also no doubt need to explain the position clearly to public opinion in South Wales.

Subject to the views of colleagues on my proposals I plan shortly to circulate a draft of my statement on remedial measures for Consett and Scunthorpe (excluding however the question of AA gradings). No doubt we can have a discussion in E Committee if this would help.

I am sending copies of this letter and attachment to members of the Cabinet, of E Committee and to Sir Robert Armstrong.

Y
Lum,

Kear



REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWN

REPORT OF INTERDEPARTMENTAL GROUP OF OFFICIALS

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Department of Industry

19 February 1980



REMEDIAL MEASURES FOR AREAS AFFECTED BY STEEL RUNDOWN
REPORT OF INTERDEPARTMENTAL GROUP OF OFFICIALS

INTRODUCTION

1.1 The British Steel Corporation (BSC) have announced their intention to close their iron and steelworks at Consett, in Derwentside, Co Durham (involving 4,000 job losses); and to reduce iron and steel-making at their Scunthorpe works (2,800 job losses). Although BSC have yet to finish their consultations with the trade unions over these proposals, they have indicated that they will be looking to complete these reductions by August 1980. BSC have also announced their intention to reduce the combined capacity of their South Wales plants at Port Talbot and Llanwern to a combined total of 2.8 million tonnes per annum. BSC have yet to finally decide on how this might best be achieved but they are at present concentrating in consultations with the unions and workforce on a "slimline" option which would involve keeping both works open but with a reduced capacity at each. Such an option would mean the loss of 11,300 jobs (6,883 jobs at Port Talbot and 4,454 at Llanwern).

1.2 The interdepartmental group was set up in December 1979 under the Chairmanship of the Department of Industry to consider possible remedial measures to offset the impact of the redundancies arising from these closures in the areas concerned. The Welsh Office, the Treasury and the Departments of Environment, Employment and Transport and the Manpower Services Commission (MSC) were also represented.

1.3 The Secretary of State for Wales announced on 4 February that £48 million would be spent in the areas affected in South Wales on factories, land acquisition and associated infrastructure. That leaves the following major issues for Ministerial decision:

- (i) what similar measures should be taken in the relevant English areas;
- (ii) whether there should be any changes in Assisted Area status of the English and Welsh areas.

An early announcement could be made on factory-building etc in Scunthorpe and Consett. However, there should be no announcement about Assisted Area status until BSC have taken their final decisions on the implementation of the reductions, although the European Commission could at this stage be notified of possible changes on a contingency basis.

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1.4 The possible effect of the steel reductions on local unemployment is described in Chapter 1 of the report. Remedial measures specific to Consett and Scunthorpe are discussed in Chapter 3. Assisted Area status of both the English and Welsh Areas is treated in Chapter 4. Chapters 5 and 6 describe manpower development and possible compensation for loss of rate income which is applicable to all the areas affected by the steel rundown. Financial and manpower implications of possible remedials, and the summary, appear in Chapter 8.



CHAPTER 1

UNEMPLOYMENT EFFECT ON THE AREAS CONCERNED

1.1 The job losses which will result from these closures and redundancies are large. Very seldom do single closures have such an impact nor (short of a BL catastrophe) are there likely to be more than a handful of comparable ones in the future. While any "forecasts" of the impact on the localities must be speculative some estimates of the resultant rates of unemployment (based on experience of previous steel closures) together with present (January 1980) unemployment are shown in Annex A. The table takes account of all manpower redundancies planned at the works in question.

1.2 The impact of any consequent job losses in other industries or in local services is much more uncertain. While, for instance, the coal industry in South Wales will be affected the incidence and timing of any resultant job losses cannot at present be estimated with any degree of certainty - and are unlikely to be known even when BSC's final decisions are made; their impact on the areas affected by the current closures and contraction in the steel industry (and other areas) is not therefore taken into account in the recommendations contained in this Paper. A separate review may be necessary once these secondary effects are known.

1.3 A number of surveys into the rate of redeployment of redundant workers have been carried out, but no clear pattern has emerged that could be helpful in predicting the rate at which redundant steel workers will find new jobs particularly since many of those who do will displace other job seekers. Local conditions are a major determinant anyway. Such evidence as there is - including surveys of 1978 redundancies at Glengarnock (BSC) and Swan Hunter Teesside (British Shipbuilders) - suggests that workers are redeployed considerably more slowly now than in the early 1970s. All the surveys show that relatively few workers moved house in order to find new work. The most found in any survey was 4% and these tended to be the younger and more skilled.

Consett

1.4 From the table at Annex A it will be seen that the closure at Consett, ^{will} have the worst effect in terms of unemployment in the immediate locality. Unemployment in the Consett Travel to Work Area (TTWA) is already 11.6% and could rise to over 20%, as a direct result of the closure. Moreover, Consett's relative isolation makes it difficult to attract alternative employment and for those made redundant to find jobs within reasonable commuting distance. Further details on Consett are given in Annex A.

Scunthorpe

1.5 The Unemployment rate in the Scunthorpe TTWA is 6.4% somewhat above the GB average (5.9%). The contraction at the steelworks may result in unemployment rising to over 10% and this will be compounded by a further 500 redundancies due to take place by August in Scunthorpe announced by BSC's subsidiary Redpath Dorman Long Ltd. Further details are given at Annex B.

South Wales

1.6 The loss of 11,300 jobs in South Wales arising from the option now being discussed by BSC would have a direct effect on the TTWAs of Port Talbot, Neath/Resolven, Swansea, Newport and Pontypool as indicated in Annex A and some effect upon South Wales as a whole. Considerable job losses are likely to take place as a result in other industries such as coal and transport - although the time-scale of these losses will be longer than in steel and as explained in paragraph 1.2 their incidence is not yet clear. However, the Welsh Office estimate that a minimum of 5,000 - 6,000 jobs will be lost in the coal industry in the next 12 months or so, most of these arising in the areas suffering the steel job losses.

1.7 If BSC were to choose any option other than their preferred 'slimline' one the local effects would be much more serious. Complete closure of the Port Talbot works (12,584 direct job losses) might result in unemployment of over 15% in the Port Talbot TTWA. The other choice, complete closure of Llanwern (9,353 job losses might result in unemployment of 14% in the Newport TTWA). Either of these more drastic options would also have a more serious impact on the 'secondary' industries such as coal.



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CHAPTER 2

EXISTING HELP FOR STEEL CLOSURE AREAS AND ASSISTANCE FROM EUROPE

Existing Help for Steel Closure Areas

2.1 Steelworkers made redundant by BSC will on past form receive generous severance payments. Assistance is also available in large-scale redundancies from the Manpower Services Commission (MSC) to help find alternative employment and provide training for the workers involved. Further details of this help are given in Annex D.

2.2 Regional Selective Financial Assistance under Section 7 of the Industry Act 1972 is available for viable, commercial projects which create or safeguard employment in the Assisted Areas. The amount of Section 7 grant is the minimum necessary to secure particular projects. The maximum assistance available is determined by reference to the status of the area concerned and is therefore higher in Special Development Areas (SDA) than in Development Areas (DA) or Intermediate Areas (IA). Steel closure areas qualify, however, for assistance up to the maximum of £5,000 per job irrespective of their formal Assisted Area status.

2.3 Steel closure areas also merit the attention of BSC (Industry) Ltd, a subsidiary of BSC set up to help attract jobs to steel closure areas. BSC (Industry) Ltd is already active in Consett but not yet in the other areas discussed in this paper. A background note on the company is at Annex E.

Assistance from Europe

2.4 Steelworkers made redundant by BSC are eligible for readaptation grants funded jointly by the Government and by the European Coal and Steel Community, which also gives assistance to encourage industrial projects which provide employment opportunities for redundant steelworkers. In addition some assistance might be available to projects in steel closure areas under proposals made by the European Commission to the Council of Ministers for the use of the non-quota section of the European Regional Development Fund (although Consett and Scunthorpe have not yet been included within the ambit of these proposals). Further details of these measures are given in Annex F.

2.5 As a result of a commitment by the Chancellor of the Exchequer to the TUC a separate exercise is being conducted into whether more funds from European sources can be channelled into steel.



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CHAPTER 3

REMEDIAL MEASURES FOR CONSETT AND SCUNTHORPE

(a) FACTORIES

3.1 Advance factories are one of the more effective means of attracting industry. They also offer the most tangible evidence of Government action to the local community, provided they can be started promptly, and tenants found within a reasonable time. They have invariably formed part of Government response to sudden large closures in major industries such as steel and shipbuilding. For instance, some £15m of additional funds were allocated to the Shotton area for factory development following BSC's announcement in November 1979 of the cessation of iron and steelmaking by March 1980. In Corby, as a New Town, Government advance factories are built by the Corby New Town Development Corporation. It already had a substantial factory building programme in hand and the Department of the Environment has made a further £3 million available for infrastructure and site consolidation for the development of an additional 70 acre industrial site

3.2 The remedial measures package of £48 million announced by the secretary of State for Wales will be devoted to land acquisition, and site preparation for factories and to the building of advance factories in the catchment areas of BSC's Port Talbot and Newport works over the next two years. A target of 1½ million sq ft of factory space (providing space for firms employing about 4,500 people) has been established for this period; details for later years still have to be determined.

Private Sector

3.3 Private factory development in Consett and Scunthorpe is insignificant, and it would not be reasonable to expect any private sector involvement in urgent programmes of this kind. The search for willing partners would militate against a quick response; but in any case, given the private sector's pre-occupation with rental (and therefore industrial) growth, it is unlikely that any willing institutional partner could be found even at the price of heavy initial subsidy. Therefore the Government agencies will have to provide the factories in the first instance wholly from public funds; it is possible that completed and fully tenanted factories could be sold to the private sector once a satisfactory growth climate in the areas had been established although it would be unrealistic to hope for early recovery of expenditure in this way.

Programming

3.4 The ability to sell completed estates for a reasonable return will depend on the rental levels achieved. It is therefore important not to flood the market so as to avoid undue delay in letting, which would lead to



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depression of rents. It is important too, ^{to} keep any factory building programmes in perspective. The comparison with Merseyside, for example, needs to be borne in mind. Unemployment there is now 11% (90,000 unemployed compared with the projected unemployment in Consett of 7,000 people); but only 525,000 sq ft of factories are built, under construction or planned for the area and 10% of this is already under offer to prospective tenants.

3.5 Any programme of advance factories for Consett and Scunthorpe should comprise an appropriate initial provision for each area, with a view to the replacement of factories as they are allocated. This would ensure continuous availability of a suitable range of sizes in each area without flooding the market unduly. With this in mind a 5 year programme with an annual ceiling is suggested with provision for review in the light of developments. Altogether the programme would amount to 575,000 sq ft in Consett and its vicinity (providing upwards of about 2,000 direct jobs) and 225,000 sq ft (providing rather more than 1000 direct jobs) in Scunthorpe. Further details of the proposals are given in Annex G. Its estimated cost would be £19 million spread over the five years of the programme.

Environmental Measures

Consett

3.6 Consett is characterised by severe environmental problems and is dominated by the overpowering structure of the steel works and the associated slag heaps. The Coopers and Lybrand Report recommends that a special fund be made available to implement a programme of environmental works to improve the image of the District. Derelict Land Clearance grants could help to achieve this although funds for these are strictly limited and a special allocation would be needed if this were to feature prominently in any package of remedial measures. The Northern Region as a whole already receives over 30% of the £20 million currently available for derelict land clearance in England. Derwentside's share in 1979/80 was £150,000. The local authorities' capacity for self-help is limited because of the severe restrictions on the Locally Determined Sector borrowing approval. Further resources might however be available for the reclamation of certain derelict urban/industrial sites within the measures now being discussed by the EEC Commission to aid steel closure areas through the non-quota section of the ERDF (paragraph 2.4).

Scunthorpe

3.7 Scunthorpe is not characterised by environmental problems in the same way as, say, Consett. Little needs therefore to be done

FOOTNOTE: * This report into the prospects for attracting employment to the area was commissioned jointly by BSC(Industry) Ltd, Durham County Council and Derwentside District Council.



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in the way of environmental improvements. A problem is a relative shortage of fully serviced land for industrial development, together with some physical impediments to development. These problems are largely within the capability of the local authorities to solve. The main contribution that DoE could make would be to ensure, within available resources, that funds are available for the infrastructure and servicing of industrial sites.

Communications

3.8 No transport measures are necessary for Scunthorpe beyond those already in train.

As for Consett however the Coopers and Lybrand report on the area considers that improvements to the road between Consett and Stanley (the main town in the area) to be a key element in the industrial regeneration of the area. In addition if the unemployed in Consett are to be encouraged to seek jobs elsewhere some extension of bus services and fare subsidies may be necessary.

3.9 Improvements in roads and bus services are, however, for the Durham County Council to undertake within the resources available to them. Although the Department of Transport has no spare resources from which to fund these improvements directly or any locus to intervene it will as far as is possible and within the national total available for local transport spending in 1981/82 which will form the basis of the next annual Transport Supplementary Grant allocation seek to allocate sufficient resources to the County Council to allow them to undertake these improvements if the Council judge them to be of high priority.

3.10 The future of the freight line between Consett and Newcastle is a matter for the British Railways Board.

3.11 A further discussion of communications in Consett and Scunthorpe is at Annex H.



Status Enhancement for Consett

3.12 Alone among the areas affected by BSC's current proposals, Consett is already a Special Development Area. Thus it already benefits from the maximum level of regional incentives available in Great Britain, often up to the maximum permitted by the EEC. The Group considered other possible measures to 'enhance' the status of the area, to focus attention more directly on it, and perhaps to make assistance available beyond EEC ceilings. (In this latter respect training assistance under Section 7 may be of some relevance (see paragraph 5.5).

3.13 A number of measures were considered and these are examined at Annex I. Of These, assistance for Consett under the Inner Urban Areas Act or by setting up an Urban Development Corporation there, were rejected by the Group. The possibility of setting up an Enterprise Zone in Consett was also examined. This would have some presentational advantage and the fiscal incentives associated with such zones might be an additional encouragement to firms there. However Ministers are looking for sites for Enterprise Zones which have real promise of success and Consett should not/included in the initial list of sites in the announcement about Enterprise Zones although if local authorities in Consett asked for an EZ this would of course be considered on its merits.

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CHAPTER 4

ASSISTED AREA STATUS (English and Welsh Areas)

- 4.1 In his announcement on 4 February 1979 on remedial measures for South Wales steel areas the Secretary of State for Wales said that the Government would announce any changes in Assisted Area (AA) status as soon as possible after the BSC had made its final decision on the implementation of its planned reduction. With Shotton and Corby no firm decisions on AA status were taken before we were certain what BSC would do. An upgrading is in practice irreversible in the short term and there is no flexibility as there is with other remedial measures such as factory building. Nevertheless although no firm decisions on AA status should be taken at this stage it would be helpful to consider now the general approach that might be adopted. Ministerial agreement on the approach would facilitate the taking of quick decisions later on (an early response to BSC's final decisions will be expected especially as some of the areas concerned are due to be downgraded in August 1980). Such agreement might also provide a basis for officials to notify possible changes to the EEC Commission on a contingency basis as we did in the case of Shotton and Corby; this, might, too, save time later on.
- 4.2 On 17 July 1979 the Secretary of State for Industry announced the conclusions of the review of regional industrial policy. The July decisions were designed to provide a stable framework for regional policy to concentrate assistance more effectively on the areas of most need; to greatly reduce the coverage of Assisted Areas, and to save public expenditure. However these decisions as far as they affect those Special Development Areas (SDAs) and Development Areas (DAs) which are due to lose their AA status are subject to a review before they are fully implemented in August 1982.
- 4.3 What principles should govern changes in AA status of individual areas in the interim period before this coming review? One option open to Ministers is of 'fine tuning' to upgrade (or downgrade) individual areas as their circumstances meet the prevailing criteria for the relevant AA grade. However this could probably result in a number of upgradings especially in the next few months given the probable extent of closures and redundancies in the depressed economic climate. This would undermine the stability of regional policy which is vital if it is to succeed in influencing investment decisions by industrialists. Moreover since, in practice, it is politically much easier to upgrade an area than to downgrade it, 'fine tuning' would result in an extension of AAs contrary to a main objective of the July decisions.
- 4.4 The second option open to Ministers in the interim period before the review of post 1982 boundaries is to make changes only in response to sudden and certain changes in the area's circumstances which are likely to have a large long term effect. A steel closure as large as those discussed in this report is an obvious example, but a normal 'big' closure whether in the private or public sector would not be.



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4.5 A related issue which Ministers will wish to consider, and which is particularly relevant to South Wales, is how far changes in AA status should anticipate major closures or redundancies which are not yet certain. There is no need to indulge in such speculation on BSC's intentions as the Government's announcement will follow the Corporation's final decision. However even then the impact in South Wales will be by no means clear since the incidence and timing of the other possible closures there, especially of collieries will not be known. The Group (Welsh Office dissenting) consider that any announcement of changes in AA status of areas affected by the steel reductions should take into account other job losses only if these are then known to be certain, although obviously the Government would make clear its willingness to keep the prospects for the areas concerned under review and to make further changes if necessary. The Welsh Office consider however that the Government will be expected in any announcement of AA changes in South Wales to take account of probable job losses in other industries consequent on the steel reductions.

4.6 The case for changes in AA status of the TTWAs that will be directly affected by the manpower reductions planned by BSC are discussed in Annex J. The main choices are as follows:

- (i) to reverse the decision to strip Scunthorpe of its Intermediate Area (IA) status; to leave Newport as an IA (as planned for 1982 under the July decisions); and to retain the whole of Port Talbot TTWA as a DA (thus partially reversing July decisions). Cost £6 million per year;
- (ii) to upgrade Scunthorpe and Newport to DAs and to retain Port Talbot TTWA as a DA. Cost £10½ million per year;
- (iii) as (ii) but to upgrade the Port Talbot TTWA to an SDA. Cost £13½ million.

Other changes that could be made are: the reversal of the decision to downgrade the Neath TTWA from an SDA to a DA. (Cost £1 million per year); the upgrading of Cwmbran (within the Pontypool TTWA) to DA should it be decided to upgrade Newport to a DA. Cost £1½-¾ million per year.

4.7 The Group (Welsh Office dissenting) considered that the changes at option (ii) above would be an appropriate response. The Welsh Office argued that on the planned job losses at the BSC works at Port Talbot would by themselves lead to that TTWA meriting SDA status and that there was also a strong case for reversing the downgrading to DA of the Neath TTWA particularly if account were taken of the likely job losses in coal mining. All were agreed that if BSC concentrated its rationalisation of capacity in South Wales on Port Talbot then the case for SDA status of that TTWA would be very strong. The Group could not reach agreement on whether if the rationalisation were concentrated on Llanwern, where Newport merited SDA, rather than DA, status.



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CHAPTER 5

MANPOWER DEVELOPMENT AND LABOUR MOBILITY AND TRAINING

5.1 This Chapter first considers what special measures might be taken by the MSC to help people in areas affected by the steel reductions to find jobs. Secondly it describes a possible scheme currently under consideration for giving financial assistance to firms where saving costs are a significant factor in location decisions. The main objective of this second scheme of assistance would be to provide an added inducement to firms to set up in SDAs and DAs.

5.2 Annex D sets out the normal contribution the MSC makes for any major closure through an augmented provision of its normal placement and training services. It is, however, clear that the employment effects of the major redundancies are not confined to steel workers. Those thrown out of work by the secondary effects of the redundancy may be worse affected since they may receive no redundancy pay and have no special action taken on their behalf. The labour market in the community as a whole will be affected, particularly new entrants to the labour force, the long term unemployed and older workers. Training capacity in local industry may be reduced and the skill base eroded as firms close down.

5.3 Help for community - Manpower services can support the creation of new jobs by new or incoming industry through appropriate training efforts; can help workers retrain for new employment where job opportunities exist; can help workers move house to find employment elsewhere; and can provide temporary jobs as work experience for the unemployed. The MSC's normal services will go some way to fulfill these aims. In the steel areas the MSC considers that additional measures might be justified to support employment creation and to help unemployed workers, in the context of a more general Government approach. Some measures that MSC considers might be introduced are examined in Annex K, although it is acknowledged that they are bound to be of limited effectiveness in relation to the scale of the problem.

5.4 Because of the cuts already imposed on MSC's proposed expenditure in 1980/81 and commitments already made, it would not be possible to provide the additional help outlined in Annex K unless further resources were made available. An indication of the possible additional costs (just under £2 million) is given in the appendix to Annex K though it is very difficult to foresee the take-up rates for such schemes. Additional staffing resources would also be needed, especially in respect of a training subsidy where monitoring would be required.

5.5 Assistance for Training in Firms - Training costs can be a significant factor in location decisions. A scheme under Section 7 of the Industry Act 1972 to provide financial assistance towards these costs could therefore prove attractive to potential investors, especially inward investors with a choice of location between the UK and other countries in Europe. In particular,



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the scheme could directly improve the prospects of steering new investment to steel closure areas where there is generally only a limited range of skills available and the need for large scale retraining can be a major disincentive to potential incoming firms. Officials have considered the introduction of a scheme to provide training grants on a number of occasions in the past, but an early stalling point has been the attitude of the Commission. However, it is now clear that Commission officials would regard such a scheme as falling outside the ceilings on regional aid applied to Assisted Areas in the UK. This means that such a scheme might be a real additional inducement to firms who receive the maximum assistance permitted under these ceilings as can happen in SDAs such as Consett.

5.6 Officials are therefore now giving consideration to a scheme of this kind. It would apply to projects providing a minimum of 25 jobs in SDAs or DAs. As such it would be an instrument of regional policy rather than one directed specifically at steel closure areas. But it could play a major part in attracting projects to steel closure areas: indeed such areas would probably make the greatest demands on a scheme in the short term.

5.7 Projects would qualify for assistance where a major training programme was necessary and where, therefore, training costs represented a significant element of total project costs. The grant provided would cover 40% of the basic wages of trainees and instructors and of the materials consumed. It would attract from the European Social Fund a matching contribution of 40% of those costs; all other costs, including allocated overheads, would be borne by the firm. The Department of Industry (and in Scotland and Wales the Scottish and Welsh Offices respectively) would be formally responsible for the scheme but the appraisal and monitoring of training programmes and processing of applications to the ESF would be handled by the Department of Employment and the MSC.

5.8 Assuming an average training period of 13 weeks, an annual allocation of £5 million under Section 7 and £5 million from ESF would finance training for 9-10,000 jobs in SDAs and DAs. Whilst the Department of Industry, SEPD and WOID would seek to meet part of the cost from the existing Section 7 allocations an extra £2 million to £3 million would be required to finance the full scheme. This would, of course, be matched by the extra contribution from the ESF.

5.9 A separate submission will be made to Ministers within the next week or two.



CHAPTER 6

COMPENSATION TO LOCAL AUTHORITIES FOR LOSS OF RATE INCOME

6.1 Closures result in a loss of rate income - quite sizeable in some cases - for the local authorities concerned. Although the drop in rate income is eventually made up by increases in the Rate Support Grant (RSG) there is a time lag; additional RSG would not normally be earned until the second financial year after that in which the closure takes place. Under the previous Administration authorities suffering losses from the steel closures at Hartlepool, Ebbw Vale, East Moors and Shelton were compensated. The local authorities in Corby, Shotton and other proposed steel closure areas are now pressing for similar compensation for the loss of their rate income on the basis that the sizeable reduction in their income will preclude them from taking effective action to deal with the social consequences of the closures or facilitate expansion of industry through site servicing and infrastructure works.

6.2 The loss of rateable value for the prospective closures of steel works are proportionately considerably greater than for those which took place under the previous administration. Derwentside District Council will lose almost 17% of its rateable value compared with a maximum loss of less than 6% from those earlier closures. In the case of Port Talbot and Llanwern, the 'slim-line' proposals will mean partial closure of operations and the likely loss of rateable value to the respective District Councils cannot be readily determined. However, the rateable value of the Port Talbot plant as a whole represents about 41% of Afan Borough Council's total rateable value and that of Llanwern some 17.5% of Newport Borough Council's rateable value.

6.3 There are strong arguments however against compensation arrangements in the present cases. Legislation would almost certainly be necessary if such arrangements were to be repeated. Moreover, any new scheme would certainly establish a precedent which could be relevant to closures in other industries - coal and shipbuilding are immediately relevant. Treasury have expressed the view that compensation, if any, should be within the RSG total. But that is impossible under current legislation and the Local Government, Planning and Land (2) Bill as published. Local authorities would probably oppose pre-emptive Schemes on the total of RSG. Finally, account must be taken of the case of Bilston, which was time-barred under the earlier scheme and would, if dealt with retrospectively, create other precedents. On balance it was generally felt that compensation for loss of rate income should not be included amongst the remedial measures. The Welsh Office, however, has drawn attention to the continuing strong pressure from local authorities for such compensation and points out that even if the loss is eventually made up, the gap poses an especially difficult problem for the districts involved. The Welsh Office therefore believes that the question merits further consideration.

CHAPTER 7

MONITORING ARRANGEMENTS

7.1 In one previous closure at Ebbw Vale, a formal working group, comprising representatives of all the bodies concerned in the area affected was set up to monitor the effects of the rundown and of remedial measures. The Group meets regularly under the Chairmanship of a Minister or senior official. Experience of the working of this monitoring committee would suggest however that such formal arrangements would not be needed for the present round of closures, although some form of ad hoc monitoring arrangements between Regional Offices of interested Departments (in Wales, the Welsh Office and the various agencies), the local authorities concerned and BSC(Industry) Ltd would be desirable. Some local authorities in Wales are suggesting other forms of coordination but these can be considered separately by the Welsh Office if need be.



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CHAPTER 8

SUMMARY OF OPTIONS: FINANCIAL AND MANPOWER IMPLICATIONS

8.1 This Chapter sets out the options for remedial measures. It also gives the cost of each option and whether, in the view of the relevant Department, an addition would be required to that Department's financial allocation. It should however be noted that the Treasury believes that any extra expenditure on remedial measures should be contained within Departments' existing allocations.

8.2 The summary does not cover the £48 million to be spent on factories in South Wales as this has already been decided upon and announced. Nor does it include the financial or manpower implications of the possible scheme for training assistance (paragraphs 5.5-5.9 and 8.1) as a separate submission to Ministers will be made on this. None of the other options would result in any significant increase in the numbers employed by Central Government Departments or agencies.

REMEDIAL MEASURES FOR CONSETT AND SCUNTHORPE (CHAPTER 3) FACTORIES

8.3 Another 65,000 sq ft of factories should initially be built in Consett. Over the next five years further factories would be built up to a limit of 80,000 sq ft per year to replace space as factories are let. Site preparation and pre-tender work for 50,000 sq ft of these replacement factories should be put in hand immediately. 15,000 sq ft of factories per year over the next five years in the nearby town of Stanley is also proposed.

8.4 65,000 sq ft of factories should be provided initially in Scunthorpe. Replacements would be provided as factories are let with the objective that not less than 45,000 sq ft would be available at any time over the next five years.

8.5 Altogether this proposed five year factory programme would cost a maximum of £19 million (£2m in 1980/81; £5m in 1981/82; and £4m for each of the remaining 3 years- at 1980 PES prices). This expenditure has been



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absorbed in the existing allocations of the Department of Industry.

ENVIRONMENTAL MEASURES

8.6 A derelict land clearance programme to clear the site of BSC's works at Consett would cost £6 million over the next five years and in the opinion of the Department of the Environment would require an additional^{financial} provision. No special programme is proposed for Scunthorpe.

COMMUNICATIONS

8.7 Improvements in roads and bus services to Consett are ~~the~~ responsibility of Durham County Council but, subject to resources then available nationally, the Department of Transport will consider an allocation to the Council under the 1981/82 Transport Supplementary Grant Allocation in respect of the necessary improvements if the Council accord them a high priority. The future of the rail line serving BSC there is for British Rail.

8.8 No further improvements in communications to Scunthorpe are called for.

CONSETT: STATUS ENHANCEMENT

8.9 As Consett is already a Special Development Area it cannot be given a higher regional grading. Inner area status or an Urban Development Corporation for the area is rejected. While any application from the local authority for an Enterprise Zone would be treated on its merits Consett should not be included in the initial list of sites announced for the purposes of consultation as the prospects of success for an EZ in Consett are not high.

ASSISTED AREA STATUS (CHAPTER 4)

8.10 No firm decisions on Assisted Area status of the English or Welsh areas should be made until BSC have finally decided on their reductions. The main options are as follows:

- (i) to reverse the decision to strip Scunthorpe of its Intermediate Area status, to leave Newport as an Intermediate Area and to retain



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the whole of the Port Talbot Travel to Work Area (TTWA) as a Development Area (DA) (thus reversing the July decision). The extra public expenditure resulting from this option would be about £6 million per year;

(ii) to upgrade Scunthorpe and Newport to DAs and to retain the whole of the Port Talbot TTWA as a DA. Cost: £10 $\frac{1}{2}$ million per year;

(iii) as (ii) above but upgrading the whole of Port Talbot TTWA to a Special Development Area (SDA). Cost £13 $\frac{1}{2}$ million per year.

Other possible changes are to retain Neath as an SDA (£1million per year) and if Newport is to be given a status higher than IA, to give the same status also to Cwmbran Employment Office Area (within the Pontypool TTWA, cost £2 $\frac{3}{4}$ million per year).

8.11 The majority of the Group considered that option (ii) above would be an appropriate response to the planned job losses. The Welsh Office however argued that the Port Talbot TTWA merited SDA status and that there was also a strong case for reversing the downgrading to DA of Neath particularly if account were taken of the likely job losses in coal mining. All were agreed that if BSC were to concentrate its reduction on Port Talbot then the case for SDA status for that TTWA would be very strong. The Group could not agree on whether, if BSC were to concentrate the reduction on Llanwern, Newport merited SDA, rather than DA, status. Advice on the treatment of Cwmbran will be submitted in due course.

8.12 The Department of Industry considers it unlikely that the extra expenditure that would fall on its Vote as a result of such upgradings could be absorbed in its existing allocations.

MANPOWER DEVELOPMENT AND LABOUR MOBILITY AND TRAINING (CHAPTER 5)

8.13 The special measures that could be introduced by the MSC are set out in annex K. Of these the MSC favour the following:



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- (i) to extend work assessment and reorientation course;
- (ii) to extend small business training;
- (iii) to encourage mobility;
- (iv) to assist Industrial Training Boards.

8.14 The cost would be just under £2 million which the MSC considers could not be accommodated within its existing financial provisions.

8.14 A separate submission to Ministers will shortly be made on a possible scheme under Section 7 of the Industry Act 1972 to provide assistance towards the cost of in-plant training. The scheme would apply to projects in Special Development and Development Areas but a substantial proportion of the assistance would be directed to steel closure areas where the scheme could be particularly attractive to potential investors. It would attract a matching contribution from the European Social Fund.

COMPENSATION TO LOCAL AUTHORITIES FOR LOSS OF RATES (CHAPTER 6)

8.15 The Group (the Welsh Office dissenting) did not consider that special compensation should be given to the local authorities concerned in respect of rate income lost because of the closures. Legislation would be necessary.

MONITORING ARRANGEMENTS (CHAPTER 7)

8.16 No formal arrangements with local authorities to monitor the effects of the reductions on the areas are necessary. Ad hoc arrangements can be set up if necessary.

Department of Industry
18 February 1980

Plant	TTWA	Redundancies (Steel Closures/ Demanning)	May 1979 Unemployment	Average 1979 Unemployment		January 1980 Unemployment		Unemployment assuming 70% of those made redundant register and that 90% of those are males	
				Total Rate	Male	Total	Male	Total	Male
Port Talbot	Port Talbot	5,236	5,320 (6.5)	3,475 (6.4)	5,546 (6.9)	3,745 (6.9)	5,901 (7.4)	7,044 (13.0)	9,566 (11.9)
	Neath	748	2,115 (8.1)	1,358 (7.7)	2,181 (8.3)	1,346 (7.7)	2,332 (8.9)	1,818 (10.4)	2,856 (10.9)
	Swansea	901	8,084 (7.5)	5,206 (8.2)	7,976 (7.4)	5,397 (8.5)	8,327 (7.7)	5,965 (9.4)	8,958 (8.3)
Llanwern	Newport	3,824	5,963 (6.7)	4,179 (7.4)	6,360 (7.2)	4,430 (7.8)	6,783 (7.7)	6,839 (12.1)	9,460 (10.7)
	Pontypool	533	3,599 (7.2)	2,414 (7.7)	3,833 (7.6)	2,195 (7.0)	3,588 (7.2)	2,531 (8.1)	3,961 (7.9)
Scunthorpe	Scunthorpe	4100	3,413 (5.3)	2,175 (4.9)	3,611 (5.6)	2,668 (6.0)	4,107 (6.4)	5,251 (11.8)	6,577 (10.8)
Consett	Consett	4,350	3,283 (10.5)		3,475 (11.1)	2,482 (12.4)	3,636 (11.6)	5,222 (26.0)	6,681 (21.3)



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ANNEX B

CONSETT BACKGROUND AND POSSIBLE EFFECT OF CLOSURE

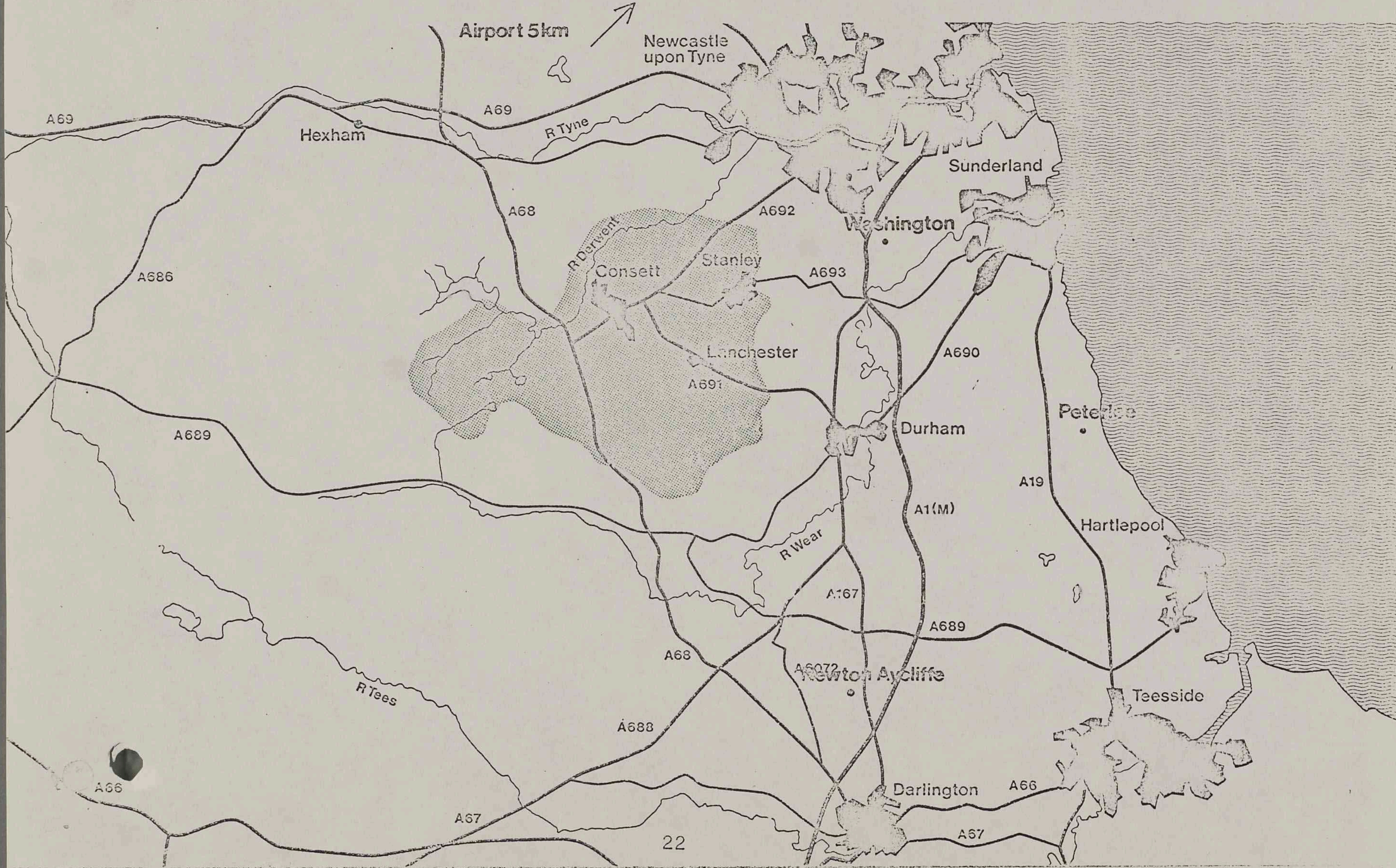
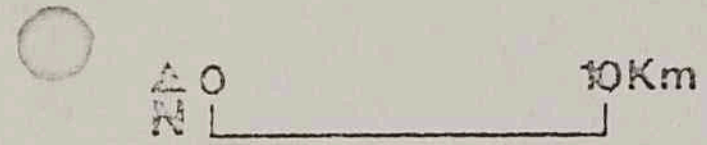
1 The town of Consett itself has a population of about 24,000 and is situated on an exposed site some 900 ft above sea level, surrounded by moorland. Its Employment Office Area (EOA) together with those of Lanchester and Stanley form the area of Derwentside District Council and constitute the Consett Travel to Work Area (TTWA). A map is attached to this annex. Derwentside has high unemployment and physical dereliction. The outstanding feature of the area's economy since the war has been the decline in coal-mining employment from nearly 17,000 jobs (42.5% of total employment) in 1951 to 250 jobs today (less than 1% of total employment) and even this last mine is now due to close. In recent years there have been significant losses in steelmaking as well. Because of the rundown in coal mining, the area was given SDA status in November 1967. Unemployment in the Consett TTWA in January was 11.6% (3636 persons), 12.4% male (2,482).

EFFECT OF STEEL REDUNDANCIES ON THE AREA

2 In June 1976, there were 17,831 workers in the Consett EOA of whom some 30% (42% male) were employed in metal manufacturing. In the Derwentside District as a whole, there were 31,321 workers with 17.1% employed in metal manufacturing. With so many people employed in metal manufacturing (almost wholly in the BSC Consett works), the effect of the 4,000 redundancies on the economies of Derwentside, and even more so Consett itself, will be drastic. This will be compounded by a further 350 redundancies arising from the earlier announced closure of the plate mill at the Consett steelworks. BSC (Industry) Ltd estimate that the "multiplier" effect of the closure would mean a further 600 jobs or more being lost in the area. On the assumption that 70% of the redundant steelworkers register as unemployed, unemployment in the TTWA following the closure could rise to well over 20%. Since Consett is generally unattractive to industry, unemployment is bound to remain very high for a long time, unless many people find work elsewhere.

Figure 1.1 Derwentside District location

Derwentside District
New towns





SCUNTHORPE: BACKGROUND AND POSSIBLE EFFECT OF REDUCTIONS

The area principally affected by any redundancies from the Scunthorpe Steelworks would be the Scunthorpe-Barton-on-Humber TTWA, which surrounds the Borough of Scunthorpe itself and extending northwards to cover a large part of the south bank of the Humber. Scunthorpe's economy is dominated by the steel industry, which accounts for about a third of the total employment within the TTWA.

EFFECT OF STEEL REDUNDANCIES ON UNEMPLOYMENT

2 Some 4,100 redundancies are expected in Scunthorpe by about August following the proposed steelworks closure. These represent the 2,800 redundancies announced by BSC (and a further 300 not yet announced), together with a further 500 from an earlier demanning programme and 500 from BSC's subsidiary, Redpath Dorman Long. The unemployment rate in the Scunthorpe TTWA in January 1980 was 6.4% (4,107 persons) which is slightly above the average for GB (5.9%). Because of the domination of the town by BSC, any reduction in job opportunities at the works will have serious repercussions for the local labour market, as well as more directly on the unemployment register. There would also be some "multiplier" effects of the BSC run-down on other economic activity in the area. Although it is not possible to estimate this aspect with any precision, it does underline the general assessment that the unemployment rate in Scunthorpe following the redundancies programmes will rise to over 10% (see Annex A).

3 Over 90% of the total BSC Scunthorpe workforce of 17,500 live within the Scunthorpe TTWA (nearly 70% within the Scunthorpe Borough itself). About 1,500 of the workforce travel in from neighbouring areas including Hull, Grimsby, Doncaster, Goole and Gainsborough but the effect on the areas is likely to be only minimal.

4 The potential for a sizeable number of jobs from other sources is also slight, both within Scunthorpe itself and the surrounding areas. Given that the population of the area has been growing rapidly, with a consequent increase in the number of school leavers coming on to the jobs market, the unemployment rate is thus liable to continue to persist at a high level (probably over 8%) for some years.



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ANNEX D

EXISTING HELP FOR REDUNDANT STEELWORKERS

1. Manpower Services Commission

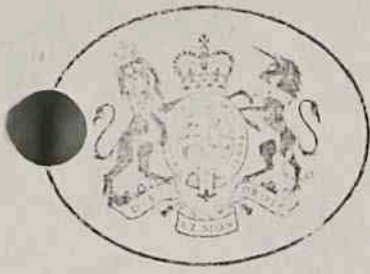
Special assistance is available as far as resources and circumstances allow from the Manpower Services Commission (MSC) to help find alternative employment and provide relevant training for workers involved in large scale redundancies. This is as follows:

- a. Information is assembled on the structure of the redundant workforce by their residence, age and skill, the phasing of the redundancies and the action the employer himself will take to reduce the number redundant (eg by wastage, early retirement, transfer, voluntary early release, etc).
- b. a special trawl is made of relevant employers over a wide area to identify suitable vacancies additional to those already notified.
- c. the availability of training places in local Skillcentres, colleges and other institutions is reviewed. Preliminary indications are that additional places would be needed to meet demand at Scunthorpe and Consett, and possibly also in South Wales. This could be done through arrangements with colleges or in employers' establishments.
- d. Shortly before redundancies begin, special teams of employment advisers visit the works to register the redundant workers, to begin placement action, and to advise them of training, mobility and other assistance available from the MSC. The placement action will include speculative submissions to relevant local employers who had not notified vacancies. Training before redundancy will be offered. This in-plant service will last as long as the redundancy procedures are going on. Once individuals have left, they will normally use the services of their local Job-centres.

3. This procedure of providing an augmented placement and training service has proved quite successful in helping redundant workers, though redeployment depends on jobs being available or individuals being willing to take up offers of training and mobility assistance.

4. Special BSC Measures

Workers will be entitled to statutory redundancy payments from BSC (normally increased by 50% by BSC) together with readoption grants funded jointly by the Government and by the European Coal and Steel Community. In addition, from past experience, BSC and unions can be expected to negotiate special severance pay which, in the case of Shotton and Corby has averaged over £6,500 per worker.



ANNEX E

BSC (Industry) LtdBackground Note

BSC (I) was set up in 1975 to plan and co-ordinate all BSC's activities aimed at attracting industry to, and creating new jobs, in steel closure areas. Most of the steel closure areas are in the Assisted Areas and BSC (I) helps companies to evaluate the variety of incentives which are available from Government, EEC and Local Authority. In addition BSC(I) can offer its own expertise and a number of other incentives as follows:

- (i) selling or leasing BSC land for the development
- (ii) buying and then leasing equipment for a project
- (iii) supplementing Government/ECSC retraining aid
- (iv) converting old BSC buildings into "neighbourhood workshops" and leasing them to very small businesses
- (v) assisting with market research

2. Much of the above assistance is on terms that represent an explicit or implicit subsidy.

3. BSC(I) has considerable presentational advantage in alleviating the impact of steel closures. Its own publicity is vividly presented and generates a large number of responses from companies interesting in locating in steel closure areas. However the main financial attraction for companies setting up in the Assisted Areas is to be found in regional development grants, regional selective assistance and Government factories, so the real value of BSC (Industry) Ltd is as a marketing body, rather than as a source of additional aid.



MAXIMISING EUROPEAN COMMUNITY ASSISTANCE FOR STEEL CLOSURE AREAS

This annex covers the three sources of European Community aid which might be relevant to steel closure areas: The European Coal and Steel Community (ECSC); the European Social Fund (ESF); and the European Regional Development Fund (ERDF). It also describes the European Community's proposals for Integrated Operations.

European Coal and Steel Community

2 Under the ECSC's Iron and Steel Employees Readaptation Scheme (ISERBS) redundant steelworkers are eligible for:

- (i) tide-over payment to bring earnings in new jobs up to 90% of pre-redundancy earnings, and special unemployment benefits payable to unemployed ex-steelworkers;
- (ii) payment for, and during, approved retraining courses;
- (iii) travelling and re-settlement grants to encourage mobility within the steel industry.

3 As well as helping individual redundant steelworkers, the ECSC also makes available medium term fixed rate loans with a 3% interest rebate for industrial projects which create employment opportunities for redundant steel workers and for factory building. Gross rates are currently around 10% for a standard 8 year loan; the interest rebate represents a resource transfer to the UK. These conversion loans are made in foreign currencies and are of interest to manufacturing industry only insofar as exchange risk cover is available under a scheme operated under Section 7 of the Industry Act 1972. The scheme has recently been extended to the end of 1981 subject to a ceiling on new borrowing of £200 million. In addition to ECSC, this scheme covers borrowing from the European Investment Bank and under the proposed Ortolli facility. Conversion loans advanced or negotiated in the last two years under the exchange risk cover scheme total over £100 million.

4 Commissioner Vredeling has recently suggested that the UK is not using all the ECSC aid available to it. However, applications for re-adaptation benefits are submitted to the Commission as soon as possible; the ECSC and the UK share the total costs. As this is a statutory scheme, the question of 'maximising' does not really arise: we pay the benefits to all those who are eligible for them. Reconversion loans are pushed hard and are particularly attractive to UK manufacturing industry given that the exchange risk cover scheme removes the risk of exchange loss. In 1979 the UK took some 30-35% of total conversion loans provided by ECSC and 42% of money paid out on interest rate subsidies; the level of borrowing is expected to be substantially higher in 1980. As for payments to redundant steelworkers, proposals for the workers affected by the closures announced by BSC in December have not yet been put forward because the closures have yet to be finalised; the Commission has however been forewarned. In 1980 the UK will ask that £22 million be allocated to it.



5 Commissioner Vredeling's remarks probably refer however to the UK's reservations on the Commissioner's proposal for 'social volet' (comprising early retirement and work sharing). The UK has expressed a cautious interest in the idea of early retirement but feels that work-sharing in the steel industry would be counter-productive. It would subsidise jobs, put off inevitable redundancies and adversely affect the competitiveness of undertakings. In any case there is no scope for such measures in the present ECSC budget. Most other Member States have misgivings about the proposals, nor is it clear where the money would come from as there are unresolved legal problems.

European Social Fund (ESF)

6 ESF is an employment fund. It may grant assistance to schemes of training, re-training, resettlement mainly to help the unemployed. In this sense, it is complementary to the ECSC since the latter covers, inter alia, the retraining of redundant steelworkers and the former the training and retraining of other workers in steel areas. There are no national quotas under the Social Fund. Member States submit applications which, assuming they are eligible under the Fund's Regulations, are judged according to a pre-determined set of guidelines which enable the applications to be ranked in order of priority.

7 The Fund operates under two main budgets. One assists particular groups of workers (young people, migrants, women, former agricultural workers, and workers in the textile/clothing sector). The other is mainly reserved for schemes to help workers from regions of high unemployment, (in the UK the Assisted Areas). Although the Social Fund makes no specific provision for steel workers, high priority is given to schemes to assist workers in areas affected by serious industrial restructuring problems, notably steel, for which Community policies exist.

8 In 1979 the UK got £130 million from the Fund (26% of the budget). Over 90% of this is for general measures run by central government departments and agencies such as TOPS. Up to now Steel Closure areas benefitted only indirectly from the Fund through the allocations made to these general measure.

9 The proposed training scheme under Section 7 of the Industry Act 1972 (paras 5.5-5.9 of the main report) would enable additional ESF money to be channelled to private firms. The ESF contribution would match the level of assistance provided under Section 7 - ie £5 million. The Commission has been consulted about the scheme which is being considered by officials.

European Regional Development Fund (ERDF)

10 The Regulation governing the ERDF requires that where Fund aid is granted, priority has to be given to national priority areas, which in the United Kingdom are Special Development Areas, Development Areas and Northern Ireland. Hence with the exception of Scunthorpe and Newport which are Intermediate Areas* all the areas affected by the current round of steel closures are in ERDF priority areas. Moreover the Commission's proposals for the use of the first tranche of aid from the small non-quota section

* It is proposed in paragraph 4.7 that these two areas also should be given Development Areas status.



of the ERDF, currently being considered by the Council of Ministers, include a measure specifically aimed at aiding steel industry areas in difficulties. The Commission have proposed that £27.8m of a total of the £142m non-quota aid should be allocated to this measure between 1980/84, of which £21.3m would be for the UK. The UK zones which would benefit under the Commission's proposals are Strathclyde, Cleveland, Clywd, South Glamorgan, West Glamorgan, Gwent and Corby but the UK is pressing for the addition of Derwentside (Consett) and Scunthorpe. The UK is also pressing for a larger share of the total non-quota aid, with a high proportion of the extra allocation going to steel closure areas.

Integrated Operations

11 The Commission's proposals for "integrated operations" are essentially for the coordination of aid given from various existing Community financial instruments (ERDF, ECSC, Social Fund, EIB etc) to particularly disadvantaged areas. No additional sources of finance are likely to be available. The Commission plan to test the scheme in a small number of pilot areas. These are (in the UK); Belfast, South Wales, Clydeside, Tyne and Wear and Merseyside. Apart from the integrated operations exercise, the Commission are currently running a scheme of a similar kind but on a smaller scale to assist the coordination of aids to steel closure areas through the appointment of "expert advisers" whose task it is to bring possible sources of EEC aid to the attention of interested parties in their areas. Two such advisers are now at work in the UK, one in West Central Scotland and one in South Wales. The latter is also covering those parts of South Wales where the coal industry is in decline.

PROPOSED FACTORY BUILDING PROGRAMME IN CONSETT AND SCUNTHORPE

Consett

1. The English Industrial Estates Corporation (EIEC) has about 45,000 sq ft currently on offer in Consett for nearly half of which there are prospective tenants in view and a further 33,000 sq ft under construction. Factories in Consett have not always been easy to let (one lay empty on the market for 5 years), though most have been let within a year of completion. We should not therefore embark on too large a programme in Consett itself, notwithstanding a possible unemployment rate, after the closure, of over 20%. Nevertheless, in view of the restricted stock now available there, and the pressure for an immediate response, it would be reasonable to authorise the immediate construction of a modest range of small and medium sized factories in order that a full range is available. A reasonable package would consist of 1 x 15,000 sq ft, 2 x 10,000 sq ft, 3 x 5,000 sq ft and a range of nursery units up to 2,500 sq ft amounting to 15,000 sq ft (amounting to 65,000 sq ft in all).
2. A total of 125,000 sq ft would then be under construction or on offer in Consett. Simultaneously, it would be desirable to start with site preparation work to accommodate a further 125,000 sq ft. This would facilitate the prompt replacement of those let as advocated in paragraphs 3.3 and 3.4 of the main paper. Not all this work would be carried out at once but site preparation and all pre-tender work for 50,000 sq ft of this should be put in hand immediately. Thereafter site preparation and construction of factories should continue in line with the rate at which the existing stock is let in order not to accumulate too large an empty stock. Land would be available in Consett for such a programme at the EIEC's Consett No 1 site.
3. On the optimistic assumption of an annual letting rate of 80,000 sq ft, the cost of such a programme might amount to £2m annually, and it is suggested that this should for the time being be offered as the ceiling for, say, 5 years.
4. However, even factories amounting to 500,000 sq ft will provide only about 1800 jobs over the five years. Since it is probably not practical to provide more jobs in this way in Consett, additional attention should be paid to surrounding areas.
5. In particular, a substantial proportion of the workforce live in the nearby small town of Stanley, which is within the Consett TTWA, where the Department already has a small estate with a little vacant space and is negotiating for a further 5 acres. The unemployment level in Stanley will be similar to that in Consett, and it would be reasonable to provide for a small programme in this town also to mop up further jobs as far as practicable. A provision of £250,000 annually for 5 years would be sufficient, and would provide for an additional 15,000 sq ft annually.
6. Finally, there is scope for providing jobs at other centres in the area, provided that travelling facilities are adequate and the workforce is willing to undertake this. A certain number of new jobs will become available at Team Valley as a result of the participation of Legal & General in a £3m project there (announced on 14 February), and the Washington New Town Development



Corporation has at present 150,000 sq ft of factory space available and has about 325,000 sq ft of factory space under construction.

7. The total additional expenditure ceiling under all these proposals would be £2¹/₄m annually, with some ballooning in the second year.

Scunthorpe

8. No advance factories have so far been built in Scunthorpe, although a block of 4 nursery units of 2,500 sq ft each was included in the last programme and is about to begin. The numbers unemployed in Scunthorpe are likely to be about the same as in Consett, but the unemployment rate only about half the Consett percentage level. On the assumption that, Scunthorpe will be given no more than DA status, (as compared with SDA at Consett) and on the basis of its more favourable location, a rather lower level of initial factory building at Consett seems reasonable. We suggest an immediate programme of 65,000 sq ft in a suitable range of sizes (say, 1 x 15,000 sq ft: 2 x 10,000 sq ft: 3 x 5,000 sq ft and 15,000 sq ft of nursery units including those already authorised, together with an undertaking to ensure that not less than, say, 45,000 sq ft is available at any time during the next 5 years.

9. In Scunthorpe, the Borough Council are taking immediate action to ensure that up to 300 acres of land become available as required for industrial development over the next few years. They are prepared to make available now some 20 acres of suitable ready-serviced land of their own for advance factories.

10. On an assumed letting rate of 45,000 sq ft annually, and allowing for land costs, the annual rate of expenditure would be £1.3m (again with some ballooning in the second year. This would provide for about 1000 direct jobs over the five year period of the programme.



COMMUNICATIONS IN CONSETT AND SCUNTHORPE

The only direct Government responsibility for communications is for trunk road construction and maintenance; British Railways are responsible for rail services, while buses and local roads are the responsibility of County Councils. The Minister of Transport takes a view on the total level of resources each County should spend each year as the basis for his distribution of Transport Supplementary Grant in each County but the County decides on the size and the content of the programme it undertakes.

Consett

1 Consett is not served directly by a trunk road, but the A1(M), some 15 miles to the east, provides good north/south connections. Consett is linked to the A1(M) and to places where there are job opportunities by 3 major local roads, the responsibility of Durham County Council, all of which have been partly improved over the past 10 years and are capable of taking extra traffic. A sense of isolation is induced, however, by the fact that the roads have to climb up to the town and are vulnerable to bad weather. The Coopers and Lybrand Report on Consett considers by-passes on these roads at Annfield Plain and Leadgate to be a key element in the industrial regeneration of Derwentside, and has recommended that they should be brought forward from the County's 1983-88 programme. A map of the Consett area showing the major roads is at Annex B.

2 Car ownership in Derwentside is considerably below the national average and local bus services therefore assume a greater importance. Frequent services are provided to Sunderland, Washington and Newcastle, although these are affected by bad winter weather. Fares in the District can however be up to twice as those in neighbouring Tyne and Wear, partly because of the different rates of subsidy provided by the respective county councils. If mobility is to be encouraged, to widen the job and labour market, some extension of bus services and subsidies may be needed.

3 The road and bus service improvements will be for Durham County Council to promote if they deem them of sufficient priority compared with the rest of the transport needs in the county for which they are responsible. Under the present system the Department of Transport has no locus to intervene, as it could not be claimed that these improvements were of a national rather than just of local importance. Even if they were, the Department of Transport has no spare resources from which it could fund the proposals directly. But, as far as is possible, within the national



total available for local transport spending in 1981/82, which will form the basis of the next annual Transport Supplementary Grant settlement, the Department will seek to allocate sufficient resources to Durham County Council to allow them to undertake these improvements if the Council judge them to be of high priority.

4 Good rail connections from Newcastle provide Derwentside with convenient links to the rest of the UK. However, the District itself has only a freight line which connects Tyne Yard to the BSC works at Consett. The Coopers and Lybrand Report recommends that this line should be kept open to help attract and expand industry in Consett. The Department of Transport will bring this to the attention of the British Railways Board, but it is for BR themselves to make decisions on the future of this line in accordance with the requirement for their freight business to operate on a commercial basis.

Scunthorpe

5 Scunthorpe is served by the Doncaster to Grimsby railway line, and there has also been major transport investment in the area, for example on the South Humberside Motorway (M180) and on the Humber Bridge. Scunthorpe is well connected westwards into the national motorway system via the M18, M180 and M181 spur. This, allied to other road schemes which are in the pipeline, and Humberside County Council's awareness of the role bus services can play, should provide useful assistance to South Humberside's economy, and transport measures beyond those already in prospect are not thought necessary. Trunk road schemes in preparation include the completion eastwards of the M180 to Grimsby and the Immingham Link (starting 1980/82); and local roads include the Scunthorpe North West Orbital Road, and improvements at West March serving the docks and the Pyewipe Industrial Estate.



Status Enhancement For Consett

1. The Group looked at the following three possibilities to 'enhance' the status of Consett to focus attention more directly on it and perhaps make assistance available beyond EEC ceilings.

Enterprise Zones

2. The Government proposes to set up a limited number of Enterprise Zones (EZs), each of a few hundred acres, which for a period of 10 years would benefit from the fiscal and other measures listed in the Appendix to this Annex. Neither Consett nor Scunthorpe is included in the list of possible sites which it is intended will form the basis for consultations. The EZ proposals are unlikely to make a major impact on the attractiveness of an Assisted Area for industrial investment, although in a suitable location they could give a boost to commercial investment. In the case of Consett it seems fairly clear that the EZ package would not outweigh the disadvantages to investors of such an isolated and unattractive location, although (depending on the EEC attitude to the extent of benefits in EZs) it would be a way of offering potential investors there more assistance than is available under the EEC Ceilings on regional assistance.

3. E Committee said of the choice of EZ sites that "it would be better to choose sites which had a more encouraging prospect of revival". Ministers have also indicated that they would not want to propose too many sites at consultation stage. In view of the unattractiveness of Consett as a location, especially for commercial investment, there would be little advantage in adding Consett to the list of possible EZ sites that is to be published when the announcement of the EZ proposals is made. Naturally, though, if the local authorities asked for an EZ at Consett it could be considered on its merits in comparison with other possibilities in the North East.

4. More generally, it should be noted that already in England one of the six short listed sites for EZs (Bilston) and one of the four reserve list sites (Corby) are related to steel closures. In Wales, the sites under consideration are both in areas near to Port Talbot which at present provide significant numbers of the workforce at the plant. Ministers might not want the selection of EZ sites to be too heavily identified with the pattern of steel closures.

Inner Urban Areas Act

5. Because of the level of urban deprivation in the town, the Coopers and Lybrands Report recommends that Consett be designated under the Inner Urban Areas Act 1978 so providing the local authority with additional powers to give financial assistance to industry. However under the Act designation could only apply to the whole of the Derwentshire District which apart from Consett itself is a semi rural area of small market towns and mining communities. The district's total population was 89,000 in mid 1978 - well below the minimum threshold of 100,000 currently used in considering districts in England for designation as inner urban areas with special needs. Moreover the powers

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available to designated districts under the Inner Urban Areas Act are limited, as are the Urban Programme resources available to support them. For these reasons designation under the Inner Urban Areas Act would not be appropriate.

Urban Development Corporations (UDCs)

6. UDCs are being set up under the Local Government Planning and Land Bill for the Dockland areas of London and Merseyside to help regenerate the two areas. There may be a call for a similar body to be set up in Consett but Ministers have publicly stated that Merseyside and London Docklands are the only candidates for this treatment; Tyneside for instance is not included. Even though the Bill as drafted could enable other areas to be designated there is no intention on the part of Ministers to extend the list.



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BENEFITS TO BE AVAILABLE IN ENTERPRISE ZONES

1. Relief from development land tax
2. 100% capital allowances for commercial and industrial buildings.
3. Total or partial exemption from rates.
4. Exemption from the requirements of the Industry Training Boards to pay a training levy.
5. Speedier processing of planning applications.
6. The reduction of government requests for statistical information.
7. (relevant only in non-Assisted Areas). Abolition of the requirement for industrial development certificate procedures.



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ASSISTED AREA STATUS

This annex considers the case for changes in the Assisted Area (AA) status of those areas of England and Wales likely to be affected by the steel reductions except for Consett which is already an SDA.

2 It is assumed in view of the residual uncertainty and following the precedent established on Shotton and Corby that Ministers would not wish to take any final decision on AA changes before BSC's final decisions on the implementation of the reductions although it would be desirable in respect of those areas due to be downgraded on 2 August 1980 to arrive at decisions some time before that date. It may however be prudent to take preliminary soundings of the EEC Commission on a contingency basis (see paragraph 24 below).

3 Estimates of the possible levels of unemployment in the relevant Travel-To-Work-Areas (TTWAs) directly due to the planned manpower reductions at Port Talbot, Llanwern and Scunthorpe are at annex A to the report. While such estimates must be speculative they do provide a yardstick for comparing the likely effects on the various local unemployment rates. The AA status of the relevant TTWAs and status that will take effect under the regional policy decisions taken last July are shown at the appendix to this annex.

4 While the following paragraphs make some reference to likely consequent job losses, particularly in collieries in South Wales, the arguments centre on the direct impact of BSC's planned steel reductions. Neither the timing or incidence of colliery closures are known, nor are they likely to be known at the time of any early announcement of changes in AA status of the areas in response to BSC's final decisions. The majority of the group thought that it would be imprudent for any such announcement to anticipate future job losses although Ministers could make clear that they would keep the status of the areas under review in the light of developments. The Welsh Office however considers that the Government is under pressure to look at the steel rundown in South Wales as a whole and that there are good grounds for believing that some 5-6,000 jobs will be lost in the coal fields in the next twelve months, mostly in the areas that will also suffer the steel job losses.

5 Proposals for upgrading have to be considered not only in relation to the circumstances of the TTWAs concerned but also in relation to the regional policy decided upon in July. Those decisions were designed to establish a stable framework for the



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policy while reducing drastically the average of the AAs from 40% of the GB working population to 25% and concentrating assistance on the areas of most need. In the review the normal minimum threshold for consideration of an area for DA status was an unemployment rate in the TTWA of 8% and for SDA status 9½%. Since then unemployment in Great Britain has risen and is continuing to rise. The average unemployment rate in January 1980 for those areas that will be Development Areas (DAs) after August 1982 is 9.0% and for post 1982 Special Development Areas (SDAs) 11.1%. It must also be borne in mind that the downgradings of those SDAs and DAs that are to lose their AA status completely are subject to review before they take effect in 1982.

6 We consider that in the meantime changes in AA status should be made only when the area suffers from a major change to its employment prospects. Upgradings should normally be considered only if long term unemployment is likely to be well above the average for the relevant grade of Assisted Areas, as defined by the post 1982 boundaries.

7 There are however difficulties in applying the tests advocated in the previous paragraph to the areas affected by BSC's slimming down. The regional policy review looked at the relativity of areas according to firm data on past unemployment. Now, in contrast, we must make a judgement on the future prospects of the steel areas concerned, and, moreover on how those prospects compare with those of other Assisted Areas. Not only is unemployment rising throughout the country; not only are there uncertainties about closures in other industries mentioned in paragraph 4; but even the estimates of the local impact on unemployment of the steel reductions are subject to a wide margin of error.

8 The cost of upgradings is, of course, also relevant. A central objective of the decisions announced in July was a saving of public expenditure. Unfortunately it is impossible to predict accurately the extra expenditure which could arise from the various options discussed in this annex. The bulk of this expenditure will be on regional development grants (RDGS) with a small amount on regional selective assistance. The amounts spent on each depends on how attractive the areas (with any changed AA status) prove to private investors.

9 With these general consideration in mind the following paragraphs consider individual areas. Present unemployment rates quoted are the provisional figures for January 1980.



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SCUNTHORPE

10 It is clear that the decision to strip Scunthorpe TTWA of its Intermediate Area (IA) status in 1982 cannot be maintained if the steel reductions take place. It is difficult to estimate the cost of keeping Scunthorpe an Intermediate Area after 1982 but in the light of recent experience there it could be as little as £25,000 per year (on regional selective assistance) although it could be more if investment were higher. There would be no expenditure on RDGs after August 1980. IA status would however be unlikely to attract much investment to Scunthorpe especially because an adjacent TTWA. Grimsby is a DA (although its unemployment rate is only 6.7%). Moreover it would be difficult to justify leaving Scunthorpe an IA when the possible level of unemployment after the steel job losses of 10.8% is well above the average for post 1982 DAs, 9.0%.

11 The cost of making Scunthorpe a DA might be of the order of £3 million per year from August 1980.

12 SDA status for Scunthorpe could not be justified. The possible level of unemployment after the reduction (10.8%) is somewhat below the average for post 1982 SDAs (11.1%). The upgrading of Shotton to an SDA - an apparent precedent - was decided on the basis of possible levels of unemployment which were much higher than those now made for any of the area concerned other than Consett, already an SDA. Corby was made only a DA even though estimates of possible unemployment (of over 20%, higher than any of those now affected except Consett) could be argued to justify an SDA grading although the main reason for not giving Corby SDA status (favourable geographical location) does not apply with the same strength to Scunthorpe

SOUTH WALES

13 In South Wales the TTWAs most affected would be Port Talbot and Newport.

Port Talbot

14 As the possible level of unemployment in the Port Talbot TTWA (11.9%) after the slimming down is well above the average for post 1982 DAs (9.0%) the case for making the whole of the TTWA a DA (thus reversing the decision to make part of it an IA in August 1980 and incidentally ending the difference in status between different parts of a TTWA) is very strong. The only question is whether it should be an SDA.

15 The arguments for this further upgrading are that

- (a) the comparisons that will be made with Shotton (although Shotton's upgrading to an SDA was on the basis of much higher possible levels of unemployment); and



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- (b) that the possible unemployment is higher than the average for post 1982 SDAs (11.1%).

16 The arguments against the upgradings are:

- (c) its costs: over £3 million per year more than DA status in view of the increased RDGs that will be available;
- (d) Port Talbot despite its western location, has not until now done too badly in employment terms (e.g. the Ford Brigend plant is in the same TTWA); its accessibility is good and will improve (although not significantly) when the M4 is completed.

17 The majority view was that DA status was a sufficient response if the BSC proceeded with its present plans i.e. spread the capacity reductions between Port Talbot and Llanwern. If complete closure of Port Talbot were decided upon (with possible resultant unemployment of the order of (15%) the Group considered that SDA status of the TTWA would be merited. The Welsh Office however considered that SDA status for the whole or part of the TTWA was fully justified in either case. They argued that Ministers might also wish to take into account the prospect of heavy local job losses due to possible pit closures.

Newport

18 Most of the Newport TTWA* is at present an IA although a small part has DA and SDA status which will be downgraded to IA and DA status respectively after August 1980. The possible level of unemployment there after the planned steel reductions is at 10.7%, much the same as that for Scunthorpe. This suggests that it should be treated in the same way as Scunthorpe. Because of Newport's natural attractions to industry (its communications with the South East of England, and also the West Midlands, probably make it more attractive than Corby) its upgrading will undoubtedly divert mobile projects from more peripheral locations in South Wales or in the English Assisted Areas. It could be argued that this attractiveness together with the relative ease with which people in the area can look for alternative employment in Bristol should mean that IA status would suffice. But there is a good (although not cast iron) case for making Newport TTWA a DA. The cost of making Newport a DA might be of the order of £1½ million per year but could be more if the area proves attractive to investors.

FOOTNOTE: *Since the July review representations have been made about the boundary between Newport and Bargoed TTWAs in Islwyn district. Ministers have agreed that decisions on this will be taken after the AA status of Newport has been determined.



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19 SDA status for Newport could not be justified. Indeed the Group (the Welsh Office dissenting) considered that DA status might be sufficient even if BSC were to decide to concentrate the job losses at Llanwern (possible resultant levels of employment in the TTWA might be of the order of 14%).

Pontypool

20 Most of Pontypool TTWA is a DA and will remain so after 1982. The exceptions are Cwmbran Employment Office Area (EOA) and part of Abergavenny EOA which are IAs and will remain so. The job-lost from the planned rundown at Llanwern would be to increase unemployment from 7.2% to 7.9% - not enough to justify any change in the AA status of the TTWA as a whole.

21 The Welsh Office consider however that if Newport were to be given a status above IA Cwmbran EOA should also be upgraded as otherwise Cwmbran New Town which is close to Newport and which the Welsh Office intend to figure prominently as a location for industrial development after the steel reductions will be left surrounded by DAs. However this suggestion which would result in extra expenditure of between $\pounds\frac{1}{2}$ - $\frac{3}{4}$ million per year may have wider implications for regional policy. Officials will be submitting further advice on Cwmbran when the time comes to take firm decisions on AA status.

Neath

22 Neath is due to be downgraded from an SDA to a DA in August 1980. Only 748 of those employed at the BSC works at Port Talbot live in the Neath TTWA. Unemployment there following the reduction at the works could rise to 10.9%, 1% below that for Port Talbot and just below the average for post 1982 SDAs. Unless therefore it is decided to make Port Talbot an SDA, it would be difficult to justify reversing Neath's downgrading. Even if Port Talbot were to be made a SDA the case for keeping Neath an SDA is not compelling although the Welsh Office thought that it would deserve serious consideration, especially since significant coal closures may occur in the area. The cost of retaining Neath as an SDA would be of the order of £1 million per year.

Swansea

23 Most of the Swansea TTWA is a DA, due to be downgraded to an IA in August 1980; the rest, at present an SDA, will then become a DA. The planned steel reduction at Port Talbot might



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increase unemployment from 7.7% to 8.3%. This would not reach the average for the post 1980 DAs and suggests that its intended downgradings should be allowed to take effect. However if Port Talbot were not to be made an SDA after the steel reductions, the Welsh Office would wish to consider the question of the balance of AA gradings in West Glamorgan as a whole with a view to arguing for DA status for the Country as a whole i.e. not only Port Talbot TTWA but also that the downgrading of Swansea should be reversed: the cost of this reversal would be about £4 million per year.

EEC COMMISSION

24 Under the Treaty of Rome any changes in Assisted Area status must be approved by the European Commission. On past experience it is likely that the Commission will take about two months to come to a decision. It would however be possible, as was done with Shotton and Corby, to notify the Commission in advance of possible upgradings on a contingency basis.

SUMMARY

25 The main choices open to Ministers are as follows:

- (i) to reverse the decision to strip Scunthorpe TTWA of its present IA status, to leave Newport TTWA as an IA and to retain the whole of the Port Talbot TTWA as a DA (thus reversing the July decisions). The extra public expenditure resulting from this option would be about £6 million per year;
- (ii) to upgrade Scunthorpe and Newport TTWAs to DAs, to retain the whole of Port Talbot TTWA as a DA.
Cost: £10½ million per year;
- (iii) as (ii) but also upgrading Port Talbot TTWA to an SDA. Cost £13½ million per year.

26 Other possible changes are to retain Neath TTWA as an SDA (£1 million per year) and if Newport is to be given DA status to give this status also to Cwmbran EOA (in the Pontypool TTWA) - cost £½ - £¾ million per year..

27 The majority of the Group considered that option (ii) would be an appropriate response. The Welsh Office favoured option (iii) and argued that consideration should also be given to reversing the downgrading of Neath. Further advice on Cwmbran (see paragraph 21) will be tendered in time for Ministerial consideration of final decisions on AA status.



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28 In the light of Ministers preliminary reactions to those options, it is recommended that the EEC Commission be notified of the possible changes on a contingency basis. This would not commit Ministers to any final decisions.

RPDG1
15 February 1980

ASSISTED AREA STATUS OF STEEL REDUCTION AREAS

This annex shows the Assisted Area (AA) status of those 'Travel to Work' areas (TTWAs) directly affected by the planned BSC reductions together with changes resulting from the regional policy review. A dash denotes no further change.

	BSC WORKS	TTWA	EOA	AA STATUS		
				PRESENT	AFTER 1ST AUGUST 1980	AFTER
WELSH AREAS	PORT TALBOT	PORT TALBOT TTWA	Maesteg EOA	SDA	DA	
			Cymer EOA	SDA	DA	
			Port Talbot EOA	DA	IA	
			Bridgend EOA	DA	IA	
			Porthcawl EOA	DA	IA	
		NEATH TTWA	Neath EOA	SDA	DA	
			Relsolven EOA	SDA	DA	
		SWANSEA TTWA	Pontardawe EOA	SDA	DA	
			Ystradglynlais EOA	SDA	DA	
			Morrison EOA	DA	IA	
			Gorseinon EOA	DA	IA	
			Swansea EOA	DA	IA	
		LLANWERN	NEWPORT TTWA	Newbridge EOA	SDA	DA
	Risca EOA			DA	IA	
	Chepstow EOA			IA	-	
	Newport EOA			IA	-	
	PONTYPOOL TTWA		Pontypool EOA	DA	-	
			Blaenavon EOA	DA	-	
Abergavenny EOA			DA/IA	-		
Cwmbran EOA			IA	-		
ENGLISH AREAS	SCUNTHORPE	SCUNTHORPE TTWA	-	IA	-	
	CONSETT	CONSETT TTWA	-	SDA	-	



ANNEX K

MANPOWER DEVELOPMENT AND LABOUR MOBILITY

1 The Manpower Services Commission (MSC) considered a number of possible measures (additional to those normally provided) to support employment creation and to help unemployed workers in steel closure areas. The following four measures are recommended by MSC in this context.

a. to extend work assessment/re-orientation courses which run for 2 - 3 weeks and set out to improve life and social skills and provide a practical look at the individual's retraining and employment possibilities. They also seek to improve redundant steel workers' job-finding skills and to provide an opportunity for trainability testing;

b. to extend "small business" training which aims to advise redundant steel workers on how to establish businesses and to give them initial training in manpower skills;

c. to provide additional assistance for workers who wish to move to a job in another area and through improving mobility allowances: this could reasonably apply to any person unemployed in the area;

d. to provide a measure of financial assistance through Industrial Training Boards for firms who take on first or second year craft apprentices who are made redundant by the steel industry. This is a measure which has already been strongly pressed on the Government in existing steel closure areas and would have considerable impact.

2 It would be necessary for any such scheme to take account of existing arrangements, including the retraining provisions already provided under the auspices of the Iron and Steel Employees Re-adaptation Benefits Scheme. The estimated cost of these schemes is given in the Appendix to this Annex.

3 In addition to these measures to be included in a remedial package, the MSC agreed:-

a. that additional places should be made available under the Youth Opportunities Programme in the affected areas: this could be done within existing resources;

b. that consideration should be given later in the year to increasing the number of temporary jobs available in the areas under the Special Temporary Employment Programme: this would require additional resources, and the jobs would be open to all long-term unemployed;

c. that consideration be given to preserving or increasing the number of first year craft apprenticeships, on a selective approach through the Industrial Training Boards: this could be done within existing resources.



4 The possibility of special schemes for subsidising the daily travelling expenses of steel workers who take employment some distance from their homes is also being considered.

5 The MSC also considered three other possible aspects of a remedial package. These were:

- a. to extend the training facilities available to employers who engage former steel workers including the possibility of providing them with free sponsored training or the services of mobile instructors;
- b. to introduce a recruitment and training package under which the Employment Services Division of MSC would select any unemployed individual who would benefit from retraining. They would be placed with employers in jobs with a genuine element of training with payment of training allowances for 13 weeks while the employee was receiving training and work experience. There would be no guarantee of subsequent employment though job offers might follow.
- c. a training subsidy whereby an employer moving into a steel area or expanding there would be given financial assistance in respect of initial training provided for workers engaged. BSC (Industry) Limited have proposed a scheme of this kind.

6 The MSC did not consider that these three schemes were justifiable on manpower policy grounds. It did however accept that a training subsidy in particular might reasonably be seen as part of a general package of inducements to incoming industry, and hence worthwhile as industrial aid (eg under Section 7 of the Industry Act). It is discussed further in this context in paragraph 5.5 of the Report.



ESTIMATED COST OF MSC'S ADDITIONAL MEASURES

Though take-up of training and other facilities cannot be accurately forecast, the schemes which might form part of a remedial package might cost broadly as follows:-

a.	Work Assessment Courses	£150,000	
	400 trainees at £375		
b.	Small business training	£480,000	
	200 trainees at £2,400		
c.	Mobility	£800,000	
	200 movers at £4,000 (?)		
d.	Apprentices		
	100 trainees at £800 (adoption grant)	} £380,000	
	100 trainees at £3,000		
	(additional place)		
Not recommended by MSC	e.	Free Direct Training Services	
		at £500 per trainee	
	f.	Recruitment and Training Package	
		at £650 per trainee.	

28 FEB 1960



CFAs note

Original of R. HLE

DSC



*cc: D/Transport
S.O.
Nat Inds*

10 DOWNING STREET

THE PRIME MINISTER

26 February 1980

Dear Mr. G...

Thank you for your letter of 19 February.

I am as concerned as you are about the damage which the current steel strike is causing other sectors of industry, and in particular the road haulage industry. The dispute has gone on far too long, and I only wish the steel union negotiators would get down to serious discussions with B.S.C. and reach a settlement. As we have said repeatedly, there is plenty of scope for steel workers to earn higher pay provided they are willing to get rid of overmanning and restrictive practices in their industry.

I agree with you, too, that the law must be enforced and strengthened. We have made it absolutely clear that obstruction and intimidation are illegal under the criminal law, and I am confident that our police forces will ensure that the law is adhered to.

As for strengthening the law, you will no doubt be aware that the Employment Bill currently before Parliament will restrict the right of individuals to picket to their place of work; and we intend to amend the Bill so as to restrict the immunities which trade unionists enjoy in respect of secondary action generally.

/We are

DSC

We are also proposing to provide trade unions with funds so that they can ballot their members before deciding on strike action. In addition, we will soon be announcing measures aimed at ensuring that trade unions, rather than the state, support their members when they are on strike.

I am grateful to you for writing, and I can assure you that we are determined to redress the balance of power in our society - in favour of the wealth producers and away from those who are intent on doing them harm.

Yours sincerely

Raymond Hunt

N. John Hunt, Esq.



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

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

PS/ *Secretary of State for Industry*

26 February 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

Dear Tim,

Prime Minister

An encouraging report.

I attach a copy of the 16th Report of the Interdepartmental Contingency Group on the Steel Strike.

I am copying this to the private secretaries to members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

*Yours ever,
Pete*

PETER STREDDER
Private Secretary



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STEEL STRIKE : 16th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 26 February.

BSC

2 The BSC, ISTC and NUB met on 22 February to discuss the Union's draft agreement and suggested terms for a settlement. The talks broke up without agreement to resume full negotiations, the gap between the Corporation and the Unions remaining very wide. The Unions have again specifically rejected arbitration. Whilst the situation with ISTC and NUB remains deadlocked any further talks between the Corporation and the TGWU, NCCC and GMWU remain in abeyance.

3 The Corporation has decided to ballot its employees in the next few days about whether or not they think there should be a ballot about the pay offer. The management hope that the second ballot would be conducted by the unions. The ISTC General Secretary is reported as recommending that employees should ignore the ballot. It remains too early to assess the reaction of employees to the broadsheet which the Corporation sent out to employees about the pay offer (para 2 of the 15th Report) though the few first replies have mostly (as one might expect) been positive.

4 Last week's recommendations by the South Wales NUM delegate conference for sympathetic strike action from 25 February in support of steelworkers was heavily defeated in pithead ballots. Dockers at Newport are now demonstrating reduced support for mineworkers by commencing to unload the 20,000 tonnes of imported coal which had been blacked since last December. Ministers met representatives of the Welsh TUC on 25 February and agreed without commitment to study their arguments for a slower BSC rundown. It remains to be seen whether these events affect the Welsh TUC's plans for a general strike to start on 10 March.

Private Sector Producers

5 Private sector ISTC members are becoming much less inclined to support union colleagues in dispute with the Corporation and there is a growing number in favour of a return to work. Hadfield's (Sheffield), Manchester Steel (Manchester) and Round Oak (50% BSC owned) restarted steel production yesterday, and Templeborough Rolling Mills in Sheffield (50% BSC-owned) resumed re-rolling today. Picketing

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at these plants is reported so far to have been light. Manchester Steel's other plant at Bidston, Wirral, is reported to have voted today for a resumption. Other private sector companies are in discussions with their employees about resumption. What happens will be influenced by the meeting which the ISTC Executive are due to have on Friday about continuing the strike in the private sector. The Executive will no doubt be considering its policy on expulsion generally of members defying strike instructions, having given seven days' notice of expulsion to ISTC members at Sheerness.

6 Sheerness is continuing to work normally and make deliveries. Picketing here is now light. Several other private sector companies, who carry out cold processing and finishing of steel bars and strip, are still relatively unaffected by the strike and continue to produce and deliver to customers. It is too early to assess the combined effects of the continuing production and the limited resumption of work in the private sector on steel supplies and endurance of users.

Steel Supplies

7 Picketing of steel stockholders has eased in many parts of the country and despite the imbalance and diminution in their stocks, stockholders are maintaining good deliveries to users. Press reports that steel stockholders have made very large increases in prices are strongly denied by the National Association of Steel Stockholders; while some increases have undoubtedly taken place, there is no firm evidence that they have been either widespread or exorbitant. Supplies to users direct from the private sector have continued at a very low level from a small number of plants which carry out cold steel processing and finishing for engineering purposes. Imports continue to move freely from many ports to stockholders and direct to users.

Transport of Steel

8 There is nothing new to report on the movement of steel generally. No evidence has emerged of any effect from the threatened TGWU reinforcement of instructions to lorry drivers not to cross picket lines, and to dockers not to unload steel supplies. The London docks are now working again on all cargoes after the settlement of their pay dispute.

Effects on Steel Users

9 Whilst there is inevitably some further diminution in steel stocks, there is little new to report on the potential endurance of steel users. A limited number of additional layoffs

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have been reported. Weekend reports in the press have picked out small engineering companies, drop forgings and the canning sector as having problems, but this adds nothing to what has already been noted in earlier Situation Reports.

10 The CBI and the British Iron and Steel Consumers' Council have indicated privately that the proportion of companies being affected is rising, leading to short-time working and some layoffs, but that the critical time for companies is likely to be from mid-March onwards. This implies no real change on our previous assessment of endurance. Short-time working in some user sectors, eg component manufacturers, is thought to be as much a reflection of reduced demand from the automotive sector as from steel shortages.

Department of Industry
26 February 1980

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STEEL STRIKE: PICKETING IN SCOTLAND

The police report at 1000 hours today (4 March) confirms that peaceful picketing is being maintained at a low level in 7 of the 8 force areas. No problems have been experienced.

Most of the earlier difficulties were experienced in the Strathclyde Police area, but during the last 7 days only 3 minor incidents have been reported. In the first it is alleged that a lorry was driven at a picket line in Coatbridge. Pickets jumped clear and no-one was hurt. Particulars were taken and although no arrests were made, a report was submitted to the Procurator Fiscal. In the second incident bottles of milk were smashed and a tree trunk rolled into the roadway outside premises in Kilsyth. The police attended and the situation was resolved without further trouble. The third incident involved flying pickets in a car which barred the entrance to premises in Greenock. Again the police resolved the situation without incident.

Last Thursday (28 February) the number of pickets at Bellshill rose to 350 with Mr McGahey, miners, the press and TV Cameras present. The police responded by sending a sergeant, 2 constables and a Chief Inspector. No confrontation took place and by mid-afternoon only 3 pickets remained.

The press reported yesterday that the TGWU had issued a directive to their members that they must not cross steel workers' picket lines and that this had caused a company in Lanarkshire to lay off 9 drivers and virtually cease to operate. Strathclyde Police report that this directive appears to have made little visible difference to the number of lorries involved in transporting materials.

SCOTTISH OFFICE
4 March 1980



Iron & Steel Division

DEPARTMENT OF INDUSTRY

Ashdown House

123 Victoria Street

London SW1E 6RB

Tel: 01 212 8705

Switchboard 01 212 7676

Mr Laurencester

No 10.

With the Compliments of

S J Gross

PS/Secretary of State

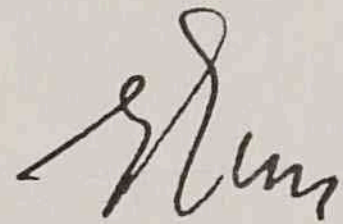
cc PS/Mr Butler
 PS/Mr Marshall
 PS/Sir Peter Carey
 Mr Ridley Dep Sec
 Mr Woodrow Inf
 Mr Nieduszyński PT
 Mrs Cohen IS1
 Mr Monck Tsy

BSC: THE BREAKEVEN TARGET

In referring to the breakeven target for 1980/81, which the Secretary of State set BSC last July, I suggest we place more emphasis now on the statutory duty placed on the Corporation by the Iron and Steel Act 1975 (passed by the previous Labour Government as a consolidation Act, but repeating an earlier Labour Government's statutory requirement). Section 14(1) says "Subject as provided in sub section (6) below [which is not relevant since no required rate of return on assets is present specified] it shall be the duty of the Corporation so to exercise and perform their functions under this Act as to secure that the combined revenues of the Corporation and all the publicly-owned companies taken together are not less than sufficient to meet their combined charges properly chargeable to revenue account, taking one year with another." This means that "taking one year with another", it is the statutory duty of the Corporation to break even.

2 Given that the Corporation have made losses in each of the 5 successive years since the 1975 Act was passed, "taking one year with another" can reasonably be held not to extend to losses in a sixth year, ie 1980/81. So we can argue that the breakeven target is not simply the Secretary of State's policy but what the law, as imposed by the Labour Government, requires as a "duty of the Corporation".

3 This is a fairly sensitive point for other Nationalised Industries, since the NCB, Electricity, Gas and BAA (but not British Shipbuilders) also have an obligation to break even. However, three of these four do make profits; NCB declare a profit but this is after heavy grants under the Coal Industry Act.



S J GROSS
 Hd IS Division
 816 Ashdown House
 212 8705
 25 February 1980



25 FEB 1980

Free

rec Appts plus
DSG

25 February 1980

The Prime Minister has asked me to thank you for your letter of 22 February about the Chairmanship of the British Steel Corporation, and also for your letter of the same date with which you enclosed a copy of your proposals for settling the current dispute. She will be replying to your letter about the Chairmanship as soon as possible.

J.P. LANKESTER

W. Sirs, Esq.

DSG



file

cc: D/Industry
Original G/K

35

CLF to see

10 DOWNING STREET

THE PRIME MINISTER

25 February 1980

Dear Mr. Stone,

Thank you for your letter of 9 February, enclosing one from Mr. Douglas Hughes, director of the Whitechapel Bell Foundry on the difficulties his company is facing as a result of the steel strike. I do, of course, know of this Company and its long and honourable history.

We are, of course, very conscious of the problems the strike is causing for firms such as this. It appears that Mr. Hughes' particular difficulty does not arise directly from the stoppage of steel production by the BSC, but rather from interference with the movement of steel from a private sector stockholder. I deplore such interference and it is precisely to deal with picketing activities of this kind that we have put forward the proposals embodied in the Employment Bill now before the House.

That said, we do very much want to see an end to the dispute between the BSC and its unions as soon as possible. I am deeply disappointed that previous attempts to find a solution broke down, and I sincerely hope that the present contacts will meet with greater success. ACAS are ready to give their assistance if this would help. But in view of the BSC's competitive weakness, it is vital that any settlement that is reached should be on terms the BSC can afford.

/As for your

As for your suggestion that I should bring the two sides together, I believe that this is better done by the services of ACAS who can conciliate or appoint a mediator or arbitrator if both sides agree.

As you know, I had meetings last month with both the principal union leaders and with the top management of the BSC to give both sides the opportunity to present their views to me.

Yours sincerely
Robert Thelton

The Rt. Hon. Peter Shore, MP.

TELEPHONE:
01-837 6691 (3 LINES)



TELEGRAPHIC ADDRESS:
"STEELCON, LONDON W.C.1"

YOUR REF:
OUR REF: WS/HAF/EM

THE IRON AND STEEL TRADES CONFEDERATION

General Secretary

W. Sirs

BY HAND

*Swinton House,
324 Gray's Inn Road,
London, WC1X 8DD*

22nd February, 1980

The Prime Minister,
House of Commons
Westminster
London S.W.

Dear *Prime Minister,*

I have pleasure in sending this copy of our proposals which we are submitting to the B.S.C. this morning. As you will see, these proposals represent a sincere effort on our part to find a settlement to the current dispute.

These terms offer B.S.C. a full thirteen month period of wage stability up to April 1981.

I would be obliged if the content was not generally released until 2.00 p.m. today to enable our discussions this morning to be reasonably free from outside pressure.

Yours sincerely,

Wm Sirs.

W. SIRS
GENERAL SECRETARY

ENCL:

R23/2

Prime Minister

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272*

MEMORANDUM OF AGREEMENT made on
between the BRITISH STEEL CORPORATION, 33 GROSVENOR PLACE, LONDON,
WS1X 7JG (hereinafter called ' the Corporation ') and the IRON AND
STEEL TRADES CONFEDERATION, SWINTON HOUSE, 324, GRAY'S INN ROAD,
LONDON WC1X 8DD and the NATIONAL UNION OF BLASTFURNACEMEN, 93 BOROUGH
ROAD WEST, MIDDLESBROUGH, CLEVELAND, TS1 3AJ (Hereinafter called
'the Unions') with regard to an INCREASE IN WAGES.

PREAMBLE

WHEREAS the Unions submitted a comprehensive claim for an increase in wages and improvements in other benefits to take effect from 1st January 1980 and WHEREAS negotiations on the claim took place at conference held on 3rd, 21st and 28th December 1979 and Friday 8th February 1980.

IT IS NOW AGREED THAT:-

1. GENERAL

- 1.1(a) Having regard to the Corporation's serious business difficulties the Corporation and Unions agree nationally the principle that in the year there should be significant pay increases but that these will be financed as far as possible through improved performance. The Corporation and the Unions therefore enter into an enabling agreement to ensure that for this particular negotiation a proportion of the annual increase shall be linked directly to the achievement of improvements in the Corporation's overall ability to pay by virtue of better financial performance at Division or Works level.
- 1.1(b) The Corporation and the Unions agree that joint representation should be made to the Government and all bodies concerned, regarding the excessive amounts of steel being imported into this country which is having the effect of creating wide spread unemployment.
- 1.2 The Corporation and the Unions agree that much remains to be done in respect of the commitments made by the signatories to the 1979 Wage Settlement in respect of:-
- (a) The commissioning of capital projects.
 - (b) Speedy resolution of inter-union disputes without any embargo or restriction of work.
 - (c) Completion of W.M.I.S.
 - (d) Improved working practice agreements between the two Unions.
 - (e) Closer alignment of maintenance and process activities.
 - (f) Reducing absenteeism and unnecessary overtime.
 - (g) Reducing industrial disputes.
 - (h) The encouragement of payment by bank transfer.

continued.....

- 1.3 The Unions accept the continued need for discussions with the Corporation at national level:

Also at local level at least with TUC affiliated Steel Unions: -

(a) with the objective of achieving international manning standards at all levels to achieve the highest level of productivity, pay and conditions in line with overseas competitors, particularly the European Iron and Steel manufacturers and

(b) on the means by which closer working relationships can be established between the Corporation and all the nationally recognised TUC affiliated Steel Unions.

- 1.4 With reference to 1.2(f) above, accepting that absenteeism is a costly item to the Corporation it is agreed that the Unions will accept:-

(a) the introduction of a national scheme creating a uniformity of conditions that will help to reduce absenteeism.

(b) in connection with the foregoing item, consideration will be given to the possibility of the introduction of an attendance bonus based on individual performance.

(c) The elimination of all overtime.

2. SCOPE AND COVERAGE

- 2.1 The workers covered by this agreement are those members of the Unions who are -

(a) employed on production conditions covered by the 1979 National Agreement, and

(b) employed on heavy steel maintenance conditions, and

(c) any members in respect of whom agreement is subsequently reached between the Corporation and the Unions that they shall be transferred to Corporation Heavy Steel Conditions

(d) Staff employees covered by the recognition agreement 10th September 1969.

(e) Middle management members covered by the National Agreement 25th June 1974.

continued.....

2.2 This agreement is made for a fifteen month period from 6.00 a.m. Sunday 30th December 1979 being the nearest Sunday to 1st January 1980.

3. CONSOLIDATION OF PHASE II INCOMES POLICY SUPPLEMENTS

It is agreed that the consolidation of the phase II Incomes Policy supplement shall be deferred until some jointly agreed date in the future.

4. GENERAL INCREASE

4.1 In recognition of the Unions' contribution to supporting the following programme within the principles outlined in clause 1 (including the introduction of the Lump Sum Bonus Schemes and associated payments as set out in clause 5).

There shall be a general increase on all elements of pay of 15% with effect from 6.00 a.m. Sunday 2nd March 1980.

4.2 The Unions and Management accept the urgent necessity for the restructuring of work at all levels to bring about within a period of twelve months the achievement of the objectives set out in clause 1.3(a) in the ongoing plants and offices so as to improve the Corporation's costs and hence its competitiveness.

4.3 At local level in line with the previous agreements specified in clause 1.2 Management shall table for discussion and negotiation with the Unions its local plans to reduce inbuilt overmanning through job restructuring.

4.4 These plans will include joint examination of the Corporation's proposals concerning areas of activity which prove excess to requirements together with proposals for appropriate local productivity negotiations where increased work or higher responsibilities are involved.

4.5 The Unions will accept the adoption at local level of policies of productivity negotiations.
(a) That local negotiations may allow non-recruitment, and
(b) Allow advantage to be taken of labour turnover where possible to ease any necessary reductions in manpower.

4.6 Given the difficult financial year ahead the Unions agree to immediately set up a Working Party to discuss the possible advantages of the Government short time working scheme.

continued ...

- 4.7 On the basis of the need for change in the industry, the Unions recognise the Corporation's concern regarding the need to improve working practices and relationships between maintenance and process workers in the industry.
- 4.8 Any bonus incentive or other payments expressed as a percentage of a rate to which has been added the increases stated in clause 4.1 above shall not be further increased as a result of this agreement. Where necessary, such agreements will be adjusted accordingly to ensure this condition is met.
- 4.9 For the purposes of calculation relating to pension, redundancy, severance payments and holiday pay or any other terms and conditions which include reference to past earnings, the period of the industrial action will be excluded.
- 4.10 The Corporation and the Unions accept as a contribution towards improving the conditions of employees in the industry that they will hold constructive discussions about the introduction of a 39 hour week, or shorter working year and for this to become effective from the 1st April 1981.
- 4.11 Recognising that most members aged 18 are receiving adult rates the Corporation and Unions agree to extend the practice to include all members by the 1st April 1981 on a phased basis.
- 4.12 The Corporation and the Unions agree the minimum rate that shall apply from the 1st April 1980 will be £65 for a 40-hour week.

5. LUMP SUM SCHEMES

- 5.1 Lump Sum Bonus payments will be made at local level provided that it has first been demonstrated that,
- (a) the cost of such increases has been funded by improved financial performance except as qualified by clauses 5.7 and 5.8
 - (b) such payments will derive from agreed schemes designed to measure financial performance on a Divisional or Works basis described in 5.4 below.
 - (c) it is understood that the schemes described above will be applied to units at Departmental level and above.

continued

5.3 Performance of local schemes will be assessed
3 monthly in arrears.

The result will be applied as a percentage increase to the earnings which each individual has accrued during the three month period over which the scheme performance has been assessed and will be paid as a lump sum.

5.4 While as previously stated in clause 5.2 hereof the detail of local schemes shall be a matter for joint determination, it is agreed that each local scheme will incorporate the following:-

- (a) Lump Sum Bonus payments (other than the advance payment and guaranteed minimum described in 5.7 below) will be made only after the actual achievement of improvements in business performance.
- (b) It is accepted that factors external to the Corporation may affect business performance both adversely and favourably. No attempt will be made to offset for these external influences.
- (c) Lump Sum payments will be made quarterly, and will be calculated as a percentage of gross earnings during the relevant three month period which divided by the workers involved will produce a flat rate payment equal to all after excluding guaranteed minimum payments

In order to implement these principles in varied circumstances in different parts of the Corporation and still preserve consistency of approach it is intended that each local scheme should be designed on the basis of one of the following options:

"Better business results and productivity as shown in improvement in added value related to employment costs"

OR

"Expression of overall business success in terms of improvement in a predominant physical index (or indices)"

OR

"The achievement of specified improvement milestones in circumstances of major change"

OR

"In the event of alternative schemes being locally acceptable these will be considered"

continued....

- 5.5 Schemes which use added value as their basis will calculate this factor by subtracting the cost of materials and services from turnover and expressing the result of that calculation as a proportion of employment costs.
- 5.6 Lump Sum Bonus payments arising from local schemes will be paid on the nearest practicable pay date following the end of the period over which performance has been assessed, to employees in the Corporation's employment at the time they fall due. Any scheme which uses employment costs as part of the calculation of quarterly payments will take account of the costs of such payments in the period in which they are paid as distinct from the period on the result of which they are calculated.
- 5.7 In consideration of the national undertaking to make local agreements on such schemes at the earliest possible moment the Corporation will make a payment of a weekly sum equivalent to 5% of the gross earnings. This payment will take effect from Sunday 6.00 a.m. 6th April 1980.
- 5.8 Having regard to the need for joint negotiations of local schemes covering the total job population in a Division or Works the Unions agree subject to the provisions of clause 5.2 to participate in the setting up of a special negotiating machinery. Such negotiating arrangements will be for the sole purpose of dealing with the local schemes described in clause 5 hereof and will be completely separate and distinct from the normal arrangements embodied in national agreements or established custom and practice.
- 5.9 The precise nature of the special local negotiating machinery described in clause 5.8 above shall be a matter for local arrangements but shall be so constructed as to permit expeditious negotiation of these schemes as a Works-wide or Divisional basis.

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Ref. A01503

PRIME MINISTER

British Steel Corporation

It appears that the non-executive members of the Board of the British Steel Corporation are anxious about the propriety of the BSC taking on financial commitments which it may not be able to meet. This issue has not arisen this month, since the members concerned were persuaded that the commitments which the Corporation were likely to undertake in February would be covered by funds arising. The position may be the same in March, but either then or in April Sir Charles Villiers will need to be given an assurance that the Government stands by the Corporation's commitments. It is generally accepted that the Government has at present no choice but to finance the Corporation's obligations, even if the cash limit were to be breached, and that an assurance in suitable terms should be given.

2. Mr. Gross has prepared a draft letter for Sir Peter Carey, as accounting officer in the Department of Industry, to send to Sir Charles Villiers.

I attach the draft herewith.

3. My reservation relates to paragraph 5 of the draft, in which is stated that the Secretary of State's intention is that the Corporation should conduct its business within the financial constraints that he has set for it by way of external finance provision and financial target for 1980-81, as set out in his letter of 20th December. The effect of that would be to reiterate both the external financing limit of £450 million and the prescript that that money should not be available to finance operating losses. It seems to me that, as the situation is developing, it may be that the Government will wish to be free to consider the possibility of keeping the external financing limit at £450 million, but allowing the Corporation to postpone some redundancies and use the money instead for operating costs (a marginal improvement in the pay offer). In that

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COMMERCIAL IN CONFIDENCE

event, the reiteration of the requirements in the Secretary of State's letter of 20th December could be something of an embarrassment.

4. I have suggested that the risk of embarrassment could be avoided without signalling any change of policy or intention, if the paragraph was generalised, so as to read:

"That said, the Corporation is of course expected to conduct its business within the financial constraints set for it by the Government by way of external finance provision and financial targets".

5. The Department of Industry think that they could not revise the draft on these lines without going back to their Secretary of State, and are reluctant to do that. I am inclined to urge them to do so, for the reasons which I have indicated in this minute; but I should be glad to know whether you agree that I should press this point.

ROBERT ARMSTRONG

(Robert Armstrong)

22nd February, 1980

PRIME MINISTER

✓
Mufaxed to Chequers
@ 21.00 on 22.2.80
c.c. Mr. Ingham
Mr. Wolfson
pa ABJ 22/2

Steel Dispute

As you will know by the time you read this, today's negotiations have broken down without any progress made. Solly Gross has rung me with the following report, based on a conversation he has had with Scholey.

The unions asked for:-

15% against a watered down central agreement;

5% against local productivity schemes with no cut-off date for the lead in payment;

concessions on minimum earnings: 1.3% on the wage bill;

improved pensions: 1.5% on the wage bill.

Total cost about 23%.

BSC told the unions that this was totally unacceptable, and did not offer any concessions themselves. They said that, in view of the massive gap between the two sides, they once again proposed that the dispute should be put to arbitration. Bill Sirs replied that the unions would not accept arbitration, but he would consider what their response would now be to BSC's restated position. To that extent, there was not a complete breakdown; at the same time, we still don't seem anywhere near a settlement.

BSC are categorising the union claim as approximating 30%. They get up to this figure by adding in something for the possible negotiation of traditional lump sum bonus schemes. They would have

/ done

done better, in my view, to have called it 23% - still a very high figure considering the unions' proposed central agreement is a watered down version (BSC reckon it might produce 8% in productivity, rather than 15% implicitly assumed in the claim), and given that they were proposing no cut-off date on the 5% for local productivity.

Solly will try to speak to Bill Sirs over the weekend to ask him what he intends to do now. Sirs' schedule for next week includes:-

Dinner with the American Ambassador (along with Villiers) in Paris on Tuesday;

Attendance at the TUC General Council on Wednesday; and

A speech at an OECD Meeting in Paris on Thursday!

R.

22 February 1980



Secretary of State for Industry

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

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

22 February 1980

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Peter Stredder

P 242

Dear Tim,

... I attach a copy of the 15th Report of the Interdepartmental Contingency Group on the Steel Strike.

Annexed to the report is a note on the effects of the strike on tinplate food can producers and the canning sector, as requested at yesterday's Cabinet meeting.

I am copying this letter to members of E Committee, the Secretaries of State for Scotland and Wales, the Paymaster General, the Minister of Transport and Sir Robert Armstrong.

*Yours ever,
Pete*

PETER STREDDER
Private Secretary



CONFIDENTIAL

STEEL STRIKE : 15th REPORT OF THE
INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 22 February.

BSC

2 The BSC, ISTC and NUB are meeting today to discuss the unions' draft agreement and suggested terms for a settlement. Meanwhile, talks between the Corporation and TGWU, NCCC and GMWU seem likely to remain in abeyance.

3 The Corporation is sending out broadsheets to all its employees giving details of the pay offer which was made to NCCC, TGWU and GMWU on 10 February and to ISTC and NUB on 17 February. It is too soon to assess the effect.

4 On Wednesday, 20 February, the South Wales NUM delegate conference discussed sympathetic strike action in support of steelworkers. The conference recommended strike action by the 27,000 miners in the coalfield to take effect from 25 February. First results suggest that the recommendation could be substantially defeated in pithead ballots. If so, this could slow down the momentum behind the Welsh TUC's plans for a general strike in Wales to start on 10 March. Attitudes towards this strike may become clearer as a result of a meeting between Ministers and the Welsh TUC next week.

5 The issues of pay and prospective redundancies are becoming increasingly linked. There have been hints of greater BSC flexibility on the timing of the latter, but it remains to be seen whether they and the unions can make any progress as a result towards a package settlement. The discussions with the European Commission on 21 February may have encouraged exaggerated union hopes of substantial delay in the rundown. This, or any significant diversion of redundancy money to higher pay not financed out of productivity, would do nothing for BSC's viability.

Private Sector Producers

6 Sheerness Steel is continuing to produce steel and to make deliveries. The mass picketing on Wednesday, 20 February, whilst causing a pause in receipts of raw materials and steel deliveries, has not deterred the company and its workers from continuing normal production and deliveries of steel. Both plants of Manchester Steel are now again at a standstill because of fears of severe picketing and intimidation following the refusal of the ISTC Executive to grant a dispensation from

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strike action in private sector companies. But they and other private sector steel companies are again actively considering, with representatives of the workforce, ways of starting up again over the weekend or early next week. The steel companies, which have continued to carry out cold processing and finishing of steel, predominantly in bar and strip form, are maintaining their production and are delivering to customers.

Steel Supplies and Transport

7 Despite continued picketing, which has been intensive in Wishaw and Bellshill (Scotland), good deliveries of steel to end users are being maintained from the majority of steel stockholders. Movement of steel generally has continued with little change reported. At the ports, there is an indication of prospective improvement at London, which has been affected by its own pay dispute. There is now a reasonable chance that all the London docks will return to normal handling of all cargoes, including steel, on Monday following meetings of stevedores and tally clerks today.

8 The latest Customs and Excise returns show that imports of steel in January 1980 were nearly 307,000 tonnes, which is not far short of normal for this time of year. This figure represents goods landed, not necessarily onward movement from the ports. Whilst, as reported earlier, there has been some build-up of imported steel in storage at docks, the size of the import tonnage suggests that a substantial proportion of imported steel has been moved from the ports to stockholders and end users. This will have contributed to the achievement by most users of production levels and replenishment of stocks in the early weeks of the strike which exceeded earlier expectations.

Effects on Steel Users

9 This week's survey by the Business Statistics Office shows that manufacturing production in week ending 16 February remained over 95% of normal (just under 98% if BSC production loss is deducted). This is slightly lower than the previous week. The metal-using sector production remained about 2% lower than normal. 12% of the companies in the survey are now being affected by the strike. Estimates for this week are that the level of overall manufacturing production will again have fallen slightly. The prospects in some individual sectors are worsening, which may point to a sharper fall-off in industrial production as we get into March.



10 Increased evidence of companies being affected, partly by steel shortages, but also by reduced order books, is reported from the engineering sector, particularly in East and West Midlands. Many companies in these areas are now planning for 4-day-week working from next week or the first week in March.

11 In the drop forging (eg components) sector a quarter of the companies are on short-time and the Trade Association expects that half the industry's production capacity will have stopped work by the middle of March. Production of industrial fasteners is also expected to drop during the next week leading to short-time working in the first week in March. In both these sectors there is further treatment of components between their first production and final use in automotive or other manufactured production. It will thus be some time before the full effects on final users are apparent.

12 The hand tool sector has also started short-time working and some companies expect to have stopped completely by mid-March. A large proportion of the production in this sector goes for export and export orders are being lost because of uncertainty about future delivery dates.

Attitudes to the Strike

13 The CBI Council meeting this week showed continuing general support for the stand both Government and BSC are taking. Here and there industrialists are saying that the Government is trying to change attitudes too fast. But Regions report that industrialists reporting difficulties due to the strike are not calling for government intervention.

Department of Industry
22 February 1980

CONFIDENTIAL

STEEL STRIKE: TINPLATE FOOD CANS AND THE FOOD CANNING SECTOR

BSC is the only UK source of tinfoil. Producers of tinfoil cans for food and beverages have had to depend on their own stocks of tinfoil, which are now substantially depleted. The major UK producer, Metal Box, who supply 85% of food cans, has had additional problems in making full use of its stocks, because heavy picketing of their factory at Neath has prevented deliveries of its production of can ends to other can makers in the Group.

2 Metal Box have been laying off workers in the tinfoil food can part of their business since the beginning of this month. By the end of February they expect to have laid off about two-thirds of the workers whose activities depend on tinfoil. The company's production of food cans has accordingly been reducing during February and during this week and next they expect to be able to meet 25% of customers' requirements.

3 Reads, the other principal producer, has also begun laying off workers but they have not revealed the extent of this nor the effects on can production.

4 In the food canning sector there is inevitably a growing shortage of working stocks of cans, particularly in the standard sizes, and some companies have reduced production leading to layoffs of employees. The Food Manufacturers' Federation have said that more layoffs are likely during the first half of March, and some companies may have to cease production altogether. There are good stocks of canned food in the distribution chain and there are no signs of any shortages in the shops. A limited number of lines of UK canned food products could begin to run short towards the end of March, if the strike goes on much longer. These are principally beans and peas which are canned all the year round.

22 February 1980



22 FEB 1980

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Beecham Products

Beecham House Brentford Middlesex TW8 9BD

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Beechdiv Brentford
Telex : 935986
Telephone : 01-560 5151
Ext.

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RH/PVW

Mr Hoffman
cc Mr Lyman

R 22nd February 1980

Prime Minister

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London SW1.

PM discussed with
Mr Halstead

12
27/2

Dear Mrs Thatcher,

TR 4/3

As you know, I am a non-executive Director of the British Steel Corporation and as such have been fairly deeply involved in the strategic discussions about the strike. You will also appreciate that I have received through this and other sources a good deal of confidential information. You also know, I am sure, that I am personally right behind your own policies and am totally committed to your success.

I would have liked the chance to talk to you today but it was obvious that the chance would not arise. I therefore thought that a short note might be helpful.

All the signs are that in the eighth week the strike is still fairly solid with worker opinion behind the unions, although the majority of workers would like a compromise solution. There are two key factors in this:

1. That workers do not think the position of the British Steel Corporation is credible; that if they push hard enough we will give more money. As you know, the only money we can give must be earned by higher productivity.
2. That if the strike goes on long enough the Government will, as every Government has done in the past, bail the industry out with more cash.

cont...

All our soundings suggest that a great deal of worker hostility and blame is attached to the Government for not intervening - and there is a great belief that the Government will intervene.

I am quite sure that if you could get across to the work force that they are not going to be bailed out however long the strike lasts, and that any money they get must come from improved productivity, it could make a dramatic difference to the situation.

In other words, I believe that your own intervention spelling out the realities could be decisive.

I know that you have repeatedly said this in the House of Commons. I know that Keith Joseph has said it. But it really needs to be said in harsh unequivocal terms into the livingroom: on television, by you as Prime Minister.

Equally, because of the real worry in South Wales about their future it would be counter-productive both industrially and politically to spell this out without giving some message of hope.

I understand you are being interviewed on Panorama on Monday. This would be a very good slot and I trust that you will consider dealing with it at that time. If you could spell out clearly and firmly where the Government stands it could make an enormous contribution towards settling the strike.

I attach a note which may be of help and please forgive the intrusion.

Your Sincerely,

Ren Stalsman

R. Halstead

BRIEF MATERIAL FOR PRIME MINISTER'S STATEMENT ON 'PANAORAMA'.

The steel strike has been going on eight weeks. It started because of a misunderstanding and a misrepresentation. The Steel Corporation did not, as was widely reported, offer 2%. It offered, and still offers, considerably more if it was earned by increasing working efficiency.

It is difficult to catch up after a false start and a great deal of ill will was created because workers, naturally, were insulted in thinking they had been offered 2%.

I believe very many workers in the steel industry are being sustained by the belief that if the strike carries on long enough the Government will come along and give the employers more money to improve their offer. It is natural for them to have this view because in the past Governments have done just this. Well, I want to spell out plainly and once and for all that my Government is not going to do this.

Britain is living on borrowed time. For years we have paid ourselves what we have not earned. Governments have given in to people who have said: **We want it,** therefore we will have it, irrespective of whether we have earned it. Well, it simply has got to stop because the alternative for our country is disaster. Not only for the steel workers, but for the old and sick and those who depend on our national prosperity.

Let me spell it out to every steel worker's wife: we are not going to bail out an industry which is inefficient and losing money. We are not going to do it because it is not even in their long term interests to do so. It is certainly not in the interests of the tax payer to do so.

What I say further is this: I do know about the worry of recession in South Wales. I know how heartsick they must be at the threat of fast disappearing jobs and I promise we will do our best to steer new opportunities in their direction.

cont...

But absolutely the wrong way for them to go about it is to take militant action which has only one sure end: the disappearance of yet more jobs. The longer the steel strike goes on the less of a future steel has.

If an industry is losing money, then it is straight Alice-in-Wonderland to think that you can make your future more secure by blackmailing your employer into giving extra money he cannot afford and you have not earned. So I would really like to spell out a very simple message to steel workers' wives who have to bear the real anxiety of this.

The Government is not going to come galloping to the rescue by giving more money to the British Steel Corporation however long the strike goes on - and so far as I know they do not themselves have anything to spare to give away for nothing.

But it also should be known that British Steel has been re-equipped with very fine and sophisticated equipment and if the unions are far sighted enough to give something for something, there is no reason to think that it does not have a good future. In some real respects we now have the finest and most modern steel making processes in the world.

14% is not, as I understand it, the final offer by BSC. In terms of what workers could get the sky is the limit provided it is paid for. I suggest to Bill Sirs and others who have dug themselves into an entrenched position and indeed have hardened their position as the strike has gone on, that they should now go back to square one, go back to the negotiating table with Sir Charles Villiers and say "let us think again". Let us give something for something. Let us negotiate a wage increase which meets our members' worries about the cost of living, but equally enable British Steel to make steel more efficiently.

Let ^{BSE} us, the unions, negotiate productivity schemes which will be good for the workers, good for the union leadership, good for workers and good for the country".

But let there be no mistake; the Government is not, repeat not, going to come up with more money for nothing which will put off once again the real problems which in Britain today are causing anxiety to every woman who carries a shopping basket".

TT/PVW
21/2/80



Parliamentary Under Secretary
of State

T M Jaffrey Esq
Private Secretary to
The Hon Adam Butler MP
Minister of State
Department of Industry
Ashdown House
123 Victoria Street
London SW1

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

RECEIVED IN

25 FEB 1980

OFFICE OF THE
MINISTER OF STATE

21 February 1980

r26.2

Dear Mr Jaffrey

R 22/2

Thank you for the note of the meeting with Mr Norton held on the 18 February with your minister and Mr Mayhew.

The Minister has however drawn my attention to two inaccuracies in the minutes, which he would like correcting by a circulated amendment.

I refer you to para 6, line 14: "to be" should be "already", and lines 16 and 17; "... and for plaintiffs to seek redress... acting on behalf of the union", should be amended by the following:-

"A further possibility would be to enact that a court's contempt procedure could sequester union funds in the event of non-payment of a fine imposed on anyone (including a union official) acting on behalf of a principal".

Thank you for your assistance in this matter.

Yours sincerely
Jaqui Williams

J S WILLIAMS
Assistant Private Secretary.

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26 FEB 1980

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in C/Rooms*
C.F. to note



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10 DOWNING STREET

THE PRIME MINISTER

21 February 1980

Dear Mr. Jones,

Thank you for your letter of 1 February concerning EEC aid to the Shotton Area.

You asked in particular for further details of the EEC money allocated to Shotton steelworkers that I mentioned in the House during Question Time on 29 January. This assistance is being provided under the Iron and Steel Employees' Readaptation Benefits Scheme (ISERBS), which is jointly funded by the European Coal and Steel Community (ECSC) and the UK Government. This Scheme provides benefits to redundant steelworkers in three ways: make up of earnings during new employment; supplements to unemployment benefit; and assistance for retraining. These benefits are payable for varying periods of up to 2½ years after a worker has been made redundant. Further details are given in the attached note.

Since we joined the European Community in 1973, over £26 million has been allocated under this Scheme to eligible redundant steelworkers in the UK. An application on behalf of Shotton steelworkers was submitted to the Commission by the Department of Industry on 14 November 1979; the Commission

/allocated

JMP

allocated £7.7 million for these men on 9 January 1980. The Government's contribution is estimated to be over £9 million.

You also requested information regarding further European aid for Shotton. Over £2 million has been allocated to the Shotton area from the European Regional Development Fund for public authority infrastructure schemes, and a further £0.25 million has been allocated from the same fund for industrial projects. Another £0.79 million is likely to be allocated in the near future, again for infrastructure schemes. In recent years about £1 million in ECSC loans and a further £1 million in EIB loans have been allocated to the Shotton area. Such interest-subsidised loans remain potentially available for any firm which might wish to apply for them. The ECSC loans have exchange risk cover operated by the Department of Industry under Section 7 of the Industry Act 1972. These are figures for the Shotton area itself; if account were to be taken of comparable aid to other parts of Clwyd affected by steel redundancies, the assistance would be much larger.

The Government is currently pressing for a larger share of that part of the non-quota section of the European Regional Development Fund allocated to steel closure areas. We have also lodged a provisional application on behalf of BSC (Industry) Ltd with the European Social Fund for about £4 million to provide further aid for retraining of redundant workers in steel closure areas, including Shotton.

/ Aid for

Aid for the Shotton area does not, as you are aware, depend only on EEC based schemes. The Government's own remedial measures include the uprating of the Shotton TTWA to SDA status. We have also made available an additional £15 million to allow the WDA to provide industrial sites and factory space over the next 3-4 years. This supplement, in addition to their normal programme, has enabled the WDA, in concert with BSC (Industry) Ltd., to commit expenditure of £13 million during 1980/81 to the area. The Agency will have substantial funds from its regular budget and the balance of the extra £15 million available to continue a development programme for the Shotton Area in subsequent years.

Yours sincerely,

MT

Barry Jones, Esq., M.P.

A BRIEF SUMMARY OF ISERBS BENEFITS

Eligibility: To be eligible for benefits under the scheme a steel-worker must have been in the full time employment of the same steel company for 52 weeks prior to redundancy or re-deployment. He must also:

- (i) be under the age of 65 (men) or 60 (women) at the date of redundancy or transfer
- (ii) have been wholly or mainly engaged in Treaty of Paris activities
- (iii) have been made redundant or re-deployed as the result of a permanent closure or reduction in activity
- (iv) not have begun working at the plant within 52 weeks of the beginning of the rundown in activity which lead to the redundancy or re-deployment.

Benefits available:

- (i) Make-up of earnings during new employment: when current earnings in new full time job are less than 90% of previous earnings, weekly payments are made to bring current income up to 90% of previous earnings, less any state or other benefits already being received. The entitlement period for benefit is 78 weeks for men under 55 and women under 50; 104 weeks for men aged 55 to 59 and women aged 50 to 54, and up to 130 weeks for men over 60 and women over 55.
- (ii) Unemployment: benefits supplement the national unemployment benefit scheme. During the first 26 weeks of unemployment (after a 2 week waiting period) Earnings Related Supplement (ERS) is payable. If this falls short of 90% of the maximum rate of ERS, the ISERB Scheme will top payments up to 90%. If ERS lasts for less than 26 weeks, the Scheme will make an equivalent payment for the rest of the 26 weeks. Then from the 29th week of unemployment, under 55s (women under 50) get a further 26 weeks of "ERS equivalent" payments - i.e. 90% of the maximum rate of ERS, or the rate of ERS that was being received if it was higher. Over 55s (women over 50) do not receive the "ERS equivalent" payment, but from the 29th week of unemployment receive 90% of previous earnings for 52 weeks, then 50% for a further 26 weeks (less any state or other benefits being received).

Alternatively, over 55s (women over 50) usually have the right to convert the benefits they would have received during unemployment into a capital sum payable into the former steel company's pension scheme for the purchase of immediate additional pension benefits (or if this is not possible, applied to purchase an annuity).

- (iii) Training: Eligible steel workers on approved training courses receive a benefit equivalent to previous after-tax earnings less any other allowances or benefits already

being received. This is paid for a maximum of 52 weeks within the individual steelworker's eligibility period.

All weekly benefits may be adjusted annually to take account of increase in the cost of living.. No benefits are payable after normal retirement age is reached.

- (iv) Travelling, Resettlement and Removal Grants: benefits are provided to steelworkers redeployed within the same company. They are similar to those available under the Employment Transfer Scheme to people who take up employment with a new company.

Costs of Training: The Scheme also provides for a contribution to be made towards the costs of providing a "relevant course of training" - defined as training -

- (i) conducted under arrangements made under the provisions of the Employment and Training Act 1973
- (ii) approved by the Training Services Agency
- (iii) approved by the Iron and Steel Industry Training Board and being a course conducted by or on behalf of a steel company, or
- (iv) approved by the Secretary of State and the Commission of the European Communities for the purposes of the scheme.

For courses in categories (iii) and (iv), the European Commission's approval has to be obtained. Normally, we would expect to be able to show evidence that the appropriate industry training board were satisfied with the content of the course.

If the training is for work with an identified future employer, the allowable costs are shared equally by the employer, the ECSC and the UK Government. If the future employer is not known, costs are shared equally by the ECSC and the UK Government.

FILE

Original in G/R. ^{HS}



cc. SO
HO

CF to note

10 DOWNING STREET

THE PRIME MINISTER

21 February 1980

Dear Mr. Samuel,

Thank you for your letter of 19 February.

I have been appalled by reports of the scenes outside a number of business premises which have been subject to picketing related to the steel strike. I understand your reaction, and the reaction of your employees.

The police deserve great credit for their efforts to control the situation. I know that at times it has threatened to get beyond their control. As you will know, there is legislation before Parliament on these matters. Among other provisions, this will give companies a remedy in law against secondary picketing. I hope that this will prove adequate to prevent future repetition of the ugly scenes which you describe.

Yours sincerely
Margaret Thatcher

William Samuel, Esq.

210

PRIME MINISTER

Seen by the PM
NW.

Steel Dispute: Sheerness

Solly Gross rang. The important things about Sheerness today were:-

1. Production was normal throughout the day and night.
2. There was no lorry traffic in or out during the period of picketing.
3. The pickets left at 1610 and from 1630 onwards all the necessary raw material was brought in and all the steel produced shipped out.

Sheerness intend to continue to operate 24 hours a day.

S. J. Pike

DUTY CLERK

20 February 1980



Iron & Steel Division
DEPARTMENT OF INDUSTRY
Ashdown House
123 Victoria Street
London SW1E 6RB
Tel: 01 212 8705
Switchboard 01 212 7676

Mr T Lankester
No 10

With the Compliments of

S J Gross

CONFIDENTIAL

NOTE FOR RECORD

cc PS/Secretary of State
 PS/Mr Butler
 PS/Mr Marshall
 PS/Sir Peter Carey
 Mr Ridley Dep Sec
 Mr Long IS(Tech)
 Mr Murray IS3
 Mr D Smith DEm

MSM
 12
 ..
 MW

STEEL STRIKE: SHEERNESS PICKETING

Mr Schueppert telephoned me this evening to say that everything had gone much better than he had feared.

2 About 1,000-1,500 pickets had turned up at about 5 am to be met by 1,000 police. He had brought the early morning shift into work at 4 am, had brought the office staff from outer buildings to the main works and had stopped all incoming and outgoing traffic to avoid incidents. The morning had been very quiet with the pickets well behaved. Some of the pickets drank a fair amount of beer at lunchtime so there was a little more roughness in the afternoon but nothing very serious. The behaviour of the police had been first class throughout.

3 By 3.30 pm the pickets began to drift away and by 4.10 pm they had all left. The afternoon shift had been brought into the works through back entrances; the morning shift left immediately after 4.10 pm. Incoming and outgoing traffic was restarted after 4.30 pm and Mr Schueppert hoped to complete the full movement of incoming raw materials and outgoing steel during the course of the evening. Production had not been affected; indeed, he had not lost a single shift during the whole course of the strike. The works were continuing on a 24 hour basis (4 crews working 7 days a week).



S J GROSS
 Hd IS Division
 816 Ashdown House
 212 8705
 20 February 1980

PRIME MINISTER

Next ind

Sheerness situation at 4 p.m.

As you know, there were about 1,000 pickets at Sheerness earlier today. But the first shift started at 4 a.m., and the employees had no difficulty in getting in. Later in the morning, the number of pickets outside the factory had fallen to 3-400, and the rest went back into the town. At 2 o'clock, three coaches had already left Sheerness, and we have now heard that "several hundred" of the pickets have left. In short, they seem to be drifting away.

There have been 29 arrests during the day - mainly for obstructing the police. There has been no obstruction of vehicles as such because the company decided not to have any deliveries today.

R.

20 February 1980

ans.

Copied from: Ind Pol (Chg) Pt. 4.



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

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

19 February 1980

Dear Sir,

I am sure that, like me, you share the deep and widespread public concern about the recent and well-publicised incidents of mass picketing during the steel dispute, and the threats that are now being made from within the trade union movement of further picketing of this kind. Mass picketing which involves the blockading of premises, the obstruction of supplies and actual or potential physical intimidation of employees attempting to reach their place of work is contrary to the criminal law. It is also clearly not in keeping with the advice the TUC itself issued just a year ago to all unions in its Guide on the Conduct of Industrial Disputes.

The law is clear. Pickets, if they are to act lawfully, must do no more than peacefully obtain or communicate information or seek peacefully to persuade another person not to work. The law in this respect has not changed in any significant way for over a century and is now contained in Section 15 of the Trade Union and Labour Relations Act 1974. The immunity provided by the law for picketing in the furtherance of a trade dispute is dependent on the actions of pickets being taken peacefully. Mass picketing which either by sheer obstruction or by instilling fear prevents anyone who would otherwise pass a picket line is not protected by the law. It has always been an essential feature of the law that no-one should be prevented from going about his lawful business and this clearly applies to an employer seeking to conduct his normal business as well as to an employee attempting to reach his place of work. Needless to say, any act or threat of violence can attract severe penalties under the criminal law.

The immunities provided by the law enable peaceful picketing to take place where this is in contemplation or furtherance of an industrial dispute. Without some such immunities unions could be handicapped in furthering their members' interests when in dispute with an employer. But it is also the function of the law to protect the rights of people - employers and employees - to go about their daily business, to work or not to work, and to make their own decisions whether to exercise those rights. In a democratic society it is not tolerable for these individual rights to be put at the mercy of threats, intimidation or obstruction, and I know that the TUC would never argue that it should be.



The TUC's own Guide sets out a clear statement of the law which is very much in accord with the position as I have stated it in this letter. The Guide also provides responsible advice on the way picketing should be conducted. In particular, it makes clear that pickets should be advised to act in a disciplined and peaceful manner and that an authorised and experienced union member, preferably a union official, should be in charge of the picket line and should ensure that the number of pickets is no larger than is necessary. The authorised union official is expected to advise those who picket to avoid insulting words or behaviour which would constitute an offence, and to refuse the assistance on a picket line of anyone who does not undertake to accept instructions and behave in a lawful and disciplined manner. Armbands or badges are to be provided as a means of identifying authorised pickets. In providing this guidance, the TUC is clearly acutely conscious of the difficulties to which the assembly of large numbers at a picket can give rise and of the risks of obstruction or intimidation in situations which are difficult to control.

Given the widespread public concern which has arisen from recent picketing incidents and the threats now being made by some trade union spokesman of further mass picketing and blockading, I hope that we can look to the TUC to reaffirm its advice to all affiliated unions to observe the guidance the TUC itself has provided. In particular, I hope the TUC will urgently advise unions against all aspects of picketing which are unlawful and of the rights of individuals not to be impeded or intimidated in moving freely to and from their place of employment. The trade union movement in this country has long been proud of its readiness to uphold the law and respect the rights of individuals. I hope that it will be ready to demonstrate this again today.

Yours
[Signature]

CONFIDENTIAL



10 DOWNING STREET

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Press

From the Private Secretary

19 February 1980

The Prime Minister has seen your Secretary of State's note of 19 February.

She agrees that it would probably provoke the militants to put it about that the strike could be sustained for a substantial period. But she strongly takes the view that to give any hint of weakness now could have a similar effect, encouraging the militants to go for a quick kill.

She believes that the important thing is to maintain an impression of firmness and resolution to see it through and quietly, in unattributable briefing, to underline how well the economy continues to cope.

I am sending copies of this letter to the Private Secretaries to the Members of E Committee, the Secretary of State for Scotland, the Secretary of State for Wales, the Paymaster General and to David Wright (Cabinet Office).

T. P. LANKESTER

I.A.W. Fair, Esq.,
Department of Employment.

Tim

Dick Seaman - Director of Information in Dept of Employment telephoned you at Jim Inou's request

Jim Inou accepts that the speculative stories about Villiers resulted from a lunch he had yesterday with labour industrial correspondents at their invitation. He apologises for this.

Apparently when he was questioned about steel to Villiers he did say that obviously the Government wanted the best successor to Villiers and that a successor might not necessarily be from the UK.

Employment did not receive any enquiries about the story last night and assume the reference to "Whitehall sources" means Industry.

TD

It is untrue that Jim Purr hunted at
an early retirement for Vilkers.

Terza.

19.2.80

Prime Minister

PRIME MINISTER

May we discuss
this.

In view of recent briefing
from by the Prime Minister
we are weakening,
Dever and I think
it would be worth taking
issue with x below?
Agree the attached draft?

STEEL STRIKE: LONGER TERM EFFECTS

Flag A

I agree with Adam Butler that as the strike continues the deeper and longer term effects, particularly in the corporate sector, will be more damaging than might be suggested in the report of officials attached to his minute to you of 15 February. I do not believe, as the report suggests, that a settlement can now be in prospect which would provide incalculable benefits to our policies, to industrial morale and to foreign confidence.

Many strikers are no doubt deeply anxious about their continuing loss of earnings and the future of their jobs. But I have seen little evidence that these anxieties are exerting any significant pressures on the unions to accept a largely self-financing wage settlement, or are likely to do so in the foreseeable future. Within two to three weeks we can certainly expect pressures from employers.

X If we were to attempt unattributably to brief the media that a continuing strike would be sustainable, we must expect that this would be reflected as the Government's view. This I am sure would make the more militant activists the more determined to halt private steel production and the movement of steel and, possibly, to extend and intensify the picketing of steel users. It could also prompt companies to display their anxieties. Such briefing is best avoided.

cc: Members of E Committee
Secretary of State for Scotland
Secretary of State for Wales
The Paymaster General
Sir Robert Armstrong

J P

19 February 1980



19 FEB 1960

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1 2 3 4 5



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

PS Secretary of State for Industry

19 February 1980

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

Dear Tim,

I attach a copy of the 14th Report of the
 Interdepartmental Contingency Group on the
 Steel Strike.

... I am copying this letter to the Private Secretaries
 to the members of E Committee, the Secretaries
 of State for Scotland, Wales, the Paymaster
 General, the Minister of Transport and Sir Robert
 Armstrong.

Yours ever,
 Pete

PETER STREDDER
 Private Secretary

✓ A Daguind
 ✓ D. Wolfson

→ Olive - to see

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no Prime Minister

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CONFIDENTIAL

STEEL STRIKE : 14th REPORT OF THE INTERDEPARTMENTAL CONTINGENCY GROUP

This report summarises the position on 19 February.

BSC

2 The BSC, ISTC and NUB had informal talks on 17 February. BSC explained in detail the draft agreement which had been reached with the TGWU, NCCC and GMWU unions but which their delegate conferences subsequently rejected. ISTC and NUB said they also found that draft unacceptable, as was any suggestion of their agreeing to embark on joint negotiations with the other unions. They made it clear that they wished to negotiate direct with the Corporation without third party intervention, and specifically rejected arbitration or any kind of enquiry. This would make any rôle for ACAS much more difficult.

3 Talks with ISTC and NUB will be resumed on 22 February when the unions will table their own draft agreement and suggested terms for a settlement. It seems likely that they will argue for much more general assurances on productivity and for slowing down closures to divert money from redundancy compensation to higher pay. The prospect is that the gap which already exists between the Corporation and the unions would be further widened, thus making eventual agreement even more difficult.

4 The TGWU, NCCC and GMWU unions have no plans to resume talks with the Corporation, their officials having clearly understood that the terms of the draft agreement represented the Corporation's final offer.

5 Publicity was given over the weekend to the criticisms of BSC top management by the Steel Industry Management Association (SIMA) which represents management grades from foremen to senior middle management. SIMA have for some time criticised the scale of contraction proposed by the Corporation Board, but taking little account of the reduced demand which has led to the slimming down proposals. This section of management is particularly vulnerable to job losses in the overall demanning programme. No precipitate action is expected from SIMA.

6 The general situation in South Wales is becoming more volatile. Discussions and meetings are taking place between members of the NUB South Wales District Committee, ISTC members of the Port Talbot and Llanwern strike committees and members of the South Wales NUB Executive aimed at uniting the pay dispute with the steel rundown issue so that a return to work would not automatically follow a pay

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settlement. Strike action by miners in support of the steelmen will be discussed at a South Wales NUM coal-field conference on Wednesday when it is expected that the Executive will be recommending strike action, perhaps from next Monday, 25 February.

Private Steel Producers

7 Private sector plant delegates of the ISTC met the ISTC Executive yesterday to discuss the possibility of a dispensation from strike action in the private sector companies. Whilst no such dispensation was agreed, the exchange of views was helpful in getting across to the Executive the wish of many ISTC workers in private sector companies to resume work. BISPA are now considering with their members the possibility of all the companies trying to start up again later this week.

8 Sheerness Steel is the only major private sector steel producer continuing to work normally and deliver its products to customers. There is a threat of mass picketing tomorrow (20 February) and of risk of clashes with townspeople who support the Sheerness men in continuing to work. The Manchester plant of Manchester Steel worked through the weekend and had planned days off yesterday and today to avoid the problems inherent in intensive picketing. A decision about future working of the plant had been held in abeyance awaiting the outcome of the ISTC Executive/private sector plant delegate discussions. Their other works at Bidston is continuing steel production but no deliveries are being made. A small steel re-rolling company in the West Midlands resumed production yesterday of narrow strip steel. Several other steel companies who carry out cold processing and finishing of steel in bar and strip form for engineering uses are continuing to produce and deliver to customers.

Steel Supplies and Transport

9 There is no indication of any change in the level of supplies of steel to users from the private sector producers, the steel stockholders, or from imports as compared with last week. The stockholders have confirmed publicly the growing imbalance in their steel stocks. They have indicated privately that the shortages are primarily in the sheet products (eg domestic appliance uses) and shapes for constructional use in which BSC predominate, but that they can continue deliveries of these at the present rate for 2 - 4 weeks. There is nothing new to report on movements of steel.



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Effects on Steel Users

10 There is little new to report on the stock position and potential endurance of steel users. The CBI have indicated privately that on average the 60 companies in their sample have 4 weeks' endurance before becoming significantly affected. 13% of these companies are already affected and a further 17% expect to be within the next 2 weeks. On production losses, their assessment is that in week ending 15 February, overall production will have been 2% lower than in the absence of the dispute. This is consistent with the results of the Business Statistics Office survey for the metal-using sector.

11 A further 1500 layoffs are planned during the next two weeks by Metal Box, bringing the total lay-offs in the company to two-thirds of the workforce whose activities depend upon tinsplate. The company expect to deliver about 25% of customers' requirements for food cans this week, principally in the less common sizes of containers. MAFF have indicated that food canners are not generally affected, but small numbers of people have been laid off. There is no immediate cause for concern in respect of tinned food supplies, but if the strike is prolonged, limited shortages of UK canned products may begin to emerge in April.

Department of Industry
19 February 1980

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PS/Secretary of State

cc PS/Mr Butler
PS/Mr Marshall
Sir Peter Carey
Mr Ridley Dep Sec
Mrs Cohen IS1
Mr Long IS(Tech)
Mr Woodrow Inf
Mr Smith DEm
Mr Chilcot HO

STEEL STRIKE: PRIVATE SECTOR AND SHEERNESS

Mr Mortimer believes that yesterday's meeting between the ISTC office holders and representatives of the private sector steelworkers, while not successful in obtaining a dispensation for the private sector, nevertheless was helpful in getting across to the ISTC that the private sector workers wanted to go back to work. BISPA are now considering with their members the possibility of all trying to start up again together; this would no doubt incur some failures but there should be several survivors. Round Oak in the Midlands are thinking anyhow of trying to start up again today or tomorrow.

2 As you know, Mr Schueppert rang me last night with the following information. Mass picketing or demonstration was being planned to start at Sheerness at 5 am tomorrow, Wednesday. He was expecting between 1-2,000 pickets and already had information about the following contingents all planned to arrive at about that time:

- a 3 coach loads from the Kent coalfields (about 150)
- b 4 coach loads from London (about 200)
- c 10 coach loads from Sheffield (about 500)
- d Large contingents from Corby and South Wales.

To reduce the danger of direct confrontation, Mr Schueppert had initially moved the time for shift change from 6 am to 5 am; he had now advanced the shift changeover time to 4 am.

3 Mr Schueppert said he was in constant touch with the Kent County Constabulary and was very satisfied with their help and co-operation. However, he was concerned whether there was sufficient national back-up for the County Constabulary and felt there was need for nationwide intelligence to be provided to him and to the County Constabulary because of the danger of quite serious violence from Wednesday onwards.

4 This violence was likely to arise from direct confrontation between the local townspeople and the pickets. Thus, the local

Handwritten notes: "Clive - to see", "Reference", "19/12", "Mortimer", "NBM", "19/12/77".

Handwritten note: "(I wanted to PM after information last night)".

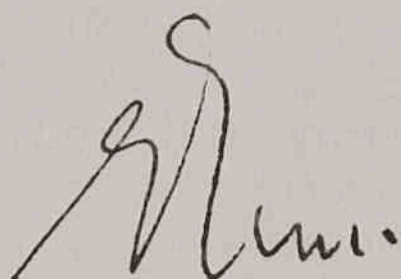
Handwritten initials: "T", "19/12/77".

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Transport and General workers had given a vote of confidence to the Sheerness steelworkers and there was a serious risk that the local dockworkers, steelmen and others would physically attack the pickets. This could easily lead to a build up of steam and, quite possibly, violent rampage by the pickets through the town of Sheerness as a whole. Therefore, he was very anxious to be assured by the Home Office that there would be sufficient national police back-up for the local Kent Constabulary.

5 With your agreement I spoke to Mr John Chilcot and Mr ~~Hayes~~ Phillips at the Home Office who had had much of this information through their own contacts with the Kent County Constabulary. Mr Chilcot has now kindly arranged for Mr Schueppert, accompanied by his local MP, Mr Roger Moate, to see the Home Secretary at 6.30 pm this evening.

6 I spoke to Mr Sirs last night on a purely personal basis and warned him that he was getting into very bad company on the Sheerness issue. I accepted that he himself wanted picketing to remain peaceful but the kind of mass picketing from distant areas that, according to the media, was being planned for Sheerness seemed to me very likely to result in ugly violence. This must react to the discredit of himself and of his Union. Mr Sirs sounded a little depressed* but said he would make enquiries today to see what he could do to reduce the risk of violence. He claimed that it was not only the BSC workers who were angry with Sheerness but also many private sector steelworkers who felt that Sheerness was taking up some of their business. I very much doubt whether this is so but Mr Sirs was probably referring to the fairly successful efforts by the private steel companies to switch steel of different specifications amongst themselves to help maintain their own rerolling activities.



S J GROSS
Hd IS Division
816 Ashdown House
212 8705
19 February 1980

* but no doubt revived by *Wainwright's* press!



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10 DOWNING STREET

THE PRIME MINISTER

19 February 1980

Dear Mr. Norton

Thank you for your letter of 15 February.

I was absolutely horrified at the picketing scenes outside Hadfields last week. The South Yorkshire police appear to have done a marvellous job in maintaining access to your works; but equally, there seems little doubt that many of the pickets - in their attempts at obstruction and intimidation - were acting outside the law. I am very sorry indeed that the workforce finally decided to strike once again.

We will certainly push ahead with our legislation against secondary picketing as fast as possible. But I fear this cannot be fast enough to affect the current dispute.

Yours sincerely

MT

Derek Norton Esq

jfh

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to Mr Wolff
Mr Longman

Prime Minister

To glance - especially
at para 9.

TL

NOTE OF A MEETING HELD ON 18 FEBRUARY 1980

Present: Mr Butler Mr Norton
Mr Mayhew Mr Adams
Mr Murray
Mr Waite - DEm

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The purpose of the meeting, which had been arranged following a request from Mr Norton the previous week, was to give Mr Norton an opportunity to explain the situation at Hadfields to Ministers.

2 Mr Norton began by saying that he had that morning sought an interview with the Home Secretary who had regrettably been unable to see him. However he had spoken to Mr Whitelaw's private secretary who had told him that the Home Secretary had much sympathy with the feelings of Mr Norton and his workforce about the nature and extent of the picketing of the company, but his position required him to remain publicly impartial, and it would not therefore have been appropriate for him to have granted Mr Norton an interview.

3 Mr Norton briefly outlined the background to Lonrho's involvement in Hadfields. Lonrho had acquired the company 2 1/2 years ago. It had then been in a worse state than BSC. The management had reduced the workforce from 5,200 to 2,800 whilst at the same time capacity had increased 50%. The workers were now far better paid than their counterparts in BSC: £80 pw for a basic 39 hour week. It had been profitable up until the strike.

4 Mr Norton described the events outside Hadfields of the preceding Thursday (14 February). His workforce at Leeds Road had agreed to come out only because of the dispensation that Mr Sirs had given Hadfields to continue production at East Hecla and provided the latter works was not picketed. Both conditions had been broken. Mr Sirs had withdrawn the dispensation because the local strike committee had refused to comply with it. Mr Norton said that Mr Butler would have read of the picketing in the press. There had been 2,000 pickets; it had taken some of his men from 7.00 am until 10.30 am to enter the works. Mr Norton said that he believed Mr Scargill had decided to bring his pickets to East Hecla because of its proximity to the motorway and ease of access to the media. The police had acted commendably, but because of the sheer scale and intimidatory nature of the picketing, they had not been able to control the situation. He had left evidence of this with the Home Office. Mr Norton said that he was outraged at the threatening and violent behaviour of the pickets; he had evidence that Mr Scargill had personally manhandled two seventy year old cleaners. He was hoping to get statements on this which he would pass on to the police.

5 Mr Norton said that the picket leaders had told him that unless the workforce at East Hecla joined the strike on Friday, there

/ ... would be



there would be 1,000 more pickets; and they would enter the works to "drag them out on strike". Mr Mead, the Assistant Chief Constable, had said that in the circumstances he could not guarantee the safety of the workforce. Mr Norton said that the combination of the threat of even greater picketing on the Friday and the inability of the police to guarantee the safety of his workforce had decided him against opening his East Hecla works that day. Mr Norton emphasised that he was determined to get his workforce back to work and would use all legal means at his disposal. Mr Butler said he agreed that the picketing at Hadfields had been deplorable, but as the law stood, the unions were not prevented from secondary picketing of this kind provided, of course, that it was not intimidatory. Mr Butler said that he was reassured that Mr Norton was intent on action within the law.

6 Mr Mayhew said that he too had been horrified by the picketing at Hadfield. It seemed to him contrary to the criminal law and he hoped that Hadfields would publicise it vigorously. Mr Norton assured Mr Mayhew that he would do so. Mr Mayhew said that one of the problems at Hadfields had been to enforce the existing law. He said that the Home Secretary was reviewing the law on public order; one aspect he would be looking at would be the difference between a picket and a demonstration. But the police nevertheless had a very difficult job on their hands. As far as the civil law was concerned, Mr Mayhew said that Trades Unions had wide immunity provided that they believed their action to be in furtherance of a trade dispute. The Government believed that the immunities were too wide and were taking steps to reduce them; under provisions to be included in the Employment Bill, immunity from civil action would be confined to pickets at their own place of work; and for plaintiffs to seek redress from union funds where the Courts found against individual union members acting on behalf of the Union. However, Mr Mayhew said it would not be right to rush these measures through to deal with the present situation; this would only prejudice the long term legal framework which the Government were hoping to establish. Mr Norton said he understood the position; it was a sorry state of affairs, but he would not urge the Government to press ahead faster with their legislation.

7 Mr Norton said that since Mr Sirs had withdrawn his dispensation, he did not feel bound by the assurances he had given to ISTC not to move his stocks. Hadfields had in fact over the weekend moved out all their stocks which were now with customers. Mr Norton was anxious to keep this completely confidential.

8 Mr Norton said he had approached Sir Charles Villiers with a view to making a bid for some of BSC's assets, but had been rejected out of hand. Mr Norton said Hadfields were interested in BSC's Yorkshire and Humberside Works and also the whole of Shotton. He agreed that the Shotton steelmaking plant was out of

/ ... date, but



date, but added that Hadfields had been making profits with old plant for years and felt confident they could do the same at Shotton. The main attraction at Shotton was that the customers had confidence in the works. He would be glad to talk to BSC, but they would have to provide more information if the talks were to get down to detail.

9 Mr Norton said his main purpose in seeking a meeting with Mr Butler was to see if there was any Government assistance available to help fund the losses of $\pounds\frac{1}{2}$ million a week which Hadfields were incurring as a result of the strike. Unless such assistance was forthcoming, he would seriously have to consider closing the works with the loss of 2,800 jobs. He did not feel able to recommend to the Lonrho Board that they should continue to carry the losses. Mr Norton made it clear that if Hadfields did close, he would take steps to pin the blame firmly on Government. He said the onus was on Government as shareholder to bring BSC and their Unions back to the negotiating table. Mr Butler said that there was no Government assistance available to help Hadfields through their present difficulties. Neither could they compel the parties to negotiate: the Government were determined that BSC should manage its own commercial affairs; and they certainly had no locus to intervene with the Unions. Mr Norton was severely critical of BSC management; the way in which BSC had handled its wage negotiations; and the presentation of its closure proposals. Mr Butler said that the BSC were keen to negotiate; it was the Unions who were holding back.

10 Mr Adams said that it was clear that either the BSC had to go into receivership; or the Government would have to provide more money than planned to help it through the aftermath of the strike. If the latter course was adopted, then Hadfields would not be able to compete unless they got similar help from its Banks. The latter had already been very helpful in the engineering and road haulage drivers' strike. Mr Adams said he was reluctant to have to keep going back to the Bank unless there was an end in sight to industrial strife. He asked Mr Butler which of the two courses for BSC it proposed to adopt. Mr Butler explained that technically a Nationalised Industry could not go into receivership. Neither would the Government put any more taxpayers' money into BSC. BSC would have to find their own solution - by sale of assets, for example. Mr Butler said he would not comment further except to say that Mr Adams' analysis was intensely realistic.

11 Mr Norton said he was grateful to Mr Butler for agreeing to meet him, but he could not say he was going away heartened by what had been said. Mr Butler and Mr Mayhew re-iterated their sympathy. It was agreed that no comment on the meeting would be given to the press, other than to say that the discussions had been frank and open.

T.M. Jaffray

T M Jaffray
PS/Mr Butler
11.10 Ash

19 February 1980

cc list attached

20 FEB 1980





cc PS/Sec of State
PS/Mr Marshall
PS/Secretary
Mr Ridley
Mr Gross
Mr Murray
Mrs Cohen
Mr Morris
Mr Long
Press Office

PS/Mr Mayhew
Mr Waite - D/Em
Mr Pattison - No. 10 ✓

SECRET

cc Ind Pd: Industrial Relations Legislation
Pt 4

1. SW 18⁰⁰
2. TEL
3. na MAP 18⁰⁰

Ld
Bf

SUMMARY OF TELEPHONE CONVERSATIONS ON SUNDAY 17 FEBRUARY

(1) Sir Keith Joseph telephoned the Prime Minister at 1040 hours.

Sir Keith asked whether the Prime Minister had consulted the Lord Chancellor about events at Hadfields which seemed a massive breach of common law. It seemed to be an issue of enforcement of criminal law, not the form of the civil law. The Prime Minister thought that on picketing, it was an issue of changing the civil law. Once this had been done, injunctions could be taken out against individuals to test the efficacy of the new proposals. There was a case for changing the business in the House to have the picketing provisions taken as a one-clause bill and passed through all stages next week. Sir Keith reiterated that the actions of Mr. Scargill and his colleagues seemed a clear breach of common law, in the form of organising an affray. The Lord Chancellor would know the alternatives. The Prime Minister agreed that she would speak to the Home Secretary, and would leave Sir Keith to speak to the Lord Chancellor.

(2) The Prime Minister telephoned the Home Secretary at 1100 hours.

The Prime Minister referred to the aggressive picketing at Hadfields. The Government could not sit aside doing nothing. It might be necessary for somebody to propose to Mr. Prior that the picketing clause should be taken out of the main Employment Bill and handled as a one-clause bill in one day next week. The efficacy of the injunction procedure could then be tested immediately. The strike was going on much longer than anybody had expected and was getting uglier day by day. It might be possible to clear Commons business on Tuesday.

The Home Secretary said that he would talk to Mr. Prior. The Prime Minister said that he should not easily accept rejection of the one-clause bill alternative.

The Home Secretary said that he was now very disturbed on his own front. He would be investigating matters further the

/next day.

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next day. He had seen the South Yorkshire Chief Constable on Thursday evening. The Chief Constable had reported that Mr. Norton of Hadfields and his colleagues had been absolutely resolute in the morning but had received instructions from Lonrho in London at lunchtime that they were to give in. This gave the impression that picketing had won.

The Prime Minister said that the Government had to be seen to act. It was not possible to continue with a bill upstairs which the Government maintained would work, but which was only slowly proceeding through the Parliamentary process. Apart from other considerations, it was unfair to expose the police without the Government attempting to take some action. The Home Secretary said that he was pleased to hear the Prime Minister's expression of support for the police. Their role was far from pleasant and could well get intolerable. Hadfields, of course, had a convenient story to explain why they had closed down. He would tell the Prime Minister the next day what Mr. Scargill had really done. He and others like him were clever. He had only been there for five minutes, made his number, and departed. This was not what the police had been quoted as saying. The Prime Minister said that she would be prepared to call an emergency meeting the next day. There was a Bill in Committee. The CBI's proposed modifications would need to be taken into account. But the picketing clause would need to be tackled separately to sort out the issue of how effective it could be.

(3) Sir Keith Joseph telephoned the Prime Minister at 1135 hours.

Sir Keith had been in touch with the Lord Chancellor, who had merely quoted the law, and had suggested that the Attorney General should be consulted on enforcement. Sir Keith felt that Mr. Scargill must be liable in law for the organisation of unlawful affray. The Prime Minister said that it might suit Mr. Scargill very well to be charged. She would like to see

/the Government's

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the Government's new picketing clause passed through so that injunctions could be taken out. This would force the union to decide whether to stand behind Mr. Scargill. If this did not work, then the inadequacy of this approach would be clear for all to see. She would speak to the Attorney General.

The Prime Minister asked what was the significance of the "no confidence" motion passed by the staff of British Steel. Sir Keith said that there were many factors involved, but they probably included a desire on the part of the staff to protect their own jobs. The Prime Minister said that the situation was a failure of both unions and management. She doubted whether the two would ever get together in a sensible way. Sir Keith said that the "other man" would be putting in his proposals in the coming week. The Government could not move before they had considered these. The Prime Minister said that she feared that Mr. Prior was trying to push the Government into a Court of Inquiry. An alternative strategy was necessary. One possibility would be to get Lord Robens to mediate if the unions would accept this. Sir Keith thought that the unions would be weakened by the strike before the employers, unless violent picketing drove the private sector linked to steel into retreat.

The Prime Minister said that the Government had never liked the use of the criminal law, partly because of the time it took to pursue a case. She would herself talk to the Attorney General.

(4) The Prime Minister telephoned the Attorney General at 1245 hours.

In reply to the Prime Minister's query, the Attorney General said that Thursday's situation had developed into an affray. The issue was whether the police could gather effective evidence in this kind of case. The Prime Minister said that if nothing could be achieved with the criminal law, the Government would have to consider accelerating clause 14 from the Employment Bill and

/putting this

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putting this through the House in one day. The Government could not simply stand by in the face of the threat of further scenes like those at Hadfields. The Attorney General saw no obstacle to this course. The Prime Minister said that this strategy would allow one of those companies who were being picketed to test the power of an injunction. The Attorney General said that there was great advantage in using the civil law, which could be brought into operation much more rapidly than criminal penalties. He had the feeling that Mr. Sirs had lost control. He offered to talk to the Home Secretary, and the Prime Minister agreed.

(5) The Chancellor of the Exchequer telephoned the Prime Minister at 1930 hours.

The Prime Minister asked whether the Chancellor had yet put in his comments on the Consultative Document. The Chancellor said that he had sent these off on Friday evening. He had also written the Prime Minister a personal note. The Prime Minister acknowledged the personal note. She said she was concerned about the Hadfields problem. It was likely to be impossible to bring prosecutions for affray or unlawful assembly. If this was so, she wanted to consider accelerating clause 14 of the Employment Bill as a No. 2 bill which could be taken through all stages on Tuesday. The power of injunction could then be tested. If injunctions were not observed, then trade unions' immunities could be tackled in the main Bill. The Government would also need to take account of comments by the CBI on the existing Bill.

The Chancellor said that he took the view that section 14 would make picketing unlawful in various places. He explained the history of the criminal law on the offence of watching and besetting which was the key to the effect of this clause. However, the Department of Employment had not shared his interpretation. The Prime Minister said that her concern was to test the new clause 14. The Chancellor commented that the

/Government

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Government would look very foolish if they rushed the clause through and found that it didn't work. The Prime Minister said that it would be worse to find it ineffective next winter.

The Chancellor quoted a personal letter he had received from Muriel Bowen describing the scenes at Hadfields. The Prime Minister said that she expected to have a further conversation with the Home Secretary later in the evening. She also felt that she or Mr. Prior should write to Mr. Len Murray about the brutal face of trade unionism which had been exhibited the previous week. The Chancellor agreed that the Government should be challenging them, particularly over the working of the previous winter's miserable code.

The Chancellor said that he wanted to talk to the Prime Minister as soon as possible about Budget presentation. The way in which we put across the forward look, which was extremely gloomy, was a critical aspect of this.

(6) The Home Secretary telephoned the Prime Minister at 2130 hours.

The Home Secretary had been unable to contact Mr. Prior, although he had spoken to the Chancellor of the Exchequer. The Prime Minister said that the "People" leader was right. The Hadfields situation had not been a matter of mass picketing but of mass intimidation. It was a public order situation. The Government needed to know where the pickets would turn up the next day and would have to stop pickets before they got there. It was not a civil law issue but one of criminal law. The Home Secretary quoted the South Yorkshire Chief Constable who had drawn attention to a clash of priorities between keeping the works open and maximising arrests. The Prime Minister said that the Chief Constables should meet the Law Officers. The Home Secretary said that this would have to be treated with great care, as Chief Constables could not take direction from Law Officers.

/The Prime Minister

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The Prime Minister stressed the need to stop pickets before they arrived at their destination. The Home Secretary undertook to investigate and do whatever he could. He hoped to speak to the Solicitor General early the next day. The Prime Minister said that she had it in mind to call Cabinet or a Cabinet Committee at 1000 a.m. the next day. She could not leave matters for a further day. The police must have guidance over their handling of the criminal offences. If the Home Secretary needed more time, she would call the meeting of Ministers at 1030.

The Home Secretary stressed that the keeping of public order would inevitably mean a major confrontation and the Government must be aware of this before embarking on that course.

(7) The Home Secretary telephoned the Prime Minister at 2245 hours.

The Home Secretary reported that the private steel company in Manchester had worked that day, but would close on Monday. In respect of Sheerness, he had been in touch with the Chief Constable of Kent. The Chief Constable had warned that he might have to arrest a great many people. He was quite determined to keep Sheerness working: he hoped that Ministers would support him although he feared that they would not. The Prime Minister hoped that Mr. Whitelaw had made it quite clear that the Government would be fully behind the Chief Constable. Mr. Whitelaw confirmed that he had done.

His sources indicated that problems at Sheerness would probably not arrive until Wednesday, although the police would be ready to deal with them on Monday if necessary. The Chief Constable disputed some of the Solicitor General's interpretation of the relevance of the criminal law on picketing. The Chief Constable had, however, had a meeting with the Assistant Chief Constable of South Yorkshire in order to learn what he could from the Hadfields experience. The Prime Minister commented that at Grunwick the police had had the means of stopping pickets

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before they arrived at the factory site. The Home Secretary wondered why Hadfields had not shown the same determination as Grunwick's management. The Prime Minister said that people should not have to run the gauntlet of intimidation like that at Hadfields. The Home Secretary agreed. It might become necessary to arrest thousands of people and the Government would have to be clear what it intended to do with them. The Prime Minister said that this was why it was necessary to be clear on criminal law provisions in relation to affray and riot.

The Home Secretary recalled the South Yorkshire Chief Constable's assurance to Hadfields. The man now felt let down. The Prime Minister reiterated that the scenes at Hadfields had been in contravention of criminal law. The Home Secretary asked where this conclusion led to. The Prime Minister believed that the criminal law could not cope and it was therefore essential to get the common law right. The Sheerness steelworks had at present no basis on which to seek an injunction. The proposed new law would provide this. She had just received a telegram from Sheerness wives. The Home Secretary undertook to establish by 1030 the next morning what powers the police had to stop busloads of pickets on route for steel companies. It was fortunate that he had rung the Kent Chief Constable, and had had the opportunity to reassure him that he would have full Government backing. He was determined.

The Prime Minister said that the next day's meeting would need to consider three matters: the public order aspects of current picketing; the possibility of taking clause 14 of the Employment Bill as a separate measure; and the question of a Government Minister writing to Mr. Len Murray asking whether he supported or condoned the trade union activities at Hadfields.

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CONFIDENTIAL

Prime Minister

2 pp's.

PS/Secretary of Statecc PS/Mr Butler
PS/Mr Marshall
PS/Sir Peter Carey
Mr Ridley Dep Sec
Mrs Cohen IS1
Mr Murray IS3
Mr Smith DEM

ms.

A continued saga
of misunderstanding
between BSC and
Sirs.

BSC: PAY NEGOTIATIONS

TL
15/2

cc D. Wolfson

As the Secretary of State will know, the Delegate Conferences of the craftsmen (NCCC) and the GMWU yesterday rejected the terms of the pay offer which their representatives had negotiated with BSC on Sunday 11 February and had recommended for acceptance. I attach Mr Murray's minute giving BSC's report on the position.

2 I spoke to Mr Sirs this afternoon to ascertain the position on the proposed Sunday meeting, given BSC's doubts about it. Mr Sirs said he had taken up the BSC offer of a meeting, in the letter of 11 February to him from Dr Grieves; the last paragraph of this letter said "We have prepared a new draft (6b) which includes these understandings and commitments [as offered to craftsmen] and I would welcome any opportunity to talk this situation through with you, whether on an informal or formal basis". Mr Sirs had replied by telegram agreeing to talks on Sunday "on the basis of the final paragraph". BSC had responded with a telegram yesterday which, in Mr Sirs' view, proposed a much more restrictive agenda for Sunday's talks, by seeking to limit them to an explanation by BSC of the details of the offer made to the craft and general unions on 11 February.

3 Mr Sirs told me that, subject to Mr Hector Smith's agreement, he was about to reply by telegram back to the BSC reiterating his acceptance of the talks on Sunday but on the basis proposed in the letter of 11 February namely "to talk this situation through with you" which he is clearly interpreting more widely than BSC do.

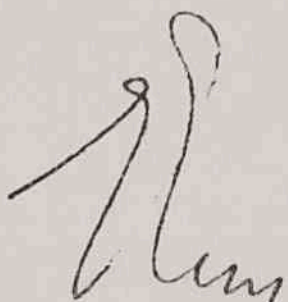
4 Mr Scholey and Dr Grieves have been at Ashorne Hill all day today on talks with SIMA (the middle management association and only return this evening by which time Mr Sirs will have left for Scotland. I will try to talk to Mr Scholey and/or Dr Grieves this evening to see if I can help sort this out and encourage them to maintain contact but there must clearly be some doubt as to whether the Sunday talks will now take place.

5 I have discussed the situation with Mr Smith, DEM. We agreed that it was desirable to encourage the Sunday meeting to take place. However, if, as we fear, the meeting either falls through or there is ~~again~~ a total failure this would

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demonstrate once again that the two sides can no longer coherently communicate with one another. It would then be timely to suggest once again to Mr Sirs that he seeks the help of ACAS if only to help coherent communication between the two sides.

6 Mr Len Murray meanwhile intends to talk to the craftsmen and general unions early next week about where to go after yesterday's breakdown.



S J GROSS
Hd IS Division
816 Ashdown House
212 8705
15 February 1980

It is unfortunate that the Chief
Secretary has referred to "bungle
negotiations" in the attached
speech hand-out. Of course, BSC
have bungled the negotiations,
but it doesn't help for Ministers
to criticize them publicly. (D=1
tried to stop this, but Central
Office had already put the statement
out.)

R 15742

Mr Gross IS

cc Mrs Cohen IS1
Ms Roberts IS3C

BSC PAY NEGOTIATIONS

Dr Grieves of BSC rang yesterday evening to let you know the latest position on their pay negotiations.

2 He said that, following rejection of the BSC offer by the craftsmen, the NCCC leaders had been to see the BSC. Their mood had been rather gloomy: the delegate conference yesterday had rejected the settlement reached by the negotiators by a 2 : 1 vote. A significant contributory factor behind the rejection was the fear of job losses.

3 Grieves also said that the prospective further talks with ISTC and the Blastfurnacemen on Sunday 17 February were to be on the basis of the offer made by the BSC to the NCCC last Sunday. He had written to Sirs to make it clear that this was BSC's final offer, and that the main purpose of the talks next Sunday was to enable BSC to explain the details of the offer. He had written this letter in order to avoid the build up of unrealistic expectations of an improved BSC offer.

4 Grieves was clearly apprehensive about going out of London for negotiations on Sunday. The press had already got hold of the proposal and he had visions of the 2 BSC representatives trying to negotiate in a building surrounded by thousands of demonstrating steelworkers and their sympathisers. It may well be that the Sunday talks will be postponed or rearranged, especially if the ISTC are not prepared to hold discussions on the basis of the BSC 10 February offer.

Bm

B MURRAY
IS3
814 Ashdown House
212 6104
15 February 1980

15 FEB 1950



1 Mr Ingham
2 Lin

t from a Speech by Rt Hon John Biffen MP, Chief Secretary to the Treasury
to the Mid-Sussex Conservative Association at Worth Abbey, Sussex
on Friday 15 February at 8 pm.

Released
abt
mrd

The steel strike is now stretching into its seventh week. It truly has become a Greek tragedy. The disasters can be seen everywhere. Think first of the financial losses to the workers: they have mounted to a formidable total. I take the illustration of a married steelworker with two children. His average gross pay at work would have been £110, yielding a take home figure of around £84. His present income will have been more than halved - despite supplementary benefits, tax rebates and rent payments. To date that worker will have lost a touch less than £300. And who can see a settlement over and above the BSC offer available at the beginning of this strike which will compensate for these losses? It will take years of sweated toil for the steelworkers to recoup the losses suffered by bungled negotiation.

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Think secondly of the commercial future of BSC. Does anyone suppose that it will be "business as before" once Messrs. Scholey and Sirs have struck a deal? We all know that cannot conceivably happen. The memory of this strike will linger long. There is no doubt that some customers of the British Steel Corporation are now thinking of hedging their bets. Many steel users will seek an alternative supplier. To an extent this will benefit the private enterprise steelmakers in this country. The real benefactors, however, are likely to be the overseas steelmakers. The search for more dependable sources of steel is all too likely to add to our imports. The quest for new patterns of steel supply is now quietly taking place and its full consequence will only be seen quite some time in the future.

Indeed the full tragedy can only be assessed many months hence. It is not merely steel that is at issue. There is the further question of products which are manufactured from steel. The whole dependability of the British mechanical engineering industry rests - in part - upon the reputation of BSC itself.

It is fashionable to talk of the dangers of "de-industrialisation". Such talk argues that our manufacturing economy is under threat from imports from Europe and Asia. This is a special theme of Tony Benn. However there has been no "de-industrialisation" as spectacular as that secured by the steel strikers. Home output of steel has been decimated; the BSC market share is threatened by the growing success of foreign steelmakers; and imports of fabricated steel products could replace home output where manufacturers cannot obtain steel raw materials.

Tony Benn was a gifted marching propagandist for his economic theories ten years ago at Upper Clyde Shipbuilders. I now suggest he visits the somewhat physical picket lines of the workers in South Wales to preach the dire consequences of self-inflicted injuries to the steel industry. For the present steelworkers' trade union action can only bring comfort and joy to foreign steelmakers and engineering employers.

CHAIRMAN'S OFFICE
Telephone No. 440353

Prime Minister.

This has just come in (2030).
I will let you have a copy
reply on Monday.

Standy about
reply mini put 15:00

HADFIELDS LIMITED
EAST HECLA WORKS
SHEFFIELD S9 1TZ

15th February, 1980

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

Dear Prime Minister,

I was delighted to hear your condemnation in the House yesterday of the appalling scenes that took place outside our gates. May I also take this opportunity to thank you for your reply dated 23rd January, to my original letter.

The sheer physical intimidation used to prevent our employees from reaching their place of employment yesterday is widely reported by most of the media this morning and will, I trust, accelerate action by your Government to prevent similar recurrences.

I feel it is worth mentioning to you that I have received over 400 letters in support of the stand we have taken against both the strike and picketing, and the over-riding theme of the letters is that people are delighted to see a British Lion roaring again.

The complacency of Sir Charles Villiers has to be seen to be believed and you will have been advised that despite my reaching agreement with Mr. Bill Sirs that my men could continue to work, he did a complete 'U' turn and called them out on strike again without even having the decency to tell me personally.

Just where is this fantastic country of ours going?. Even more important to me as a business man, is who now pays the bill for the £1m. per week that my company will lose whilst others fiddle as Rome burns.

Please dear Prime Minister, grab the appropriate people by the throat and make them act as men.

Yours sincerely

Derek Norton

DEREK NORTON

N.B. Have been on
to home for. then weekend
check possibility of taking
leave 14 (including) in
special 1. leave
will work. The
police can't
carry
on like
this need
work.
It is
confronted with
in Prison
not

pps please

PART 4 ends:-

Industry to TL hatt 15.2.80

PART 5 begins:-

Norton (Hadfields) to PM 15.2.80

