PREM 19/1600

PM's meeting with John Blackburn MP about the closure of Round Oak Steel works.

PRIME MINISTER

DECEMBER 1982

| Referred to | Date | Referred to | Date | Referred to | Date | Referred to | Date |
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| ~~18.1.83~~ | | | | | | | |
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| 18.3.83 | | | | | | | |

PREM 19/1600

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MMRW

10 DOWNING STREET

*From the Private Secretary*

18 March, 1983

The Prime Minister has asked me to thank you for your letter of 16 March about the Round Oak Steel Works and the level of business activity in Dudley generally. Mrs. Thatcher understands your concern about the closure of the Round Oak Steel Works and as you know she very much regrets the job losses which resulted. She is glad, nevertheless, that the Secretary of State for Industry had the opportunity of discussing the situation with you.

Mrs. Thatcher very much welcomes the emphasis you are placing on the future and was interested to hear of the steps you are taking to promote business activity in Dudley. No doubt you will be in touch with the Secretaries of State for Industry and Environment about your plans in the coming months.

(Timothy Flesher)

Councillor J.A.H. Edmonds, O.B.E.,

DUDLEY
Metropolitan Borough

Councillor J.A.H. Edmonds, O.B.E.,
Leader of the Council

Council House Dudley West Midlands DY1 1HF Telephone: Dudley 55433 Telex: 339831

R7
PPS

16th March, 1983

Dear Prime Minister,

Round Oak Steel Works

I am writing to bring you up to date with my understanding of the situation we have reached with the Round Oak Steel Works following the meeting I had with the Secretary of State for Industry on the 8th February.

At that meeting the Secretary of State gave us a very fair and full hearing. He made it clear, however, that he did not feel he should intervene with B.S.C.'s decision to withdraw from Round Oak or direct B.S.C. positively to encourage private interests to take over the Works. He was obviously concerned, and I do recognise, the political issues that would be involved in overriding B.S.C.'s views.

You are, of course, aware that there is a strong feeling locally that there is a good commercial case for retaining steel making at Round Oak under private ownership. It is with considerable disappointment, therefore, that I have to accept that B.S.C. are not prepared to encourage or allow any private interests to take over the Works. You may not, in fact, be aware that a deal has been constructed by B.S.C., with what I can only assume to be the use of public funds, to persuade the Walter Somers Company to withdraw its bid for the No.2 Melt Shop at Round Oak and to enter into an agreement for supplies with B.S.C.'s Sheffield Forgemasters Company. I do not like public funds to be used in this way but it is a reality we must live with.

The steel making door for Round Oak does, therefore, appear to have been closed. Without some major initiative the Round Oak site could now lie derelict for a long time, as seems to be happening at B.S.C.'s former steel plant at nearby Bilston.

We cannot afford to let the Round Oak site go the same way; it has quickly to be brought back into use to fill the terrible void left by the closure of the Steel Works and to make a positive contribution to the efforts we are already making to stimulate business activity in the area.

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

Continued/

You will be aware of our efforts to promote business activity in Dudley and firm proposals for the Round Oak site will be available in the near future. These proposals are being developed jointly by the private sector working with B.S.C. Management and the Local Authority.

The task of making the Round Oak site attractive to new business will, however, be costly and will be competing with other areas which have access to far greater assistance than does Dudley. New businesses who might locate in Dudley do not have access to development funds that are available in the Assisted Areas and Dudley is now alone among the Black Country Authorities in not having access to resources linked to Inner Area Status. You will appreciate that if Inner Area Status does become linked to access to the European Regional Development Fund then Dudley will be further disadvantaged.

We will, in the near future, have a clear idea of what can be done with the Round Oak site. The key to making it happen quickly will be access to the same sort of assistance that is already available to areas with similar and lower levels of unemployment. In February, some 29,000 people or 18.4% of the working population were unemployed in Dudley representing an increase over the last three years of over 300%.

I will be discussing the Dudley situation in more detail and putting our proposals to your Environment Ministers. I hope, at that time, it will be possible for the Government to respond positively to them.

Finally, I must thank you for your interest in the Dudley situation you have expressed to us through John Blackburn, our local Member of Parliament. While it has not proved possible to get Round Oak back into steel making, we are working hard to stimulate new business activity and to give positive help in the regeneration of the Black Country.

Yours sincerely

Jack Polmear

Leader of the Council

PM: 87
Dec
Mtg with
J. Blackburn MP.

MFJ

PM

7 February 1983

The Prime Minister has asked me to thank you for your letter of 4 February. She was grateful to be kept in touch with your thinking. I am not sure from your letter whether you received the Prime Minister's reply to your earlier letters and just in case you did not, I enclose one.

TIM FLESHER

Councillor J.A.H. Edmonds, O.B.E.

DUDLEY
Metropolitan Borough

Councillor J.A.H. Edmonds, O.B.E.,
Leader of the Council

Council House Dudley West Midlands DY1 1HF Telephone: Dudley 55433 Telex: 339831

4th February 1983

Dear Prime Minister,

Round Oak Steel Works

Following my letter to you of the 14th January, I understand from John Blackburn that you feel my concern about the future of the Round Oak Works should continue to be followed up with the Secretary of State.

In accordance with your wishes, a further meeting with Patrick Jenkin has been arranged for next Tuesday, the 8th February. A copy of the discussion document we will be considering is enclosed.

I would, in particular, draw to your attention the local view that "the withdrawal of B.S.C. from Round Oak provides a unique opportunity for the Government to back its belief in the private sector steel industry in the United Kingdom."

At Tuesday's meeting I will be seeking a clear understanding of the Government's position on the future of the Works. The major points I will be putting to the Secretary of State are set out in Section 4 of the discussion paper.

Following the meeting on Tuesday, I will write to you again as to how I then see the situation.

Yours sincerely

Jack Edmonds

Leader of the Council

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

JOHN G. BLACKBURN, Ph. D., M.P.

HOUSE OF COMMONS,
LONDON, SW1A 0AA.

4th February 1983

Round Oak Steel Works

I thought you would find it helpful if, in advance of our meeting on Tuesday, I summarised the position I feel we have reached on Round Oak.

I am enclosing a brief review of recent events and the issues as I see them. We all feel locally, and I am sure you feel likewise, that we jointly need to come to an early and clear view on the future of the Works We need to give the local community and private interests in the plant a clear view of the direction of our thinking. The main issues as I see them are set out in Section 4 of the note.

You will appreciate that the view is still held strongly at a local level, and might I say with many of our colleagues on the backbenches in the House, that Round Oak should be returned to the private sector.

I hope that at our meeting on Tuesday we can agree a future for the Works which will encourage private enterprise to show what it can make of the unique opportunity that exists for it at Round Oak. I am sure that, given a lead, private enterprise is ready to respond.

The meeting with you will be attended by Councillor Jack Edmonds, O.B.E., Leader of Dudley Council, Mr. John Mulvehill, the Chief Executive of Dudley Council, Mr. Hal Miller and myself.

Rt. Hon. Patrick Jenkin, M.P.,
Secretary of State for Industry,
Department of Industry,
Ashdown House,
123 Victoria Street,
London, SW1.

The Future of Round Oak Steel Works.

The Local and Central View - A Review of the Issues.

1. The story so far

Since B.S.C. announced its decision to close the Round Oak Works on the 17th November the arguments for and against its continued operation have been the subject of considerable discussion.

- The local case for retaining steel making at the works was put to the Secretary of State by representatives from the works and the local authorities on the 30th November.

- The central case for not re-opening the works was subsequently put in correspondence during December between the Secretary of State and the Chairman of the British Steel Corporation with John Blackburn, M.P.

- The local case was put again by the Leader of Dudley Council, Councillor Jack Edmonds, in response to the central arguments in his letter of the 14th January to the Secretary of State.

2. Where are we now?

The arguments for and against re-opening the works have now been well rehearsed and clearly there are different perceptions about the merits of a steel making enterprise at Round Oak.

The time has now come for the central and local interests to come to an early and clear view on the future of the works.

The local community needs to be given a lead as to where their future lies taking into account what local and central Government and Private Interests feel is possible.

3. The Options.

a) The Works is closed.

There is little likelihood of business activity and employment on anywhere near the scale of even a slimmed down steel making operation within the next 3-4 years.

The redevelopment of the site will be difficult and costly.

The potential for new business is very limited.

There is already a large amount of industrial land available in the area including adjoining sites in the Enterprise Zone.

The steel works site as with other areas of Dudley lacks the financial advantages of Special Development or Inner Areas although it together with adjoining areas is now a major steel closure area.

In January there were 29,800 people unemployed in Dudley an unemployment rate of 18.4% - an increase of 1200 since Decembr. These figures will not include those who have or will be leaving the Works who are not yet entitled to unemployment benefit.

It is against this background that local feeling is still running strong that B.S.C.'s decision to close the works is a gross waste of resources and not in the long term interests of the economy.

b) Bring works back into operation wholly or in parts under Private Ownership.

It has consistently been the local view that Round Oaks future in steel making lay in the private sector.

The local interests have been encouraged by the fact that private interests have come forward or at least expressed interest in taking

on the works. Given the right conditions and a willing seller in B.S.C. the local view is that this private interest would become a reality and could with the support of central Government and the local authorities be successful.

The point has also been made strongly that Round Oak provides a unique opportunity - it is well away from B.S.C.'s 5 major areas of activity; it is central to the West Midlands Engineering Industry and could potentially develop strong links with other local steel making and processing interest downstream from the products which can be made by the Round Oak Works.

The withdrawal of B.S.C. from Round Oak provides a UNIQUE OPPORTUNITY for the government to back its belief in the Private Sector Steel making industry in the U.K.

At this point in time the evidence available locally suggests B.S.C. are not a willing seller and are doing everything that it can to frustrate the interest in the works which has already suffered.

For example:

1. B.S.C.'s response to Walter Sommers Ltd. bid for the No 2 Melt Shop appears to have been an unwillingness to sell combined with what appears locally to be no more than "buying the company" off for a period of time with the use of public funds.

2. Local interest in taking over the Bar Finishing Plant appears to have been blocked completely by B.S.C. and local information suggests that arrangements are at an advanced stage to transfer the whole of the equipment in the Bar Finishing Plant to B.S.C. Special Steels in Sheffield (Stocksbridge).

   There is no evidence that B.S.C. are in any way willing to see the works wholly or in part returned to production in the private sector in competition with other B.S.C. Plants.

This picture is consistent with what appears locally to have been B.S.C.'s position regarding private interest in taking over the London Steel Works at Tipton; local information once again suggests that a major private interest was interested in taking over the works, but was blocked by B.S.C. This same private interest could be interested in Round Oak given B.S.C. was a willing seller and that the works was able to compete on a fair and equitable basis with B.S.C. and other suppliers.

4. Where do we go?

The following seem at this point in time to be the major issues:-

1. What is the governments view on the future of Round Oak?
   a) Does it jointly with local interest wish to take advantage of the opportunity of promoting steel making by the private sector

      or

   b) Does it want to see steel making end at Round Oak and accept the consequences of taking that view.

2. If it does want to take advantage of the option then can it:
   a) Look carefully at
      i) the way B.S.C. has responded to B.S.C.'s bid for the No. 2 Melt Shop.
      ii) Other interests that have been expressed in the works.
   b) make a public statement expressing support for private interests taking over the works.

3. If its view is for closure then will the government look closely jointly with the local authority's at what can be done to increase the attractiveness of the site for redevelopment and the possibilities of an early return of business activity and employment.

pm. Dec 82.
pm's Mtg with
J. Blackburn M.P.

file

Pl. PA on existing John BLACKBURN file

cf PPS?

31 January 1983

The Prime Minister has asked me to thank you for your letter of 24 January. She was very grateful for your kind words, and hopes that you have a useful meeting with Mr. Jenkin.

W. F. S. RICKETT

John G. Blackburn, Esq., M.P.

Prime Minister cc IG DoI

I do not think this needs a substantive reply. I suggest I thank Dr Blackburn on your behalf.

WR 26/1

JOHN G. BLACKBURN, Ph. D., M.P.

HOUSE OF COMMONS,
LONDON, SW1A 0AA.

24th January 1983.

Rt. Hon. Mrs. Margaret Thatcher, M.P.,
10, Downing Street,
Whitehall,
Westminster,
London SWI.

Dear Prime Minister

I do thank you for your very kind letter dated the 18th January 1983 in respect of Round Oak Steel Works. Your considered comments are of great value to me.

I have not sought, nor do I seek, financial support from the Government in this delicate matter. Working with enthusiasm and in close harmony with the Conservative controlled Local Authority we are now in a position to receive offers from the Private Sector for these Works.

I most certainly accept your guidance, and I will be having further meetings with Patrick Jenkin, at the conclusion of which I may wish to avail myself of the opportunity, which you have presented, of leading a Deputation to you. This would consist of Rt. Hon. Edward Du Cann, M.P., Councillor J. Edmunds, Leader of Dudley Council, and myself.

I will, Prime Minister, as you suggest, keep in close contact with Ian on these matters.

The contents of your letter are held in high regard, and I conclude as always by sending you my warmest personal good wishes.

Kindest regards

John

John G. Blackburn, Esq., M.P.

Thanks
Grate
Hope why goes well

P.M. Meeting with Blackburn MP

Dec 82

CF

file Prime Minister

cc: D/Ind

# 10 DOWNING STREET

THE PRIME MINISTER

18 January, 1983

Dear John,

Thank you for your letters of 4 and 31 December about the closure of Round Oak Steel Works.

As I said to you when we discussed this, I very much regret the job losses which this closure involved. I have the greatest sympathy for the workforce and their families and would love to be able to give them immediate help and comfort, if only that were possible.

I know how diligent you have been in pursuing your constituents interests in this particular case. When you took a deputation to see Patrick Jenkin on 30 November they handed over the dossiers which you forwarded to me with your first letter. I know that these documents were carefully considered by Patrick Jenkin and I have read his subsequent letter of 20 December to you.

In your letter of 4 December you suggest that BSC used public money to purchase shares in Round Oak Steelworks. In fact the amount paid by BSC for the 50 per cent share held by Tube Investments in Round Oak Steelworks Limited was the nominal sum of £1.00. This purchase, and the subsequent financing by BSC of the losses at Round Oak over the past 18 months, prevented the Round Oak company from going into receivership.

/ I agree

RM

I agree with the suggestion in your letter of 31 December that further efforts should be made to put together a new private sector grouping in the engineering steels sector, following the collapse earlier this year of the Phoenix II discussion between BSC and the private sector steel producers. But I am afraid to say that the formation of a new group would not prevent the need for substantial cutbacks in engineering steels capacity, such as the closure of Round Oak works and the cutbacks in BSC in Rotherham which were recently announced.

You asked whether you could bring a small deputation to see me to discuss the Round Oak closure. As you know, I am always willing to see an individual member in whose constituency a plant closure is to take place and would be happy to see you if you wish, but I do feel it makes more sense for deputations to see the Minister concerned, and indeed you have already taken a deputation to see Patrick Jenkin. It would be a good idea to discuss with him the question of potential purchasers for the whole or part of the Round Oak works, though of course the lead in any negotiations really has to be for the BSC rather than the Government. I can assure you, however, that I will continue to take a close personal interest in your efforts on behalf of the Round Oak workforce – and will of course have a talk with you about it. Perhaps you would have a word with Ian.

Yours ever

Margaret

J. G. Blackburn, Esq., M.P.

HLE

RM

cc D/Ind

10 DOWNING STREET

THE PRIME MINISTER

18 January, 1983

Dear Councillor Edmonds,

Thank you for your letters of 10 December and 14 January about the closure of Round Oak Steel Works, with which you enclosed copies of your letters to the Secretary of State for Industry. I know that your first letter was carefully considered by him along with the two dossiers in support of retaining the Round Oak Steel Works, and I have read his reply of 23 December to you.

I do appreciate the great concern which this closure announcement has caused in Dudley and more widely in the West Midlands. I also know how diligently John Blackburn has been working in his constituents' interests and of the valuable support that Dudley Council has given him in this task. I have written to him today explaining that, while I am always ready to see individual MPs in whose constituency a plant closure is to take place and would be happy to see him if he wishes, I think it makes more sense for deputations to see the Minister concerned. I know that a deputation representing the Round Oak Works at Dudley Council has already been to see Patrick Jenkin, and I have also spoken personally to John Blackburn since this closure was announced.

I greatly regret the loss of jobs which this closure involves and I have the greatest sympathy for the workforce and their families.

Yours sincerely

Margaret Thatcher

RM

Councillor J. A. H. Edmonds, O.B.E.

Tim Flesher

Councillor J.A.H. Edmonds, O.B.E.,
Leader of the Council

Council House Dudley West Midlands DY1 1HF Telephone: Dudley 55433 Telex: 339831

14th January 1983

Dear Prime Minister,

MPS

17

Round Oak Steel

Further to my letter of the 10th December, I am enclosing, for your information, a copy of a letter I have today sent to Patrick Jenkin about the Round Oak situation.

I do feel that the future of Round Oak goes to the very basis of our belief in private enterprise. I cannot emphasise too strongly that the Government's support for private interest in the Works is a real test of our commitment to such enterprise rather than propping up loss making and inefficient Works in the public sector.

There is already a firm bid from the Walter Somers Company for part of the Works and I am hopeful of other private interests coming forward given a positive lead from the Government. Its attitude to the Walter Somers bid is a real opportunity to give such a lead. Such action would do the Party's standing a power of good in the West Midlands.

I confirm that I would welcome an opportunity at any time to meet with you and the Secretary of State to discuss bringing Round Oak back into operation in the private sector where it rightly belongs.

Yours Sincerely

Jack Edmonds

Leader of the Council

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

DUDLEY
Metropolitan Borough

Councillor J.A.H. Edmonds, O.B.E.,
Leader of the Council

Council House Dudley West Midlands DY1 1HF Telephone: Dudley 55433 Telex: 339831

14th January 1983

Round Oak Steel Works

You are aware of Dudley's difficult economic situation and the efforts the Local Authority hasbeen making to respond positively to it.

You will also be aware of the Round Oak Works and its relationship to the Dudley Enterprise Zone.

I thought, therefore, that I should bring to your attention our feeling on B.S.C.'s decision to close the Works. We feel strongly that the Government's views on the decision go to the heart of our belief in the private sector. The issues also point up links at a local level between the Government's industrial and urban policies.

I am enclosing a copy of a letter I sent to the Secretary of State on the 10th December and copies of letters detailing my views which I have today sent to the Prime Minister and to Patrick Jenkin. I am also enclosing, for your information, copies of the Local Authority's case for retaining the Round Oak Works, which were put to Patrick Jenkin on the 30th November. My most recent letter to the Secretary of State draws attention to the problems we have in not having access to the same resources and opportunities as exist in the assisted areas. I also made reference to Dudley's interest in the Government's recent initiative to link Inner Area Status with access to E.E.C. Regional Development Fund resources. This could be one way of improving Dudley's position and providing us with the Government support that we are seeking.

Patrick Jenkin's response, so far, to our case for bringing Round Oak back into the private sector where it rightly belongs has, frankly, been disappointing.

I did feel, therefore, that I should bring these issues in some detail to your attention and I look forward to hearing your views.

Rt. Hon. Lord Bellwin,
Minister for Local Government
and Environmental Services,
2 Marsham Street,
London, SW1.

Leader of the Council

DUDLEY
Metropolitan Borough

Councillor J.A.H. Edmonds, O.B.E.,
Leader of the Council

Council House Dudley West Midlands DY1 1HF Telephone: Dudley 55433 Telex: 339831

Your Ref. JF2310 14th January 1983

Round Oak Steel

Thank you for your letter of the 23rd December, enclosing your letter of the 20th December to John Blackburn.

You will be aware from our discussion in Birmingham on the 10th January that I am very disappointed in the view you are taking and I know that John Blackburn has expressed his feelings to your personally.

I welcome, however, the offer you kindly made to meet me and discuss the situation again when you return from your visit to the Far East. In anticipation of that meeting I did feel that I should write to you again to keep you as fully informed as possible of the local situation. I do this mindful of the great efforts you have been making to bring a viable and efficient steel making industry in the U.K. through the current recession and depressed demand for steel. Our present thinking locally can be summarised as follows:-

1. There is a place wholly or in part for the Round Oak operation in the U.K. Steel Making and Processing Industries.

2. Its place is in the private sector, not with B.S.C. or any other owner who does not believe in it or want it.

3. There are already private interests in the Work's No.2 Melting Shop and Bar Finishing Plant.

4. In the absence of a local management interest in running the No.1 Melting Shop and concast facility, the Local Authority is actively exploring what private interest there may be in running these facilities.

5. The operation of all the facilities at the plant, including manning levels, will depend on what private interests feel is viable given their view of short and longer term market potential of an operation at Round Oak.

Rt. Hon. Patrick Jenkin, M.P.,
Secretary of State for Industry,
Dept. of Industry,
Ashdown House,
123 Victoria Street,
London, SW1.

Continued/

6. Feelings are running strongly in the Dudley area and the rest of the West Midlands that we have not been treated fairly by B.S.C. or by successive Governments and that the enterprise of the area, so well illustrated by the Round Oak situation, deserves greater recognition.

7. Your response to the Somers bid for the No.2 Melt Shop, and other bids we anticipate from the private sector, will be a real test of our commitment to private enterprise and the West Midlands - actions speak better than words.

I cannot stress too strongly the importance to us of a positive response from B.S.C. and yourself to the Walter Somers bid. I urge you to consider fully the arguments in favour of this bid being supported. Here we have a private Company who are looking to ensure continuity of supply of their raw materials; they do not want to depend on B.S.C. or foreign sources for their raw materials.

You will appreciate that Somers are in competition with B.S.C.'s Sheffield Forgemaster set-up and there is no way that Somers would wish to be dependent on its major competitor for its raw materials. I have firm evidence that if Somers are not allowed to acquire the No.2 Melt Shop at Round Oak then a significant proportion of their supplies will be drawn from abroad and not from B.S.C.

The Somers Management have looked carefully at what they are proposing. They have carried out a detailed business appraisal and I am assured that they are fully aware of their operational requirements and the commitment they would be entering into. The bid they have made makes commercial sense - it is realistic. I say this with the knowledge that B.S.C. have received an independent valuation on the plant which is very close to what Somers have bid.

The Somers enterprise is efficient and competitive. It is surviving and succeeding in the difficult market conditions in which it is trading and it is a key alternative supplier to B.S.C. of special forged steel products, including those required by Defence Contracts - it is an enterprise of strategic significance which believes its continued success depends on control of the No.2 Melting Shop at Round Oak.

The Somers proposal will realise for B.S.C. the value of part of the Round Oak plant and it will employ people in an area badly in need of employment. Some 28,600 people were unemployed in Dudley in December, an unemployment rate of 17.7%. The operation of the No.2 Melt Shop will also help offset the local loss of Rate income which will have to be made good through Dudley's Rate Support Grant.

Perhaps, most importantly, a positive response to the bid will illustrate, in actions and not words, B.S.C.'s and the Government's support for private enterprise and your concern for the Dudley area and the Black Country.

Continued/

I understand that Ian MacGregor will be giving you B.S.C.'s evaluation of the bid, following discussions he had with Somers' Executives on the 12th January. The Somers Management have advised me that B.S.C. are unlikely to respond positively to the bid and that its success will then depend on what view you take on the matter. Are you prepared to block Somers' initiative to stay in business and competitive in order to provide B.S.C. with a monopoly position to the exclusion of the private sector?

My detailed comments on the points you have made to John Blackburn are set out below.

Firstly, can I say that my views on Round Oak are not geared to propping up any inefficiencies or an enterprise that is unlikely to be able to compete in the longer term. We have both looked carefully at what we have at Round Oak and agreed that the "Works is modern and flexible- it has the economic concast facilities and a workforce which has strongly identified with the corporate interests". It has, therefore, the plant, the technology and the people to be efficient and competitive. It is in my view an enterprise worth fighting for. Of which otherplants in the B.S.C. operation could this be said?

In mine and the views of experts that we have consulted, what Round Oak has lacked in the last two to three years is leadership and an owner who believes in its long term future. Your reference to B.S.C.'s "caretaker period" is evidence enough that throughout its ownership the Round Oak enterprise did not have an owner who was prepared to fight for it and to create for those in the enterprise the conditions in which its real capabilities could be developed.

Let me develop this point further on two fronts. Firstly, the Company's financies. My information suggests that the Company's bank debts increased by £18 million during B.S.C.'s caretakership from £23.5 million to £42 million. I think the reasons for this increase merit examination and can be summarised as follows:-

| | £m |
|---|---|
| Payment to TI | 3.4 |
| Interest | 7.4 |
| Redundancy Payments | 2.5 |
| Capital Expenditure | 0.9 |
| Cash to support Trading | 4.3 |
| TOTAL | 18.5 |

You should be aware that on B.S.C.'s takeover the Round Oak Company was charged with turning round its then £¾ million per month trading loss. This objective was achieved, so that in the six months ending March 1982 trading was in profit.

The £4.3 million trading loss during the eighteen months period of B.S.C.'s ownership relates only to the period since March 1982, during which the drop in the market for steel affected all steel making plants, not least Round Oak's competitors.

Round Oak's trading loss since March 1982 was exacerbated by B.S.C.'s decision to close the London Works Plant at Tipton, which was one of its major customers.

Continued/

This brings me to my second point about B.S.C. caretaker period of ownership. The closure of Round Oak and London Works have followed a long line of B.S.C. decisions going back into the early 1970's, which add up to the closure of the steel industry in the Black Country. These decisions were designed, in my view, to concentrate special steel making in Sheffield, together with a slavish commitment to concentrate other steel making at the five major plants. If implemented fully, then this strategy leaves little or no room for a private sector nationally or in the West Midlands. Some 15,000 steel making jobs and associated enterprises have been lost in the Black Country in the last ten years as a result of B.S.C.'s commitment to this early 1970's based strategy. The strategy effectively rules out all steel works of the Round Oak type. I would draw your attention to the points made in Keith Gale's letter to you of the 10th December, which draws attention to the fact that Japan "which has made such an impact on the world steels scene, has a number of such plants and operates them very successfully alongside its very large integrated works".

As a Conservative Leader of a Metropolitan Authority in the Black Country, I am not prepared to accept that the closure of Round Oak is necessary or that it is in the West Midlands or the national economies interest that it should be allowed to close.

Clearly the market for steel has fallen and prospects for increased demand are low. In this situation it will be the most efficient and enterprising businesses that will compete and survive in the longer term. My duty as a local Conservative Leader is to support such enterprise where it exists and to create conditions in which it can have a fair chance to succeed.

This brings me to my comments on your particular points about Round Oak's ability to compete; its prospects in the market for tube and bearing steels and the general points you pick up about its "finishing facilities".

1. The Tube Market.

In your letter to John Blackburn you emphasised the importance of using the cheaper direct caste route to produce tube rounds which is available at B.S.C.'s Stocksbridge and the Lloyds Works.

The economies of the direct caste route were acknowledged by the Dudley representatives in the technical dossier presented to you on the 30th November.

These economies, however, are dependent on high volume runs. The full use of the direct caste route is, therefore, limited by the size, volume and quality of steel required by the market place. I am advised that there is at present a market for carbon tube rounds of at least 50,000 tonnes and potentially 150,000 tonnes per annum which is not suited or likely to be attracted by the direct caste route.

Round Oak is ideally suited to compete for a significant share of the market of carbon tube rounds through its more costly, but technically appropriate, continuously cast ingot bloom, rolled bar facilities.

Continued/

2. Bearing Steels

I think we need to be clear on Round Oak's position concerning the Bearing Steels market. Firstly, Round Oak, like other plants within B.S.C. and the private sector, have for several years produced Bearing Steels via the ingot route.

The issue raised with you on the 30th November was the implications of closing Round Oak for the completion of proving trials to produce Bearing Steels via the Work's cheaper continuously caste route. You will remember from the technical dossier that use of this route was estimated to reduce the cost of Bearing Steels by some £15 per tonne equivalent to a saving of £450,000 in a full year given a total market of 30,000 tonnes. I am advised that work on this project, using the Round Oak caster, was well advanced when B.S.C. announced its decision to close the Works on the 17th November. A further extension of the proving trials at a cost of some £200,000 had been technically vetted in October by your officials who were, at that time, absolutely certain the programme would be approved.

Similar, though less advanced, proving trials are in progress in Germany and Japan. It is, therefore, only a matter of time for steel and bearing producers in Germany and Japan to have a significant competitive edge on our steel and bearing producers. If our steel bearing users are to stay competitive at home and abroad then it will be logical for them to turn to German, Japanese and possibly other foreign suppliers of their raw materials with further increases in imports and potentially the closure of other manufacturing enterprises in the U.K.

3. Finishing Facilities

You have drawn attention to shortcomings in Round Oak's finishing facilities for engineering steels.

Some shortcomings were acknowledged in the technical dossier presented to you on the 30th November. There are, however, a number of points not covered in the original dossier of which you should be aware:-

(a) Much of the superior inspection and rectification equipment installed elsewhere is addressed to only improving surface quality.

(b) The surface quality of a continuously caste bloom as produced by Round Oak is inherently superior to that derived from the ingot route.

Continued/

(c) Round Oak has concentrated, therefore, on pioneering and developing an Electro Magnetic Acoustic (EMA) method of testing the internal soundness of material. These facilities at Round Oak are in advance of any other method available in the U.K. of monitoring defects.

(d) The costs of closing Round Oak or duplicating the advantages of its steel making and casting facilities at those plants with superior finishing equipment but depend on the ingot route are considerably greater than providing Round Oak with improved inspection and rectification facilities.

The U.K.'s capacity for steel making does exceed current demand. Some reduction in U.K. steel making capacity is inevitable. If we are to be competitive in the longer term then plants must compete to survive in the market place. This competition must, however, be on terms which are fair to all parties. Any trading conditions imposed by Government should, in my view, be applied equally to all areas.

This is, in my view, the nub of the Conservative philosophy that I referred to in my letter of the 10th December and which was referred to by a number of members in the steel debates in the House of Commons during December. I must say that many of us in the West Midlands feel that we have not been treated fairly by B.S.C. or the Government. While you agree strongly that an efficient plant such as Round Oak must go as a means of bringing "capacity in line with demand" you are at the same time proposing to keep open five major steel making plants when, on B.S.C.'s own admission in a letter to their workforce, they do not need five, but four.

The decision to keep open the five plants at a reported cost of £500 million is a political decision. Where then is the rationality or fairness in closing a plant like Round Oak because of over capacity?

Further, I cannot accept that closing Round Oak with a saving to B.S.C. of £20 million will materially affect the corporation's trading position when it is already losing millions of pounds and your decision to retain the five major plants will cost at least ten times as much.

Finally, I feel I must respond to the points you make concerning the impact of closing Round Oak on the local community. I cannot accept that our unemployment figures for the Dudley area are unreliable because they are not based on a travel to work area. In fact, Councillor Ranceford-Hadley, the Mayor of Dudley, who met with you on the 30th November, has advised me that you made it clear during the discussion that took place that you were well aware of the seriousness of the unemployment situation in Dudley and adjoining areas of the Black Country. I understand you were very concerned about the rapid rate at which unemployment in the area had grown and was continuing to increase.

Continued/

The loss of 1,286 jobs at the Round Oak Works is a major problem for us. Other jobs linked to Round Oak have or will go in the near future and add to the massive number of redundancies which have taken place in Dudley and the Black Country in the last few years.

I must also challenge the point you make about Government policies on assisted areas and British Leyland and their impact on the West Midlands.

In my view, and that of the majority of business opinion in the area, the only way a reduction in assisted areas could benefit us is if there were no assisted areas at all. As long as they exist they will continue to divert large amounts of investment and enterprise away from the region.

Also as long as they exist they will drag after them resources from the E.E.C. regional and social funds; B.S.C. (Industry) Ltd., the E.I.B. and the E.C.S.B.

Everytime we and others in the region seem to attempt anything to help ourselves and our Industry which requires Government support it runs into the same brick wall - lack of assisted area status - is it not now time for Dudley to be given access to the same opportunities and resources as exist in the assisted areas? Here I also have in mind the Government's recent initiative to link Inner Area Status with access to E.E.C. Regional Development Fund resources. The confirmation of such status on Dudley would be of considerable assistance to us and support the efforts we are making to respond positively to the difficult economic situation which we are in.

You should also be aware that while the Government has directed substantial sums of money into British Leyland's operations in the West Midlands only a relatively small proportion of this investment is actually being spent in the West Midlands region. The West Midlands County Council recently estimated that only 22% of British Leyland's expenditure was with West Midlands Companies.

British Leyland's recent decision to buy its components for its new LC10 car anywhere, including imports, does seem to us to question the real extent to which Government support for British Leyland is support for the West Midlands and enterprises such as Round Oak.

I did feel that I should respond to the points you raised with John Blackburn. I am hopeful that private interest will come forward with proposals to bring Round Oak back into operation and I look forward at that time to your support.

As with my letter of the 10th December, I am sending a copy of this letter to the Prime Minister, who I understand has been kept fully informed by John Blackburn of the developing situation at Round Oak.

Leader of the Council

hue

RW

cc: D/Ind

# 10 DOWNING STREET

*From the Private Secretary*

11 January, 1983

I have been asked to thank you for your letter of 15 December to the Prime Minister about the UK steel industry and the closure of Round Oak Steelworks.

The Government's support for a viable steel industry in the UK has been clearly expressed on several recent occasions by the Secretary of State for Industry. He has explained that we have strongly pressed the European Commission for more rigorous enforcement of the production and pricing rules and that they have responded favourably. These measures are designed to allow the European industry to cope with both the phasing out of subsidies and the necessary cutback in capacity to meet the foreseeable demand for steel products. As you recognise in your letter, the problems facing the steel industry are not just confined to the UK, but are shared throughout Europe and the other industrialised nations. In the European Community, capacity to produce crude steel stood at about 200 million tonnes in 1980 and 1981 while actual production in each year was only about 126 million tonnes. In the UK, BSC produced only 14 million tonnes of liquid steel in 1981/82 using plant with an installed capacity of 21 million tonnes per annum. The sheer scale of this problem requires it to be tackled on a joint basis if the problems of BSC and other European steelmakers are to be resolved. But while we have been supporting the efforts of the European Commission it has also been necessary for BSC to put its own house in order by reducing costs and increasing efficiency.

On 20 December in a statement to the House of Commons, the Secretary of State said "It remains the Government's firm resolve that the Corporation should return to lasting viability, free of Government subsidy. This is the only way to have an efficient steel industry, providing steel at competitive prices to the market and the only way to achieve secure employment in steel". He went on to say that although the target of break-even for this year could not now be met, the Corporation had accepted that their aim should be to break-even before interest in 1984/85. It is a condition of the European measures that operating subsidies be eliminated by the end of 1984, but the Government will continue to support BSC in this period, though maintaining the downward path of Government funding.

/The

RW

The private sector of the steel industry shares with BSC the problem of over-capacity. In order to help with the necessary rationalisation, the Government has offered assistance of £34 million under the Private Sector Steel Scheme. Here too, the aim is to assist rationalisation, so that a viable industry may be retained in the UK. Other policies are concerned with privatising BSC; they have been encouraged to dispose of those parts of the business that are peripheral to steelmaking and have been reasonably successful in so doing. In relation to the steelmaking businesses, poor market conditions have hindered progress, but some solutions have emerged - the creation of Companies Act companies and the setting up of joint ventures with the private sector.

Because of your close involvement with Round Oak you will be aware that Ministers at the Department of Industry have made it clear on a number of occasions that the decision to close the works was one for the BSC management to take and that it was not a decision which required Government authorisation. The Secretary of State has received a deputation led by John Blackburn MP and subsequently wrote to him after studying the papers handed over and seeking further information about the closure decision from BSC. You will see from the enclosed copy of that letter that the Secretary of State explained that first it was not open to him to influence BSC's decision but secondly that after consulting BSC he accepted their arguments for closing the works.

The Prime Minister has asked me to say that she fully supports the Secretary of State's view that this is a matter for BSC's judgement. She greatly regrets, however, the loss of jobs in the West Midlands that this closure means and has great sympathy for all those involved

(Timothy Flesher)

The Reverend Robin G. Blount,

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

JU693
*Secretary of State for Industry*

11 January 1983

Willie Rickett Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Willie, PM agree as amended WR 12/1

Thank you for your letters of 23 December and 5 January about the Round Oak correspondence with Mr John Blackburn and Councillor Edmonds.

You reported that the Prime Minister did not find our original drafts sufficiently sympathetic and asked that reference should be made to the 1979/80 steel strike in the reply. In fact, the ISTC members at Round Oak did go on strike for a short period in early 1980, thereby causing the lay-off of the remainder of the workforce amounting at the time to about 2,500 employees. Although this period of disruption was relatively short compared to the length of the BSC strike - it was 10 days before normal working was resumed at Round Oak - the numbers laid off were rather large by comparison with the rest of the private steel sector.

You suggested in your letter of 5 January that the reply to Mr Blackburn should take account of his letter of 31 December to the Prime Minister. That letter makes 2 points: first that any bids for Round Oak will be given proper treatment by BSC and secondly that the Phoenix II discussions should be reopened.

In relation to the Phoenix II discussions, you should know that in the last few days Sir Trevor Holdsworth of GKN has indicated tentatively to us that GKN might like to reopen these discussions. At a meeting on 4 January GKN told the Secretary of State that the recently announced reductions in capacity in BSC i.e the closure of Round Oak and cuts at BSC works in Rotherham and Sheffield made the possibility of a 50/50 company with BSC more feasible. We will be pressing both GKN and BSC to reopen discussions on this.

... The draft reply to Mr Blackburn now refers positively to the proposal to reopen Phoenix II negotiations but points out that the success of any new private sector grouping in engineering steels would depend on cutbacks in capacity such as that at Round Oak: it could not prevent such closures.

The question of bids for all or part of the Round Oak works is primarily for BSC, and the revised draft explains this. We have also tried harder to be sympathetic.

Yours ever,

Caroline Varley

CAROLINE VARLEY
Private Secretary

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

JU692
Secretary of State for Industry

10 January 1983

Timothy Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Tim, for my signature

Thank you for your letter of 21 December enclosing correspondence from the Reverend Robin Blount of Dudley, West Midlands.

... I attach a draft Private Secretary reply which is largely self-explanatory. Although this correspondence stands on its own, you will be aware that there is related correspondence on Round Oak from John Blackburn MP and from Councillor Edmonds with which Willie Rickett is dealing.

Yours ever,

Caroline Varley

CAROLINE VARLEY
Private Secretary

DRAFT LETTER FOR THE PRIVATE SECRETARY TO THE PRIME MINISTER TO SEND TO THE REV R G BLOUNT

I have been asked to thank you for your letter of 15 December to the Prime Minister about the UK steel industry and the closure of Round Oak Steelworks.

The Government's support for a viable steel industry in the UK has been clearly expressed on several recent occasions by the Secretary of State for Industry. He has explained that we have strongly expressed the European Commission for more rigorous enforcement of the production and pricing rules and that they have responded favourably. These measures are designed to allow the European industry to cope with both the phasing out of subsidies and the necessary cutback in capacity to meet the foreseeable demand for steel products. As you recognise in your letter, the problems facing the steel industry are not just confined to the UK, but are shared throughout Europe and the other industralised nations. In the European Community, capacity to produce crude steel stood at about 200 million tonnes in 1980 and 1981 while actual production in each year was only about 126 million tonnes. In the UK, BSC produced only 14 million tonnes of liquid steel in 1981/82 using plant with an installed capacity of 21 million tonnes per annum. The sheer scale of this problem requires it to be tackled on a joint basis if the problems of BSC and other European steelmakers are to be resolved. But while we have been supporting the efforts of the European Commission it has also been necessary for BSC to put its own house in order by reducing costs and increasing efficiency.

On 20 December in a statement to the House of Commons, the Secretary of State said "It remains the Government's firm resolve that the Corporation should return to lasting viability, free of Government subsidy. This is the only way to have an efficient steel industry, providing steel at competitive prices to the market and the only way to achieve secure employment in steel." He went on to say that although the target of break-even for this year could not now be met, the Corporation had accepted that their aim should be to break-even before interest in 1984/85. It is a condition of the European measures that operating subsidies be eliminated by the end of 1984, but the Government will continue to support BSC in this period, though maintaining the downward path of Government funding.

The private sector of the steel industry shares with BSC the problem of over-capacity. In order to help with the necessary rationalisation, the Government has offered assistance of £34 million under the Private Sector Steel Scheme. Here too, the aim is to assist rationalisation so that a viable industry may be retained in the UK. Other policies are concerned with privatising BSC; they have been encouraged to dispose of those parts of the business that are peripheral to steelmaking and have been reasonably successful in so doing. In relation to the steelmaking businesses, poor market conditions have hindered progress, but some solutions have emerged - the creation of Companies Act companies and the setting up of joint ventures with the private sector.

Because of your close involvement with Round Oak you will be aware that Ministers at the Department of Industry have made it clear on a

number of occasions that the decision to close the works was one for the BSC management to take and that it was not a decision which required Government authorisation. The Secretary of State has received a deputation led by John Blackburn MP and subsequently wrote to him after studying the papers handed over and seeking further information about the closure decision from BSC. You will see from the enclosed copy of that letter that the Secretary of State explained that first it was not open to him to influence BSC's decision but secondly that after consulting BSC he accepted their arguments for closing the works.

The Prime Minister has asked me to say that she fully supports the Secretary of State's view that this is a matter for BSC's judgement. She greatly regrets however the loss of jobs in the West Midlands that this closure means and has great sympathy for all those involved.

MFJ

13/1

John BLACKBURN, MP.

5 January 1983

On 23 December, I wrote to you about the letter that we have received from Mr. John Blackburn, M.P., about the closure of the Round Oak Steel Works. I asked if you could revise your original draft reply to Mr. Blackburn, since the Prime Minister did not feel that it was sufficiently sympathetic.

I now enclose a further letter from Mr. Blackburn on the same subject. I should be grateful if your revised draft reply could deal with the points made in this latest letter. It would be helpful if your draft could reach me by Thursday 13 January.

WR

Jonathan Spencer Esq
Department of Industry.

MFJ

5 January 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 31 December. I will place your letter before the Prime Minister and a reply will be sent to you as soon as possible.

WR

J.G. Blackburn, Esq., M.P.

JOHN G. BLACKBURN, M.P.

HOUSE OF COMMONS,
LONDON, SW1A 0AA.

31st December 1982.

Rt. Hon. Mrs. Margaret Thatcher, M.P.,
The Prime Minister,
10, Downing Street,
Whitehall,
Westminster,
London SW 1.

R5/1

a IG

Dear Prime Minister

Round Oak Steel Works.

I am bound by every tie of committment and dedication to the retention of the above Steel Works, which is within my constituency.

I must place on record my appreciation for the interest you have expressed in this situation, and the opportunity presented to me to discuss the situation with you.

As an act of courtesy, which you would expect of me, I now write to give you the fuller picture.

I have, in conjunction with the Local Authority, been able to commission two independent reports on the Steel Works. These have now been completed, and with a works force of 900, to which the Trade Union side have subscribed, the Works are viable financially. Secondly, the Works are sound commercially, and we are now engaged in a reasoned, responsible effort to sell the Steel Works back to the Private Sector, where it had its being for 124 years.

It would conform to our political philosophy, and I commend to you that even at this stage it is well worth while making the determined effort to have the Pheonix II Operation, that is a private sector for the Steel Industry. The opportunity is golden, and we could lay the foundation for the Private Sector with Round Oak, the largest works. The Sector would include GKN Brymbo, Hadfields, Sheerness and Round Oak.

It is my judgement that too many mistakes have been made in connection with the Pheonix II operation, and this present situation presents to the Government a first class opportunity to correct this position.

I would value any help you may be able to give to ensure that the bids which Hal Miller, M.P. and I are negotiating are handled by the B.S.C. as a willing buyer and a willing seller. I am not seeking financial support from the Government, but in fact this course of action would generate revenue to the Corporation.

I would value your intervention in this matter, and financially and politically this could have many benefits.

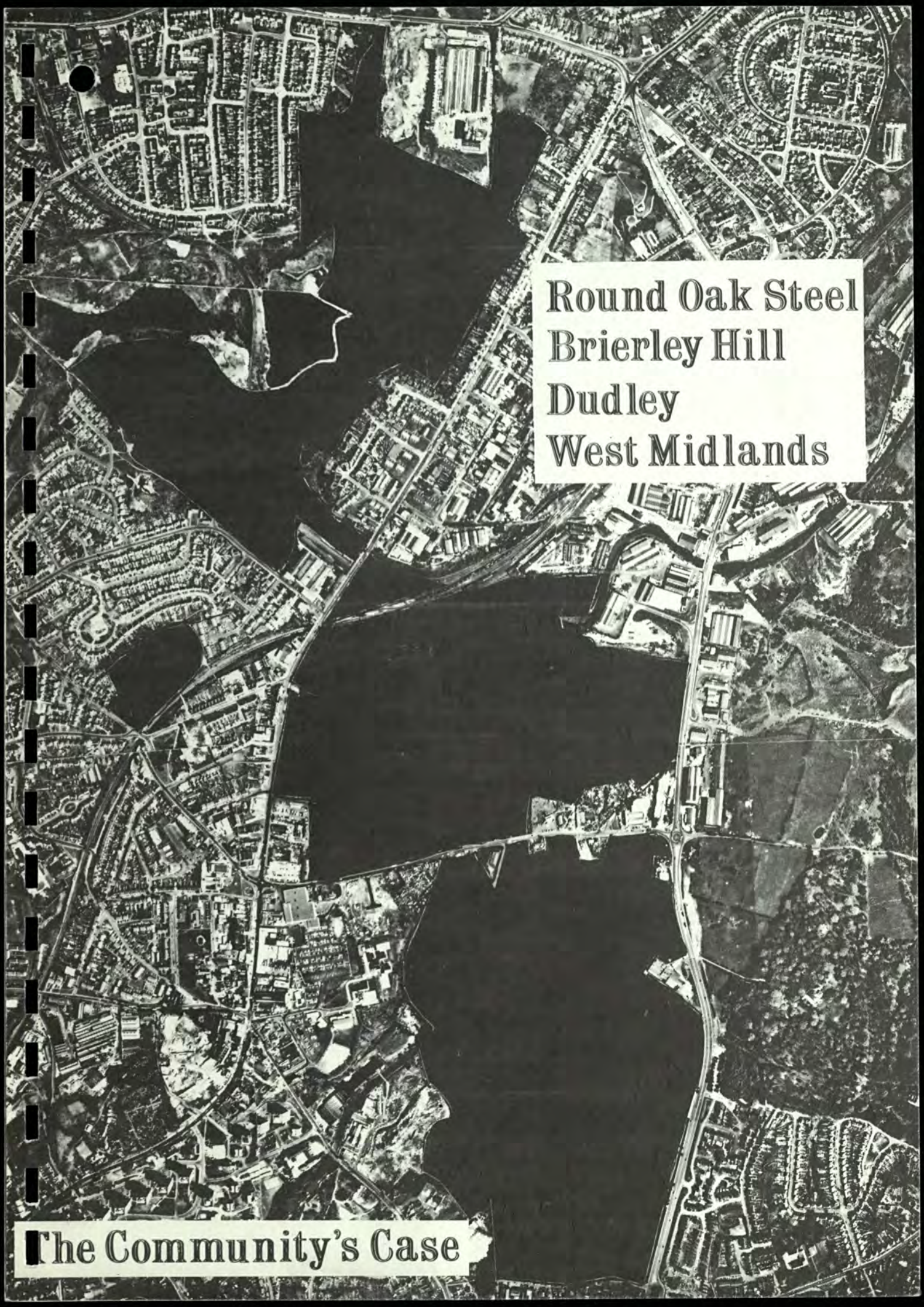
I hold the view that we have a moral and political responsibility to retain a Private Sector, and I know and am encouraged that you share my viewpoint.

I would value any help you can give Prime Minister, and I conclude as always by sending you my warmest personal good wishes.

Kindest regards

John

John G. Blackburn, Esq., M.P.



# Round Oak Steel
# Brierley Hill
# Dudley
# West Midlands

## The Community's Case

# Round Oak Steel
# Brierley Hill
# Dudley
# West Midlands

## The Community's Case

A SUBMISSION TO THE SECRETARY OF STATE FOR INDUSTRY
THE RT. HON. PATRICK JENKIN.
IN SUPPORT OF THE RETENTION OF STEEL MAKING AT ROUND OAK.

By Dudley M.B.C.
The West Midlands County Council
Dudley Chamber of Commerce
The Bishop of Dudley
The Clergy of Brierley Hill

Dudley and the West Midlands 7 point case for retaining steel making at Round Oak

1. COSTS – It will cost more to close it than to keep it open.

2. PLANT EFFICIENCY – Closure will mean the loss of a technologically advanced steel making plant and a highly efficient and well motivated workforce.

3. THE TRAINING RESOURCE – Closure will mean the loss of a major engineering skills training resource in the West Midlands – A bodyblow to the N.T.I. in Dudley.

4. UNEMPLOYMENT – Closure will push Dudley's already high unemployment rate of 17.5% to over 20% early in 1983 – over 30,000 people would be out of work in the Dudley M.B.C. area

5. THE LOW LOCAL AUTHORITY SERVICE BASE – There is little scope for the district council services to respond to a further large, immediate and concentrated rise in unemployment – it is the lowest spender of all 36 metropolitan authorities.

6. THE CASE FOR GOVERNMENT ASSISTANCE – Dudley has traditionally been a self-reliant area with no special UK government assistance – it now asks for that assistance in retaining steel making at Round Oak.

7. THE COMPANY'S LAND RESOURCES – The existing company has land resources which can be used to support the survival plan.

1. COSTS – The workforce proposals for retaining steel making at Round Oak would cost about £40 million over the medium term (5 years). Closing the works will cost £100 million, more than twice as much as the survival plan. The balance sheet can be summerised as follows and is detailed in Appendix 1.

Costs to West Midlands Region

£ millions

| | The Workforce Option | Closed Option |
|---|---|---|
| 1. British steel corporation and bank losses debt write off. | 22.00 | 27.10 |
| 2. Redundancy payments | 1.35 | 4.50 |
| 3. Unemployment pay, social security and unified housing benefits | 5.86 | 19.36 |
| 4. Rate support grant increases | 0 | 3.10 |
| Rate losses | 0 | 1.80 |
| Loss of income to private business | 14.30 | 46.40 |
| TOTAL | 43.51 | 102.26 |

2. These calculations take into account the impact of closing the Round Oak Works on business activity in the wider Dudley and West Midlands economies. Costs incurred directly by the closure of the works have been multiplied by a factor of 1.3 over the 5 year period. Over a 10 year period a factor of 2.0 is more likely (Appendix 2).

2. PLANT EFFICIENCY – Closure of the Round Oak Works will mean the loss of a technologically advanced and highly efficient steel making operation. In particular the production of high quality engineering steels on which recovery of manufacturing in the UK and the West Midlands will depend. It is a resource we cannot as a nation afford to lose (see case put forward by workforce)

3. THE TRAINING RESOURCE – Steel making at Round Oak is an integral part of the West Midlands economy as a customer and supplier of steel and engineering products and, more importantly as a reservoir of highly trained engineers and skilled craftsmen. The loss of this existing reservoir will be a major loss to the engineering industry in the West Midlands and a further body blow to the recovery of business activity in the longer term (see Appendix 3)

4. UNEMPLOYMENT – Dudley unemployment will immediately top 30,000 people with the closure of the plant and related business activities, giving a unemployment rate by early 1983 of 20% of the working population. No other steel or assisted areas have suffered such an increase in unemployment over such a short period of time.

   – a 305% increase in unemployment in Dudley since 1979 – It is top of the league for growth in unemployment (Appendix 4)
   – the loss of 6,000 jobs in steel making elsewhere in Dudley and the black country through the closure of other steel works in Brierley Hill, Bilston, Wednesbury and Tipton .

5. THE LOW LOCAL AUTHORITY SERVICE BASE – The district council has very limited resources to repondto existing large levels of unemployment, let alone any further sharp increases. The Dudley Metropolitan District Council has the lowest levels of expenditure and rate support grant of all 36 metropolitan district authorities. Increased unemployment will inevitably generate increased demands for council services in the local community (see Appendix 5)

6. THE CASE FOR GOVERNMENT ASSISTANCE – In July 1981 the government designated the Dudley Enterprise Zone. In doing so it recognised Dudley's need for assistance to support the initiatives the district council was taking to respond to its declining economic base by promoting new business activity. This was the first and only form of special assistance that the Dudley area has ever had from a UK government or the EEC. (Appendix 6)

7. THE COMPANY'S LANDRESOURCES – The local authorities would wish to work closely with a reconstructed company to maximise its resources including the development of its non essential land holdings. (appexdix 7)

A. COSTING OF OPTIONS. APPENDIX 1

Option 1 Restructuring based on Workforce's Plan.

| Item | Annual Costs. Year 1 | Year 2 | Years 3-5 | £millions TOTAL | |
|---|---|---|---|---|---|
| 1. Non Payment of Debts | | | | | |
| a) To B.S.C. | 5.30 | | | 5.30 ) | 22.00 |
| b) Financial Institution | 16.70 | | | 16.70 ) | |
| 2. Cost of Redundancies to B.S.C. | 0.80 | | | 0.80 ) | 1.35 |
| 3. Cost of Redundancies to Government | 0.55 | | | 0.55 ) | |
| 4. Cost of Unemployment/Social Security Benefits. | 1.10 | 1.16 | 3.60 | 5.86 | |
| 5. Additional R.S.G. payments/ Loss of Rateable Value | - | - | - | - | |
| 6. Loss to L.A. of Rate and other Income | 0.04 | - | - | 0.04 | |
| 7. Loss of Income to Private Sector Businesses | 0.70[2] | 2.80 | 10.81[1] | 14.30 | |
| TOTALS | 25.19 | 3.96 | 14.40 | 43.55 | |

1982 Price Base

Notes

1 Year 2 figure (2.80) x 3 x 1.$\dot{3}$ (Multiplier)

Loss of spending power calculation allows for redundancy payments in 1st. year.

B. BASIC ASSUMPTIONS

1. Treatment of Outstanding Debt

a) To B.S.C. = £10.2 million

b) To Financial Institutions = £31.8 million

c) Total = £42.0 million

d) Total debt to be written off given

i) closure of plant

= Total debt - Asset Value of closed site

= £42 million - £15 million

= £27.0million

= £6.6 to B.S.C. £20.5 million Financial Institutions

ii) As Going Concern

= Total Debt - Asset Value as Going Concern

= £42 million - £20 million

= £22million

£5.3million to B.S.C. £16.7million to Financial Institutions

Option 2 Closure

| | Item | Annual Costs. Year 1 | Year 2 | Years 3-5 | £millions TOTAL | |
|---|---|---|---|---|---|---|
| 1. | Non Payment of Debts | | | | | |
| | a) to B.S.C. | 6.60 | | | 6.60 ) | 27.10 |
| | b) Financial Institution | 20.50 | | | 20.50 ) | |
| 2. | Cost of Redundancies to B.S.C. | 2.66 | | | 2.66 ) | 4.50 |
| 3. | Cost of Redundancies to Government | 1.84 | | | 1.84 ) | |
| 4. | Cost of Unemployment/Social Security Benefits. | 3.62 | 3.83 | 11.91 | 19.36 | |
| 5. | Additonal R.S.G. payments/ Loss of Rateable Value | 0.50 | 0.50 | 2.10 | 3.10 | |
| 6. | Loss to L.A. of Rate and other Income | 0.30 | 0.30 | 1.20 | 1.80 | |
| 7. | Loss of Income to Private Sector Businesses | 4.60 | 8.50 | 33.31 | 46.40 | |
| | TOTALS | 40.62 | 13.13 | 48.51 | 102.26 | |

1982 Price Base

Notes

1 Year 2 figure (8.50) x 3 x 1.3 (Multiplier)

APPENDIX 1

2. Treatment of Redundancies

| | Options 1 Workforces Plan | Options 2 Closure |
|---|---|---|
| Total Redundancies | 386 | 1286 |
| Average Payout | £3500 | £3500 |
| Total Payout | £1.35million | £4.50million |
| B.S.C.'s Share(59%) | £0.80million | £2.66million |
| Governments/Tax Payers Share (41%) | £0.55million | £1.84million |

APPENDIX 1

3. Treatment of Unemployment Supplementary and Housing Benefits

a) Unemployment and Supplementary Benefits

| | Options 1 Workforce Plan | Options 2 Closure |
|---|---|---|
| Total Unemployment | 386 | 1286 |
| Benefit Entitlement | | |
| Year 1 1872 per person | £0.72million | £2.41 millions |
| Year 2 1924 per person | £0.74million | £2.47 millions |
| Year 3 1924 per person | £0.74million | £2.47 millions |
| Year 4 1924 per person | £0.74million | £2.47 millions |
| Year 5 1924 per person | £0.74million | £2.47 millions |
| Total 5 years | £3.68millions | £12.29 millions |

APPENDIX 1

b) Housing Benefits

| | Option 1 Workforce's Plan | Option 2 Closure Plan |
|---|---|---|
| 1. Redundancies | 386 | 1286 |
| Council Tenants (33%) | 130 | 462 |
| Owner Occupiers (67%) | 256 | 824 |
| 2. Benefits Payable to Council Tenants<br>Average Gross Rental January '83<br>= £19.30<br>⅓ tenants eligible each year | £'s | £'s |
| Year 1 | 43x19.30x48 = 39,830 | 154x19.30x48 = 142,604 |
| Year 2 | 86x19.30x48 = 79,670 | 308x19.30x48 = 285,208 |
| Year 3 | 130x19.30x48 = 120,432 | 462x19.30x48 = 427,812 |
| Year 4 | 120,432 | 427,812 |
| Year 5 | 120,432 | 427,812 |
| Total 5 years | 480,796 | 1,711,248 |
| 3. Benefits Payable to Owner Occupiers<br>No. of Owner Occupiers | 256 | 824 |
| Average Mortgage Debt £9000<br>Current Interest Rate 10%<br>Capital Debts | £ 2.3 million | £ 7.2 million |
| a) Interest Payable in full year | £230,000 | £720,000 |
| b) + £78 per year per case for repairs and insurance | = £ 20,000 | £ 64,272 |
| c) + Rates = Average Rateable Value (£250)+ Rate in £ (£1.37836) | = £ 88,000 | £283,942 |
| Total benefit (a+b+c) | = £338,000 | = £1,068,214 |
| Total 5 years | £1.690,000 | =£ 5.341,070 |

APPENDIX 1

c) Unemployment and Supplementary and Housing Benefits

£ millions

| Year | Unemployment & Supplementary | To Council Tenants | To Owner Occupiers | Option 1 WorkforcePlan | Option 2 Closure |
|---|---|---|---|---|---|
| 1 | 0.72 | 0.04 | 0.34 | 1.10 | |
| | 2.41 | 0.14 | 1.07 | | 3.62 |
| 2 | 0.74 | 0.08 | 0.34 | 1.16 | |
| | 2.47 | 0.29 | 1.07 | | 3.83 |
| 3 | 0.74 | 0.12 | 0.34 | 1.20 | |
| | 2.47 | 0.43 | 1.07 | | 3.97 |
| 4. | 0.74 | 0.12 | 0.34 | 1.20 | |
| | 2.47 | 0.43 | 1.07 | | 3.97 |
| 5. | 0.74 | 0.12 | 0.34 | 1.20 | |
| | 2.47 | 0.43 | 1.07 | | 3.97 |
| TOTALS | | | | 5.86 | 19.36 |

# IMPACT OF CLOSURE OF ROUND OAK STEEL ON THE DUDLEY AND WEST MIDLANDS ECONOMIES

## Basic and Dependent Sectors.

(a) In their recent work "Unequal Growth : Urban and Regional Employment Change in the UK", Ford G[1] draw a distinction between "Basic" and "Dependent" industries in terms of their contribution to economic growth.

Basic Industries - are those which sell their product outside a particular local economy, thus bringing income from outside.

Dependent Industries - are those sections which sell their product to the local market i.e. to consumers or to the basic industry themselves.

(b) Both the authors would agree that this analysis is an oversimplification e.g. central government spending creates an income inflow, dependent employment itself can generate further dependent jobs. But, in the long term any persistent contraction in the Basic Sector will induce reduced employment in the Dependent Sector to a level which can be supported by the new lower level of Basic employment.

(c) The split between Basic and Dependent Sectors is essentially one between the manufacturing and service sectors. The authors do concede that some service employment, like transport and distribution and a proportion of financial services, should be regarded as "Basic". Nevertheless, their main thesis is that the long term distribution of employment growth is determined by the economic performance of the manufacturing sector. Although the service sector has increased its employment this is really a consequence rather than a course of economic growth.

(d) Employment Base Multiplier.

i) Previous empirical work indicated that the long term "economic base multiplier" was 1.7, i.e. every 10 jobs lost or created by the basic sector would lead to an equivalent change of 7 service jobs. Fothergill and Gudgins work suggests that this "multiplier" is now even higher, fewer basic sector jobs are supporting more dependent sector jobs. Thus, this multiplier is now perhaps 2.0.

ii) In addition to reducing dependent sector employment, Ford G further suggest that in the long term that for every 10 basic jobs lost an additional 4 manufacturing jobs disappear because of "second-round" effects. This is partly due to the reduced demand for locally manufactured inputs for basic industries, partly through a reduction in local incomes, and partly because reduced employment will encourage out-migration.

1. Based on Fothergill and Gudgin.

ROUND OAK STEEL WORKS.

EFFECT OF CLOSURE ON OTHER LOCAL COMPANIES.

1. Transport

At present the maximum load for road transport is 20 tonnes. One local rolling will alone produce enough steel from Round Oak to give 275 maximum loads in 1981. The loss of Round Oak will seriously reduce the work load of local transport contractors.

J & S Hemmings Limited of Lenches Bridge, Pensnett is a major carrier of Round Oak Steel on local and semi-long distance routes. This company will find it very difficult to maintain its current staffing levels if the steelworks closed.

Other local companies such as J B Transport, Purchase Transport and Malpass Transport have already been affected by decrease in steel production at Round Oak.

Long distance carriers such as Durhams of Newcastle-on-Tyne may also be affected by the closure.

2. Scrap Metal Suppliers.

The steel works purchases scrap metal from at least four large local dealers. These are Broadhursts of Birmingham, W G Smith of Brierley Hill, Shakespeares of Oak Lane, Gornal and Hudson's of Dudley.

The affects of this closure on local scrap prices and values will probably have a very disruptive affect on the 58 registered scrap metal dealers in Dudley.

3. Aluminium reclamation

Companies such as Thornleigh Metals and D & M Metals supply aluminium ingots to Round Oak. These companies tend to operate on narrow and fluctuating margins and the closure of Round Oak might prove too much for some of them.

4. Midland Slag Company

This company is jointly owned by Tarmac and Round Oak and it's operations are directly dependent upon the steel works. The company crushes and sieves slag from the steel works, no steel production, no slag, no company.

5. Maintenance and Services.

Work is farmed out from Round Oak to local companies for the replacement and repair of mechanical parts.

Metallisation of Pear Tree Lane for example used to rebuild rollers for the steel works before the recent run down in maintenance reduced the volume of this work.

Many other local companies involved in the precision machining of mechanical parts will similarly suffer a reduction in business with the closure of Round Oak.

PROPOSED CLOSURE OF ROUND OAK STEEL WORKS

IMPLICATIONS FOR TRAINING RESOURCES

1. R.O.S.W. was until 1978 one of our main sources of employment opportunities for craft, technician and student apprentices.

2. No less than 20 and as many as 40 vacancies were notified each year and were filled without any difficulty by young people from Brierley Hill, Stourbridge, Dudley, Halesowen, South Staffordshire, South Shropshire and North Worcestershire.

3. From 1978 to 1982 inclusive no vacancies for apprenticeship have been notified to the Careers Service, However, from 200 plus letters received each year by the Training Officer at R.O.S.W. he recruited the following:-

| | |
|---|---|
| 1978 | 7 Apprentices (Craft) |
| 1979 | NIL |
| 1980 | 2 Apprentices (Technician) |
| 1981 | 7 Apprentices (5 Craft & 2 Technician) |
| 1982 | 7 Apprentices (Craft) |

4. In June 1980 the spare capacity in the training centre began to be used for the provision of Manpower Services Commission funded schemes for unemployed young people.

5. Thirteen week courses of training in Basic Skills in Mechanical Engineering each of 12 places first started on the 9th June 1980 others followed 8.9.80; 1.12.80; 6.4.81; 8.6.81; 3.8.81; 21.9.81; 7.12.81; 10.5.82.

6. A total of 96 unemployed young people attended and gained intensive valuable basic training which assisted many of them to find employment later.

7. Early in 1982 R.O.S.W. were invited to prepare a submission to the M.S.C. to provide a 30 place, 52 week course of Education/Training/Work Experience as a pilot scheme of the Youth Training Scheme to be introduced by the Government in September 1983 for unemployed 16 and 17 year old school leavers.

8. Such a course commenced on the 5th July 1982 with 24 young people. The first of 41 schemes covering 20 employment categories by 19 sponsors within the area of the local authority. Maybe one of the first pilot Y.T.S. schemes to start in the West Midlands.

9. In trying to plan for the 1983/84 provision of Y.T.S. places within the Dudley Authority area, of 3,500 places required, 380 will be required in the Engineering category. R.O.S.W. have been asked if they can provide 60 places as a minimum, 100 if possible but also consider 300 places as the main provider of the Y.T.S. Engineering category.

10. The Training Officer has indicated that from September 1984 he may retain use of the training centre only if it can be made a viable proposition - sell services to others and/or full funding by M.S.C.

11. R.O.S.W. has been one of Dudley's major employers <u>and</u> providers of training in Engineering in the Youth Opportunities Programme and the Youth Training Scheme. Closure of the works and training Centre would leave Dudley with very little if any provision elsewhere in the area.

## DUDLEY'S GROWTH INDUSTRY - UNEMPLOYMENT, OCTOBER, 1982.

| | 1979 | % | 1982 | % | | Change No. | | 79-82 % |
|---|---|---|---|---|---|---|---|---|
| DUDLEY | 7014 | 4.7 | 28408 | 17.5 | + | 21394 | + | 305 |
| Dudley and Sandwell | 13390 | 4.6 | 50508 | 16.6 | + | 37118 | + | 277 |
| West Midlands County | 84033 | 6.1 | 247054 | 17.8 | + | 163021 | + | 194 |
| Great Britain | 1221600 | 5.2 | 3170984 | 13.6 | + | 1949384 | + | 160 |
| ASSISTED AREAS | | | | | | | | |
| Special Development Areas | 324415 | 10.1 | 600708 | 19.1 | + | 276293 | + | 85 |
| Development Areas | 515400 | 8.7 | 337188 | 16.6 | - | 178212 | - | 35 |
| Intermediate Areas | 232596 | 5.4 | 202848 | 15.8 | - | 29748 | - | 13 |
| COUNTIES | | | | | | | | |
| Greater Manchester | 67133 | 5.6 | 186443 | 15.3 | + | 119310 | + | 177 |
| Merseyside | 83532 | 11.5 | 144985 | 20.2 | + | 61453 | + | 74 |
| Tyne and Wear | 53177 | 9.5 | 97006 | 17.4 | + | 43829 | + | 82 |
| West Yorkshire | 48165 | 5.3 | 127452 | 14.8 | + | 79287 | + | 166 |
| Cleveland | 26242 | 9.7 | 54757 | 20.3 | + | 28515 | + | 109 |

TOWNS AND CITIES

| | 1979 | % | 1982 | % | | Change No. | | 1979-82 % |
|---|---|---|---|---|---|---|---|---|
| Sheffield | 14203 | 4.8 | 42554 | 14.5 | + | 28351 | + | 200 |
| Scunthorpe | 3303 | 5.2 | 11758 | 18.2 | + | 8453 | + | 256 |
| Corby | 1993 | 6.4 | 6629 | 21.0 | + | 4636 | + | 233 |
| Manchester | 39478 | 5.6 | 103633 | 14.5 | + | 64155 | + | 163 |
| Darlington | 5270 | 6.5 | 12654 | 15.3 | + | 7384 | + | 140 |

INCREASED DEMANDS FOR LOCAL PUBLIC SERVICES

- Non Payment of Mortgages, Rent, Gas, Electricity, Hire Purchase
- Homelessness
- Destabilization of traditionally stable family life in and around the Brierley Hill Area
- the older men, particularly the 860 steel process workers are likely to find themselves with a long period without a job and enforced leisure.
- demand will increase for low cost leisure facilities such as for hobbies sports, allotments. These are not currently available
- referrals to Social and Health Services of reactive depression cases will increase

NB Referrals to Dudley's Social Services increased by 30% between October 1980 and 1982 - AN INCREASE OF 900 CASES PER ANNUM HALF OF WHICH INVOLVE FAMILY FINANCIAL PROBLEMS LINKED TO THE GROWTH IN UNEMPLOYMENT.

Appendix 6

FINANCIAL ASSISTANCE TO DUDLEY

THE INCREASE IN UNEMPLOYMENT IN DUDLEY HAS BEEN ONE OF THE WORST IN THE COUNTRY.

YET DUDLEY RECEIVES LITTLE U.K. OR E.E.C. AID.

THE FOLLOWING TABLES COMPARE DUDLEY WITH STEEL CLOSURE AREAS AND ASSISTED AREAS.

Under the non quota sections of ERDF the following steel closure areas received aid during 1981-85:-

| | EEC £m | UK GOVT £m | % Unemployment |
|---|---|---|---|
| Strathclyde | 3.90 | 6.24 | 18.2 |
| Cleveland | 2.39 | 3.83 | 20.6 |
| Clwyd | 2.31 | 4.23 | 19.1 |
| South Glamorgan | 2.64 | 4.23 | 15.1 |
| West Glamorgan | 2.64 | 4.23 | 17.2 |
| Gwent | 2.64 | 4.23 | 17.9 |
| Corby | 1.50 | 2.41 | 21.3 |
| (Dudley | nil | nil | 18.6) |

All current EZ's have assitance in on e form or another under regional policy.

| EZ | Expansion Area Status | ECSC | Inner City |
|---|---|---|---|
| Salford | IA (until July 82) | n.a. | Partnership |
| Trafford | IA (until July 82) | n.a. | n.a. |
| Swansea | IA | Yes | Designated District |
| Wakefield | IA (until July 82) | Yes | n.a. |
| Clydebank | SDA | Yes | Designated Districts |
| Dudley | n.a. | n.a. | n.a. |
| Hartlepool | SDA | Yes | Designated District |
| Corby | DA | Yes | n.a. |
| Newcastle | SDA | Yes | Partnership |
| Tean Valley | SDA | Yes | Partnership |
| Gateshead | SDA | Yes | Partnership |
| Speke | SDA | n.a. | Partnership |
| Isle of Dogs | n.a. | n.a. | Designated Districts |

| Key | | |
|---|---|---|
| | IA | Intermediate Area |
| | DA | Development Area |
| | SDA | Special Development Area |

DUDLEY FIRMS HAVE RECEIVED SOME FUNDS FROM THE EUROPEAN COAL AND STEEL COMMUNITY

Danks Engineering is receiving a £2 million loan towards the extension of their boiler manufacturing facility.

60 workers, affected by the closure of one mill at John Bagnall and Sons Ltd.'s works ar Stourbridge, share £1,60,000.

DEVELOPMENT VALUE OF LAND OWNED BY THE ROUND OAK STEEL COMPANY. (See location plan attached)

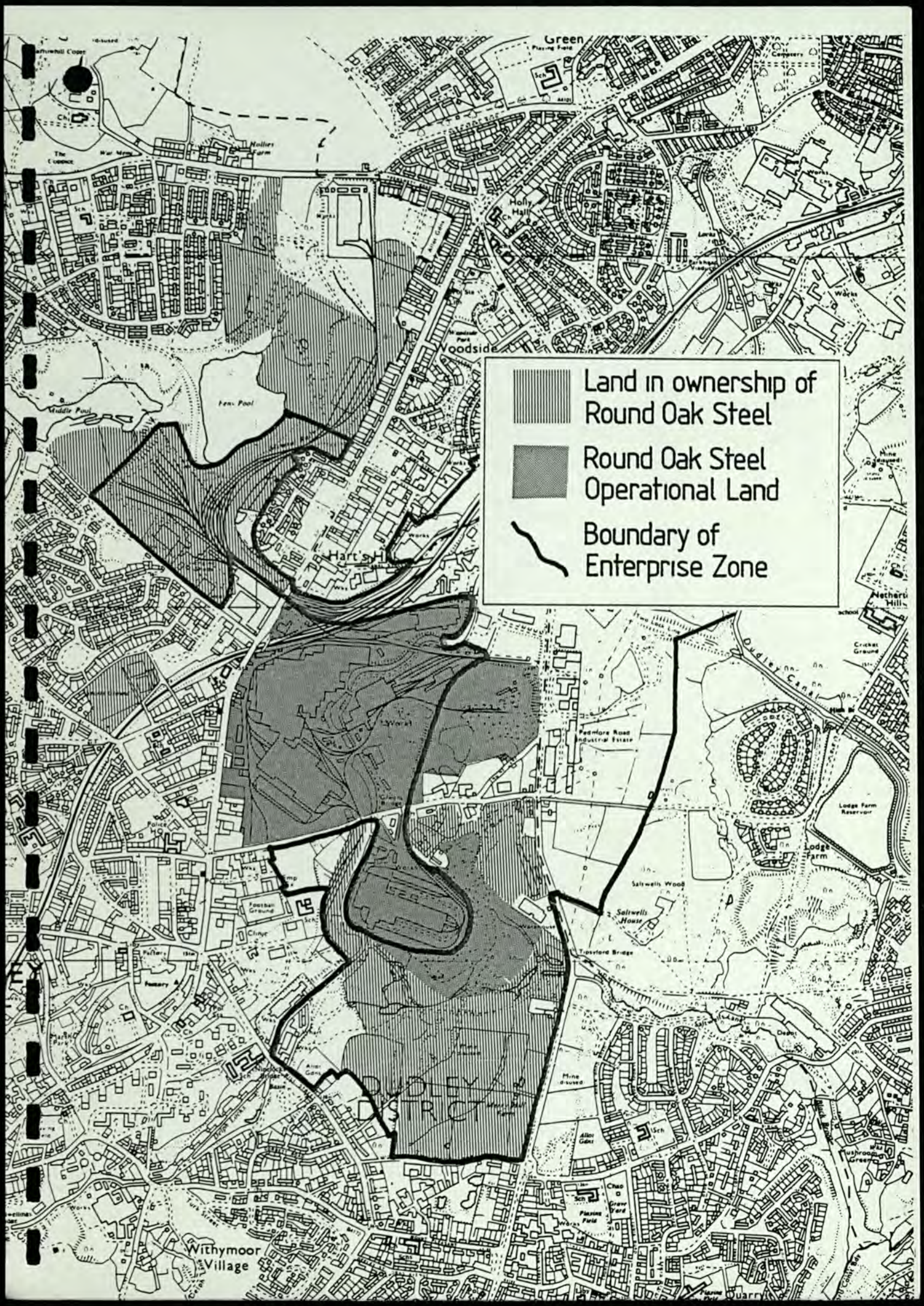
| Location | Area | Land Use | Approximate Value |
|---|---|---|---|
| Land north of Fens Pool | 52 acres | Recreation | £50,000 |
| Sports Ground, John Street | 7·7 acres | Housing | £380,000 |
| The Wallows (Inside E.Z.) | 33 acres | Industry | £1,980,000 |
| Strip Mill, Level Street, (Outside E.Z.) | 21 acres | Industry | £525,000 |
| Total | | | £2,935,000 |

Other assets:

Office block Dudley Road: value unknown

If E.Z. were extended to take in the Strip Mill at Level Street the site's value would increase by £500,000.

THE COMPANY'S LAND COULD BE WORTH £3M


Land in ownership of Round Oak Steel
Round Oak Steel Operational Land
Boundary of Enterprise Zone
Green
Holly Hall
Woodside
Hart's Hill
Pedmore Road Industrial Estate
Lodge Farm Reservoir
Lodge Farm
Saltwells Wood
Saltwells House
Tipsford Bridge
Dudley Canal
Cricket Ground
Football Ground
Police
Withymoor Village
Quarry
DUDLEY DISTRICT

# A CASE FOR RETAINING STEEL PRODUCTION AT ROUND OAK

## 1. A TECHNOLOGICALLY ADVANCED MODERN PLANT.

| | |
|---|---|
| Two high powered electric furnaces | Commissioned 1973 and 1975 |
| A secondary steelmaking vessel capable of ensuring close metallurgical control | Commissioned 1980 |
| A continuous bloom caster, a scarce U.K. resource | Commissioned 1975<br>Modernised 1982 |
| A modern, flexible rolling mill with a size range | 63 - 140 mm billets<br>140 - 300 mm blooms<br>76 - 310 mm rounds<br>140 - 370 mm flats<br>75 - 130 mm squares<br>(only U.K. supplier of Squares and some flats)<br>Commissioned 1973 |

## 2. UNIQUE COMBINATION OF PLANT

The only U.K. plant capable of making bearing steels via the lower cost continuous casting route and therefore the only plant capable of resisting imports and creating exports in this important market sector.

The lowest cost process route for the production of larger (>75 mm) forging billets. Adequate finishing facilities do not exist at Round Oak, but do at G.K.N. and principal B.S.C. plants who would benefit from the lower cost feed - Stock.

The second preferred process route for producing tube steel for existing tube mills after the direct bar casters are fully loaded, and they do not satisfy the total demand, and the preferred

process route for some sizes and qualities.

The ASEA secondary steelmaking unit makes Round Oak an ideal plant for producing the high quality NODE steels required for plate-making for off-shore oil applications.

3. INDUSTRIAL RELATIONS

Round Oak has consistently invested in improved technology and plant to improve productivity.

Additionally it has a work-force who have outstandingly identified with the corporate interest and future

viz: - The reluctant joining of the 1980 National Strike.

- The early return to work from that strike counter to T.U. instruction.

- Acceptance of a flexible method of working, whereby craftsmen are integrated into production crews.
  - A model for the industry.

- Acceptance of pay restraint and redundancies.

- Acceptance of short-time working with only 50% payment, not 75% as elsewhere.

4. EFFICIENT, COMPETITIVE PLANT

The various actions, including investment, de-manning and adoption of flexible working methods have reduced fixed costs so that it is now possible to achieve break-even at

Continued/..

4,000 tonnes, per week, a figure that was 7,500 tonnes per week less than two years ago.

Round Oak is well placed geographically to secure the lowest price high quality scrap in the U.K.

It is close to customers in the Engineering Steels sector and with short lines of communication is capable of providing a level of customer service unachievable in the public sector.

5. CURRENT SITUATION

In spite of all that has been done to improve efficiency and reduce the break-even level there is insufficient business available at this present time to sustain even 4,000 tonnes per week.

Round Oak has been geared to the tube and engineering steels markets, both of them in decline. It has been a successful and significant exporter. N.B. The Queens Award for Industry, for export achievements in 1979, but the strength of the pound has made exporting difficult in the recent past.

The situation will improve:-

There will be some recovery in the Engineering Steels sector.

Lifting the threat of closure from Round Oak would increase its market share. Removing the B.S.C. ownership would make Round Oak a more valid second source of supply for some customers, and would result in import substitution for those customers who prefer not to buy from a nationalised supplier.

Continued/...

Whilst Round Oak's share of the tube steel market has been greatly eroded by the lower cost direct bar caster route, the next generation of tube mill, if the U.K. is to compete internationally in this field, will require a continuously cast bloom of 250 mm or more, which will restore the Round Oak caster to the position of a preferred supplier.

If the Round Oak caster is taken out of commission a replacement will have to be built to supply a modern tube mill. A second new bloom caster may prove to be necessary to satisfy the engineering steels demand.

If the Round Oak ASEA secondary steelmaker is to be closed a replacement may well have to be installed to produced high quality node steels for plate-making.

6. ACTION

A central feature of the argument for retaining Round Oak is the bearing steels market supported by tube and engineering steels. However, Round Oak would not be attractive to a buyer at this moment unless such a buyer was also a significant customer.

What should be done is for the Minister to write-off the £42 million bank debts, which has to happen in a closure situation anyway and provide funds for the rationalisation programme.

The Company should then be given breathing space, say 12 months, to restore its market base through:

Continued/...

i) an improvement in the engineering steels sector

ii) an improvement in Round Oak share of that sector

iii) an improvement in exports because of the more favourable exchange rate

iv) development of the existing role of supplier to B.S.C. in the areas of tube steel, rail steel and slab ingots for plate-making

(It would be necessary for B.S.C. to regard Round Oak as a consistent supplier of these products and to treat with it on a fair and commercial basis).

The E.C.S.C. determination is to eliminate obsolete, unviable plants. Round Oak is clearly not obsolete and we believe that this proposal demonstrates that, with the removal of bank debts and some further contraction of the work-force the plant would be viable.

At the end of 12 months there is confidence at Round Oak that the operation would prove itself either to be an attractive buy to the private sector or would be seen as the logical source of bearing and tube steels for B.S.C.

Submissions to be made in support of a case for the continuation of steel production at Round Oak Steel Works Limited to be presented to Her Majesty's Government on Tuesday, 30th November 1982 by representatives of the workforce employed at the Company.

The Editorial of the Financial Times published on Thursday, 18th November 1982 following the announcement by local management of the proposed closure of Round Oak on the previous day brilliantly and succintly provides the general economic argument against the closure of Round Oak Steel Works Limited in Brierley Hill. In its final paragraph four points are made as follows:

1 "Closures alone will not serve unless they are also calculated to cut costs, for instance, by concentrating production in units of maximum flexibility."

2 "Moreover, panic is a poor counsellor. The present conjunctural trough will not last forever."

3 "Nor will some special factors such as the high sterling exchange rate which has hobbled the British industry for many months."

Here one would observe that in a situation of more favourable exchange rates Round Oak had conferred upon it the Queens Award for export achievement during 1979.

4 "The objective must be an industry which can stand on its feet without subsidy and take advantage of the up-swing once it comes."

In connection with the fourth point the opening section in this leading article reads as follows:

1 "Round Oak appears to have been the victim of certain special factors aggravated by the recession. Its management claims that it could have kept out of the red operating at no more than half capacity. If that could

be said for the rest of the industry in Britain and elsewhere, it would be well on the way to economic viability."

Over many years we have been provided with information about the financial performance of the Company in the form of annual reports to employees and a frequent presentation of management accounts made to the trade union representatives working at the Company. The view expressed in the Financial Times has been one which we have had expressed to us by the local management over recent months. From the information as we have received it from time to time, we are able to support this contention that the Company is capable of breaking even at the trading line at between 50 to 60% of its capacity.

Appendix I attached shows the financial results for February and March compared with October this year. You will see, Minister, that in February and March at a sales volume of 6 380 tonnes per week the Company was in profit at the trading line. In October at a volume of 3 048 a loss was sustained. Although in October some support was received under our application of the Temporary Short Time Working Compensation Scheme, setting that support aside, given the same level of sales contribution for that month the Company would have broken even at 4 000 tonnes. This represents 57% of our budgeted sales forecast made in February of this year for the last six months of our financial year April 1982 on March 1983 which was anticipated to be at a level of 7 034 tonnes.

We acknowledge that in order to achieve the break even level at 4 000 tonnes the jobs at risk under out current application for TSTWCS would be lost when this application was scheduled to expire in February next year.

We accept the need for further rationalisation, the appendices assume a work-force of 900, compared with the 1 286 currently employed.

Appendix II sets out the projected results that would have obtained in October at an assumed sales volume of 4 000 tonnes per week and an assumed staffing of 900.

It has also been supposed that the depreciation charge would be modified following a properly managed capital reconstruction and would therefore more closely resemble the charges which are experienced in the public sector.

Appendix III sets out the earnings from export of steel which Round Oak has obtained since 1977. This demonstrates the potential for further damage to the balance of trade in manufactured goods which, it is said for the first time since the industrial revolution went into deficit in August this year.

Over the last ten years the employees, management, trade union officials and work people have demonstrated as well as any other plant within the U.K. steel industry their ability to take on board change, new methods of working and the development of skills. It is our contention that you will not find anywhere within the public or private sector of the industry integrated teams of operatives and craftsmen who together work the plant and maintain it as well. There are lessons that the rest of the industry can learn from Round Oak's pioneering developments into this field of manpower flexibility.

In conclusion, we believe, that we have demonstrated that Round Oak has "production facilities in units of maximum flexibility". The decision to close Round Oak, born of "panic" rather than vision, may rob the nation of a plant well fit to survive in the uncompromising climate of today, yet ready to "take advantage of the up-swing once it comes."

APPENDIX I

## SUMMARY OF FINANCIAL PERFORMANCE FEBRUARY/MARCH 1982

| Average sales 6380 tonnes per week (89% of capacity) | £'million | £/tonne |
|---|---|---|
| Revenue from sales | 13.1 | 227.7 |
| Variable manufacturing costs | 8.8 | 153.1 |
| Contribution generated | 4.3 | 74.6 |
| Employment costs | 2.7 | 47.5 |
| STW compensation received | nil | nil |
| Fixed operating and administrative costs | 1.0 | 16.2 |
| Surplus on trading before depreciation & interest | 0.6 | 10.9 |
| Depreciation charged | 0.5 | 9.2 |
| Stock change adjustment | 0.0 | 0.6 |
| Reported profit before interest | 0.1 | 1.1 |
| Interest payable to banks | 1.0 | |

## SUMMARY OF FINANCIAL PERFORMANCE OCTOBER 1982

| Average sales 3048 tonnes per week (42% of capacity) | £'million | £/tonne |
|---|---|---|
| Revenue from sales | 2.8 | 228.2 |
| Variable manufacturing costs | 1.8 | 149.2 |
| Contribution generated | 1.0 | 79.0 |
| Employment costs | 0.8 | 69.2 |
| STW compensation received | (0.04) | (3.4) |
| Fixed operating and administrative costs | 0.4 | 30.8 |
| Deficit on trading before depreciation & interest | (0.2) | (17.6) |
| Depreciation charged | 0.2 | 20.9 |
| Stock change adjustment | 0.1 | 6.3 |
| Reported loss before interest | (0.5) | 44.8 |
| Interest payable to banks | 0.4 | |

APPENDIX II

A projection of the financial performance at 4000 tonnes per week following a capital reconstruction and a reduction in the workforce for the rolled product to 900

(Based upon October 1982 - a 4 week period)

| Average sales 4000 tonnes per week (55% of capacity) | £'million | £/tonne |
|---|---|---|
| Revenue from sales | 3.65 | 228.2 |
| Variable manufacturing costs | 2.39 | 149.2 |
| Contribution generated | 1.26 | 79.0 |
| Employment costs | 0.76 | 47.5 |
| STW compensation | nil | nil |
| Fixed operating and administrative costs | 0.38 | 23.5 |
| Surplus on trading before depreciation and interest | 0.12 | 8.0 |
| Depreciation charged | 0.10 | 6.3 |
| Reportable profit before interest | 0.02 | 1.7 |

ROUND OAK EXPORT EARNINGS

Historical Values -- £' millions

| YEAR | FROM EEC COUNTRIES | FROM EFTA COUNTRIES | FROM REST OF WORLD | TOTAL |
|---|---|---|---|---|
| 1977/78 | 7.3 | 1.1 | 2.5 | 10.9 |
| 1978/79 | 6.2 | 3.5 | 10.6 | 20.3 |
| 1979/80 | 9.4 | 4.3 | 7.3 | 21.0 |
| 1980/81 | 5.1 | 4.1 | 5.1 | 14.3 |
| 1981/82 | 2.8 | 4.2 | 5.5 | 12.5 |
| 1982/83* | 2.1 | 2.3 | 1.3 | 5.7 |

* April to October

## Bearing Steels

A project to develop a production route for through hardened bearings using continuously cast blooms instead of ingots has been agreed with T.I. Desford Tubes Limited and Ransome Hoffman Pollard Limited. This has been submitted for assistance in funding to the Department of Industry and accepted subject to financial audit and approval of independent technical referee. Total size of through hardened bearing steel market for R.H.P. is around 30,000 tonnes in a "normal" year. Estimated savings by using the conticast route are £15 per tonne giving a total annual saving of £450 000.

Protection of the bearings market is primary aim (a strategic product) but with cost savings indicated above T.I. Desford would anticipate additional sales of bearing tube to export markets.

We understand that the two trial casts made at Round Oak had a high level of cleanness and gave fatigue lives double that of normal British bearing steel and equivalent to the best steel made in Europe.

ROUND OAK STEEL WORKS LIMITED

SALES VOLUME BY SECTOR

| | 1980/81 Tonnes % | 1981/82 Tonnes % | 1982/83 * Tonnes % |
|---|---|---|---|
| T.I. Tube | 101 000 | 110 000 | 43 800 |
| BSC -Tube ) | | 44 300 | 31 600 |
| ) | 121 300 | | |
| Own U.K. Customers ) | | 91 100 | 52 400 |
| Own Export Customers | 73 700 | 58 600 | 42 200 |
| | 296 000 | 304 000 | 170 000 |

* April to October sales annualised

N.B. Sales to BSC stockholders are included with 'own customer' sales since these are long established Round Oak Steel Works customers.

# Steel: facts need facing

THE CLOSUSE of the Round Oak steel works in the West Midlands is more than a local disaster. It is a sharp reminder of the crisis that has overtaken the world's steel industry in recent years. It is also a warning of what may be in store unless the industry adapts to profound changes in the pattern of its markets.

Round Oak appears to have been the victim of certain special factors, aggravated by the recession. Its management claims that it could have kept out of the red operating at no more than half capacity. If that could be said of the rest rest of the industry in Britain and elsewhere, it would be well on the way to economic viability.

### *Recession*

In Britain the steel crisis has been especially acute; the depth of the recession and the strength of sterling have had a crippling effect on the steel-using industries. The difficulty for the Government, British Steel Corporation and the privately-owned steelmakers is to judge how permanent the contraction of their customers in motor vehicles and engineering will be. Further rationalisation in both public and private sectors is unavoidable, but the cutbacks must not be taken so far as to prejudice the ability of the steel industry to respond to an upturn in demand when it finally arrives. Very similar considerations apply in the rest of the European Community; short-term assistance has to be geared towards a realistic view of the long-term demand for Community steel.

Such is the thinking behind the Davignon plan to nurse the Community's steel industry back to health. Its main ingredients are fixed minimum prices, output quotas for individual producers, and restraints upon imports from countries outside the Community. In addition the ten member governments have undertaken to phase out steel subsidies by 1985.

In its initial phase the plan, named after Viscount Etienne Davignon, the Commissioner responsible for industry, showed some signs of succeeding. Events are now threatening to blow it off course. Prospects of a firm industrial recovery in the Community or the world at large look dim. Competition in export markets is either becoming fiercer or has been distorted by arrangements such as the deal limiting the Community to 5 per cent of the U.S. steel market.

Within the Community complaints are increasing that the cartelised prices are being circumvented by a variety of devious measures. Everybody is jockeying for the largest possible production quotas. The prospect that governments will really adhere to the agreement to abolish subsidies within three years are looking dimmer week by week.

In Germany, where steel imported from other Community countries and from the outside world has taken 40 per cent of the market, representatives of the steel industry are openly calling for restraints on imports. Similar pressures elsewhere are going to be inevitable. Giving in to them would strike at the roots of the Community.

To avoid a *debacle* the controls over pricing and production levels envisaged in the Davignon plan have to be made as water tight as can be; cheating has to be eliminated. They must also be handled with the utmost flexibility to take account of market conditions, such as the collapse of demand in the second half of this year.

Beyond that, the long term prospects of the industry have to be assessed with the utmost realism. That is, in the first place, the duty of managements. But public involvement in steel is so deep in most countries that the future structure of the industry is bound to be influenced by political decisions.

### *Capacities*

At a meeting of the industry ministers of the Ten in Elsinore today, Viscount Davignon will be pleading for more courageous closure programmes than hitherto submitted. He assumes that on present plans capacities of 200m tonnes a year will be available in 1985 to meet demand for no more than 142m tonnes. That will require a measure of equality of sacrifice; the Germans, for instance, though their efficiency is not disputed, will have to think hard before rescuing one of their smaller producers now in danger of insolvency.

Closures alone will not serve unless they are also calculated to cut costs, for instance by concentrating production in units of maximum flexibility. Moreover, panic is a poor counsellor. The present conjunctural trough will not last for ever. Nor will some special factors, such as the high sterling exchange rate which has hobbled the British industry for many months. The objective must be an industry which can stand on its own feet without subsidy and can take advantage of the upswing once it comes.

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By

EARLY next month, Mr John Nott, the Defence Secretary, will stand up in the House of Commons to introduce his third White Paper in less than two years.

The new defence document will be exceptional not only because it is likely to be Mr Nott's last, as he retires from politics shortly, but also because it has been inspired by a specific event—the Falklands war. The White Paper, provisionally entitled "The Lessons of the Falklands Campaign," is being anxiously awaited.

The concern is over whether or not Britain's defence policy should or will be changed as a result of the Falklands.

There is an important lobby, centred in the Navy, which insists that change is essential. Toughly critical of Mr Nott's decision last year to cut back the surface fleet, this group would like to see the Navy reprieved and cuts made, if necessary, in Britain's forces in Germany. Many others, however, including Britain's allies in Nato, are just as anxious that there should be no such development.

Both groups may be worrying unnecessarily. All the signs are that Mr Nott intends his document to be a limited affair, confined principally to the lessons to be learned in the performance of the weapons systems used in the Falkalnds, rather than in broader strategy. But, however the paper comes out, five months after the end of the Falklands war, the parameters within which Mr Nott is working are now clearer. Two key aspects stand out.

First, thanks partly to the Falklands, is the high and rising cost of defence. Britain's defence budget next year, at £15.9bn, will be second only to the £34bn committed to social security. For the first time in 10 years, more is to be spent next year on defence than on education while defence is likely to account for some 5½ per cent on GDP, higher than at any time since the withdrawal of Britain's military presence east of Suez.

Yesterday Mrs Thatcher told Nato Parliamentarians in London that the "conflict between steep rise in the cost of defence equipment and other demands on the public purse is permanent." Defence spending could not be sacrificed to the needs of the welfare state, she said.

Second, if the Government had not agreed to fund the Falklands separately from the defence budget, the defence review of 1981, which earned Mr Nott such opprobrium in the Navy, would be severely undermined. The Ministry of Defence has never released figures showing how much it hoped to save from that review. But cuts were needed if the MoD were to meet—but not exceed—its N

Mr John Nott: still facin

ment had not finally agreed last month to meet the extra costs of the Falklands outside the defence budget. As it is, officials insist that the 1981 review is on course—and that there is no financial or strategic reason to change its policies.

They expect Mr Nott to reiterate in his Falklands White Paper that the Government sees the main threat to Britain's security coming from the Warsaw Pact and that it believes that membership of Nato is the best guarantee of meeting that threat. The Navy cuts will stay—and the Army will stay on the Rhine.

The indications are that the post-Falklands package may be accompanied by new orders for warships, or brave sentences about the critical role of the Navy in non-Nato conflicts. But that should not decide or deceive as to its real contents.

The Government has not been noticeably keen to produce detailed figures for the cost of the Falklands war, or for the garrison in the South Atlantic now that the war is over. This is partly understandable: normal financial controls were abandoned for the hectic months of the conflict while an assessment of replacements needed inevitably takes time.

Assessing the costs of the garrison is especially difficult since there is no decision on the islands' political future. Keeping them wholly British and implying, for example, no agreement on aircraft landing rights in Latin America, is likely to prove a lot more expensive than a solution which would internationalise the islands under UN trusteeship

file

John BLACKBURN MP
4/1
Councillor EDMONDS

DS

# 10 DOWNING STREET

Reminded 5/1

*From the Private Secretary*

23 December 1982

On 21 December Caroline Varley sent me a draft reply for the Prime Minister to send to Mr. John Blackburn MP about the closure of the Round Oak steel works, as well as a draft letter for her to send to the Leader of Dudley Council on the same subject.

As I explained on the 'phone, the Prime Minister feels that the draft reply to Mr. Blackburn is not sufficiently sympathetic. She has pointed out that the Company did not go on strike during the action taken by BSC in 1979/80, and she feels that the draft should at least acknowledge this. Likewise, she feels that the letter to Councillor Edmonds should also be more forthcoming. I should therefore be grateful if you could provide revised drafts to both Mr. Blackburn and Councillor Edmonds as soon as possible.

F. S. RICKETT

Jonathan Spencer, Esq.,
Department of Industry.

RW

JF2310
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

23 December 1982

Councillor J H Edmonds OBE
Leader of the Council
Dudley Metropolitan Borough
Council House
DUDLEY
West Midlands
071 1HF

PS/Mr Lamont
PS/Mr Butcher
Mr Manzie
Mr Binning
Mr Mogg
Mr Murray -
on file

Dear Councillor Edwards,

Thank you for your letter of 10 December about the closure of Round Oak Steel Works.

2 As you will no doubt be aware, when the deputation from the works and Dudley Council came to see me on 30 November, I explained that the decision to close Round Oak was a decision that BSC alone had to take in order to restore their financial and commercial position in the face of mounting losses; it was not open to me to influence or manage that decision in any way. I undertook to write to John Blackburn after carefully considering the dossiers handed over which made out the case for retaining steel making at Round Oak. I am enclosing a copy of that letter in case you have not already seen it and because it answers many of the detailed points raised in your letter. You will be particularly interested in the bid which has been made to BSC for that part of Round Oak which produces forging ingots.

Yours

Patrick Jenkin

Encl

Rev. R. BLOUNT

FILE

RM

11/1

10 DOWNING STREET

*From the Private Secretary*

21 December, 1982

I enclose a copy of a letter the Prime Minister has received from the Reverend Robin Blount of Dudley, West Midlands.

I should be grateful if you could let me have a draft Private Secretary reply by Tuesday, 11 January.

(Timothy Flesher)

Dr. D. Saunders,
Department of Industry

TWP

10 DOWNING STREET

*From the Private Secretary* 21 December, 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 15 December. This is receiving attention and you will be sent a reply as soon as possible.

(Timothy Flesher)

The Reverend Robin G. Blount,

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

*Telephone* *Direct Line 01-212* 3301
*Switchboard 01-212 7676*

JH 547
*Secretary of State for Industry*

21 December 1982

W Rickett Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Retype these two letters.
WR 22/12

Dear Willie,

You wrote to me on 8 December enclosing a letter from Mr John Blackburn MP to the Prime Minister about the closure by BSC of Round Oak Steelworks. You have now written a further letter of 14 December enclosing related correspondence from the Leader of Dudley Council .

2 Mr Blackburn hints at requesting to bring a deputation to see the Prime Minister. You should know that the Secretary of State on 30 November received Mr Blackburn and a deputation which included trade union representatives, Councillor David Ranceford - Hadleigh, Mayor of Dudley, Mr J Mulvehill, Chief Executive of Dudley, and representatives of the West Midlands County Council. The deputation handed over 2 dossiers which I assume are the same as those forwarded to the Prime Minister. At the meeting the Secretary of State made it clear that, apart from decisions involving the future of the 5 major integrated works, it was for BSC to decide what action needed to be taken to restore their financial and commercial position. He said that he would study carefully the documents handed over and if appropriate would raise with the BSC Chairman any points arising out of them; he would also ask for further background to the closure decison. The Secretary of State re-emphasised that it was not open to him to influence or manage the decisions which the Corporation must take but undertook to write in a few days to Mr Blackburn.

3 Subsequently, Mr Blackburn raised the matter on adjournment on Thursday, 9 December. In reply the Parliamentary Secretary again repeated that the decision was one for BSC and dealt with some of the points covered in the dossiers and in Mr Blackburn's speech.

4 The Secretary of State has now written to Mr Blackburn and I attach a copy of that letter. I enclose a draft letter for the Prime Minister to send to Mr Blackburn which points out that she has said that she will not herself receive deputations, but offering to speak personally to him. I enclose a background note about the closure at Round Oak against a possible meeting.

... 5 I also enclose a draft letter along the lines suggested, for the Prime Minister to send to Councillor Edmonds, Leader of Dudley Council.

Yours ever,

Caroline Varley

CAROLINE VARLEY
Private Secretary

BACKGROUND NOTE

ROUND OAK STEEL WORKS LIMITED

Round Oak Steel Works was jointly owned by Tube Investments (TI) and BSC from nationalisation in 1967. This arrangement recognised the fact that Round Oak was the principal supplier of carbon tube rounds to TI.

2 By 1980, virtually all steel companies were making heavy losses as a result of falling demand for steel and the fact that the over-ambitious investment plans of the early 1970s had left the industry with serious over-capacity, which had not been cut back after the oil crisis in 1973/74. In the engineering steels sector, capacity in the Autumn of 1980 was about 4.5m tonnes. All concerned in the sector agreed that there was only a continuing long-term need for between 2.3 and 2.8m tonnes capacity. The major organisations involved were BSC with plants in Sheffield and Rotherham, GKN at Brymbo, Dupont in the West Midlands and South Wales, Hadfields in Sheffield and TI through their involvement with Round Oak in the West Midlands.

Phoenix II

3 Consideration of proposals to nationalise this sector in the form of a private sector joint venture company, code-named Phoenix II, started in late 1980. Discussions began between the principal participants, BSC and GKN. Before matters were very far advanced, the financial position of Dupont became critical. BSC were authorised by HMG to buy the West Midlands rolling mill interests of the Group to preserve the option of some possible grouping in the area out of GKN at Brymbo, London Works (Dupont), and Round Oak. The Dupont South Wales Works closed. Hadfields were also in serious trouble and had to slash their capacity by about half; BSC also cut back capacity in their Templeborough Works after making earlier closures in 1978 and 1979. These measures reduced capacity to some 3.3m tonnes.

4 Meanwhile Round Oak too had been making heavy losses and by early 1981 was rapidly reaching its borrowing limits. TI indicated to HMG that it wished to withdraw entirely from steel-making and were not prepared to fund Round Oak further. This left the Government with the choice of seeing the company go into liquidation or allowing it to be held by BSC pending its return to the private sector as part of the Phoenix II reorganisation. The latter solution was adopted and consent was given to BSC to acquire the TI shareholding. The consent to BSC specified that the acquisition was permitted on the basis that Round Oak be returned to the private sector as soon as possible.

5 The deal was agreed in May 1981 and provided for completion after 6 months, only if agreed closures and redundancies had taken place. Under this agreement, Round Oak shed some 750 jobs, closed its ingot route and one rolling mill, leaving a concaster and one rolling mill in operation.

6 Meanwhile the Phoenix II discussions between BSC and GKN had continued on and off during 1981 until finally the 2 parties announced in February 1982 that they were suspending discussions though the option to resume discussions remained if market conditions should change. This still left a serious UK and particularly BSC over-capacity of re-rolling mills. BSC therefore provided in their annual accounts for 1981/82 for the closure of the remaining Royal Oak rolling mill, though the decision was not announced at the time. It was however, put forward in confidence to the Commission as part of the BSC application for state aid up to 1985.

7 During 1982, demand for engineering steel products has fallen well below last years levels - some 20% below BSC's expectations - with the result that Round Oak is working below 50% of capacity and the BSC works at Stocksbridge and Tinsley Park less than 60%. BSC's losses in the year have risen to over £1m per day, to the point where the Corporation needed to take urgent action to restore their commercial and financial position. The necessary measures fall into 2 groups - those where the Corporation cannot make a decision on their own ie the closure of one of the 5 main integrated works, and those measures which are for BSC's own decision without Government authorisation. As part of this latter group, BSC have very recently announced the closure of London Works, (involving 480 job losses), the closure of Round Oak (1286 job losses) and further demanning at the Sheffield and Rotherham works involving 1700 job losses, together with the destruction of one electric arc furnace. The BSC case for the closure of Round Oak is at Annex A. Briefly this amounts to a need to reduce capacity and load better the remaining mills. Round Oak though modern is no longer the lowest cost producer of tube rounds and the other products can all be produced elsewhere in BSC or the private sector.

8 The closure of Round Oak ends steel making in the West Midlands and with the closure of London Works, the prospect of any possible involvement in a steelmaking joint venture. Closure of Round Oak will still leave BSC with just under 2m tonnes of capacity. In the private sector there remains over 600,000 tonnes, though we know that GKN wish to reduce their workforce in North Wales and have applied under the Private Sector Steel Scheme to cut their furnace capacity. This will still leave total UK capacity in excess of foreseeable demand of 4.7 m.t. by 800,000 tonnes.

Summary

9 The closure of Round Oak is the final demise of this former private sector steel works. It was bankrupt in early 1981, but was kept going in BSC (along with the ex-Dupont companies) to allow a breathing space for the Phoenix II company to be formed. This did not happen because the principal participants could not agree on how to make the necessary capacity cuts and during 1981 the financial position of the BSC and GKN works improved somewhat. Meantime the overcapacity problem remained and demand has fallen even further than in 1981, making closures and redundancies in both BSC and the private sector inevitable. It cannot be said that the private sector alone has borne the brunt of these cuts; the misery has also fallen heavily on BSC who have cut capacity by about 1.3m tonnes since 1979, involving considerable job losses.

MM Division

December 1982

JH 546

PS/PS
PS/Sec
Mr Monck
Mr Burning Mun
Mr Murray Mun
Mrs Hamilton Mun

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
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Secretary of State for Industry

20 December 1982

John Blackburn Esq MP
House of Commons
London SW1A OAA

Dear John,

When you brought a deputation from Round Oak Works, Dudley District Council and the West Midlands County Council to see me on 30 November, I explained that, apart from decisions involving the five major integrated works, it was for the BSC management to decide what action needed to be taken in order to restore their commercial and financial position. I pointed out that Round Oak was not the only plant to suffer as BSC had, shortly after announcing closure of Round Oak, announced 1,700 further job losses in Sheffield and Rotherham.

Your deputation handed over two dossiers which I said that I would study carefully and that if, as a result, I felt that there were points of fact which could be put to the Chairman of BSC, then I would do so. I explained that in doing this I wished to make it clear that it was not open to me to influence or manage the decisions which the BSC management must take. Since that meeting, you have raised the subject in an adjournment debate, and I have read both what you said on that occasion and John Butcher's reply. I have, as I promised, read both the dossiers carefully and asked the Chairman of BSC for further background information about the decision to close Round Oak. I am now in a position to give you my considered response,

I will not in this letter repeat the general background against which this decision has been taken, since the position was fully explained in John Butcher's speech on 9 December; I am, however, enclosing a copy of that speech, since the background is very important to the closure decision. I will confine my remarks to important points arising from the dossiers.

I turn now to the dossier presented by the workforce "a case for retaining steel production at Round Oak". BSC agree that the works is modern and flexible; that it has concast facilities and that the workforce has strongly identified with the corporate

interest. But the fact is, as John Butcher has already explained, that there are now cheaper means both in BSC and in the private sector to produce the carbon tube rounds that formed the traditional order book of Round Oak. Orders for those tube rounds have now dropped to a very low level and even the cheaper process routes are not expected to be fully loaded next year.

The demand for engineering steels is far in excess of capacity, and demand is not expected to increase significantly in the near future. The fact that finishing facilities for these grades of steel are lacking at Round Oak puts the works at a disadvantage over alternative steel making plant elsewhere.

The production of bearing steels is still only at the stage of proving trials, and certain types are essentially produced by the ingot route. They will be able to be produced in due course elsewhere by BSC and the private sector. Node steels used in plate making for offshore oil applications can also be produced using secondary steel making facilities elsewhere. Indeed the principal supplier has been the River Don works, which is now in the private sector as part of the Sheffield Forgemasters joint venture between BSC and Johnson & Firth Brown. You also mention the next generation of tube mills, but a decision even to start building one has not yet been taken by BSC.

The plan put forward to save the works suggests a breathing space of 12 months. I think this is to forget that while BSC has been acting as a caretaker, the works has already had a breathing space of 18 months. In that time, the bank debts have increased from £18 million to £40 million. Paying off those debts would save Round Oak interest payments, but losses are running in excess of £500,000 per month before interest and fresh borrowings would be needed to keep the business in existence.

John Butcher's speech has already made the point that reducing the workforce to 900 does not solve the underlying problem of excess steel making capacity, nor are the works viable at the 4,000 tonnes per week level suggested.

Taken together, I have to say that I find very persuasive the arguments put forward by BSC for closure of the works. I have, however, seen the details of the bid made to BSC for the No. 2 melt shop which you mentioned to me on Thursday evening. I do appreciate how important this is to you; at my request BSC are giving the offer urgent consideration.

Certain of the points made in "the Community's Case" have already been dealt with above. I accept that in the short run there will be closure costs, but BSC will benefit by £20 million per year, with facilities elsewhere in BSC better loaded thereby increasing their profitability. This is part of BSC's campaign

to reduce its call on public expenditure, which in the longer term can only be of benefit to the economy. The submission asserts that by early 1983 the rate of unemployment in the Dudley Metropolitan Borough Council will be over 20%. I should point out, however, that it can be misleading to quote unemployment rates for areas smaller than Travel-to-Work-Areas (TTWAs). TTWAs are established by the Department of Employment as relatively self-contained labour markets where the majority of people both work and live. They are also the smallest geographical areas for which the Department of Employment can provide unemployment rates which reflects an area's need for jobs. The Round Oak Steelworks lies within the Dudley and Sandwell TTWA and - although I would not pretend that unemployment in that area does not give cause for concern - I am unconvinced that the closure of the Steelworks will affect the area's unemployment rate to the extent suggested.

A case is put forward for assistance to the area, but the recent reduction in the coverage of Assisted Areas from 44% in 1979 to around 27% from this August, will obviously reduce competition for new investment from Assisted Areas and thus benefit the non-Assisted Areas in the West Midlands. And the Government have responded to the problems experienced by the West Midlands. We have lent support to the motor industry through support for BL; we have suspended IDC controls; the Dudley Enterprise Zone has been created; and the wide range of incentives for investment in high technology are of particular benefit to the region.

As you can see I have tried to deal with all the major points raised, and in relation to those aspects of the decision which are the concern of BSC, Ihave to say that I find the arguments advanced for the closure of Round Oak persuasive. At the same time, in human terms, I have the utmost sympathy with the workforce and their families who have to bear the brunt of this closure decision.

Might I add that I greatly admire the tenacity with which you are defending your constituents' interests?

Yours ever

Patrick

*Question accordingly agreed to.*

*Resolved,*

That the draft Northern Ireland (Emergency Provisions) Act 1978 (Continuance) (No. 2) Order 1982, which was laid before this House on 1st December, be approved.

## INCOME TAX

*Motion made, and Question put forthwith pursuant to Standing Order No. 73A (Standing Committee on Statutory Instruments, etc.)*

That an humble Address be presented to Her Majesty, praying that the Double Taxation Relief (Air Transport Profits) (Cameroon) Order 1982 be made in the form of the draft laid before this House on 24th, November.

That an humble Address be presented to Her Majesty, praying that the Double Taxation Relief (Taxes on Income) (Zimbabwe) Order 1982 be made in the form of the draft laid before this House on 24th November.—*[Mr. Garel-Jones.]*

*Question agreed to.*

## Round Oak Steelworks

*Motion made, and Question proposed,* That this House do now adjourn.—*[Mr. Garel-Jones.]*

11.42 pm

**Mr. John G. Blackburn** (Dudley, West): I rise for the fourth time in two weeks to bring to the attention of the House the critical position in my constituency relating to the proposed closure of the Round Oak steelworks. With all the power and dedication at my command I represent my people in order, yet again, to present a case for the retention of the steelworks.

These steelworks have been a vital and profitable part of the private sector of the steel industry for the last 124 years. Responsible representations have been made to the chairman of the British Steel Corporation, the Secretary of State, and the Minister of State by trade unions—it would be improper for me to mention that they are represented tonight—the Dudley metropolitan council, led by the mayor, the West Midlands county council and myself.

Documented evidence of a high order has been supplied in support of the case which, yet again, I outline to the House. The plant is one of the most modern in Europe. The British Steel Corporation would be proud to achieve 26 per cent. of its production by continuous casting in order to keep plants based on the ingot route open. If Mr. MacGregor had suggested such a closure to the Governments of either Germany or Japan he would have been laughed all the way back across the Pacific.

Industrial relations are a model for the industry. The trade unions have co-operated fully in the reduction of the work force from about 3,000 to 1,286 in three years. Even against that background, they are prepared to reduce the work force by a further figure to 900, with completely flexible working systems. These systems earned the highest praise from the chairman of the British Steel Corporation when he recently visited the works.

It is probably the only steel producing plant that is capable of being profitable on 55 per cent. capacity. In essence, it is all that is good about a steelworks. It is all that the Government have sought. I state, with humility, that I am proud to be associated with the works, the largest employer in my constituency. I object in the strongest possible terms to the closure notice, both the manner in which it was handled without consultation and the time element of five weeks. With other closures, such as Corby, there has been up to a year's notice. The matter merits the most thorough investigation. It is nothing short of a disgrace.

There are three basic reasons for the retention of the steelworks. The facts that I present cannot be challenged. In financial terms, the works are viable. I am able to report that a completely independent assessment of the financial structure has been completed this very day with the aid of the best computer. Recent trials have pointed to such a high quality of product that an annual order for 50,000 tonnes is waiting to be secured as second supplier to BSC Cumbria at Workington. With all the power at my command, I seek the assurance from BSC that the order will be placed with Round Oak steelworks.

I have documentary evidence that local steel consumers are waiting to place orders of up to 1,000 tonnes a week. These are not being accepted. I have irrefutable evidence that failure to accept the orders will result in just what we

not w... —imports. The exchange rate has fallen by 4 per cent., making the exports of the company even more competitive. It has to be borne in mind that the company holds the Queen's Award for export achievement. I am delighted that the firm is situated in my constituency.

I applaud without question the reduction of 12½ per cent. secured by the Secretary of State in steel imports from third countries. There is extra capacity that can be produced by United Kingdom manufacturers. Round Oak is at the heart of the engineering industry. It produces high quality engineering steel. It is on the record that, for the last three years, hon. Members on both sides have given active and financial support to British Leyland for the production of the LC10 car. I pay a warm and generous tribute to my hon. Friend the Under-Secretary of State, who will be replying to the debate, for the prominent role that he played as a Back Bencher in seeing that work on the LC10 went ahead. It is now a reality. The components for the car should be manufactured in the West Midlands, in the heart of the Black Country. And here is the steelworks, specialising in the steel required to supply this venture.

The social impact of the closure of the black country—not simply the constituency that I have the honour to serve—would be devastating. Unemployment is growing more rapidly here than in Scotland, the North-East or Merseyside. That aspect has been well documented and presented to the Secretary of State by the Dudley local authority. I pay warm tributes to the mayor of the borough, who has been active in all these matters, and to the chief executive, Mr. John Mulvehill, to whom I owe a personal debt. They receive from me the highest possible commendation.

The third aspect to which I wish to draw attention is something which, in the final analysis, must be held very dear—certainly to me. It is the political philosophy of the proposed closure of the steelworks. I demand from the Government a renewal of the covenant which was made in 1981, and to which I was an enthusiastic subscriber, that Round Oak steelworks, having had its natural habitat for 124 years in the private sector, should be returned to the private sector. It was to be the king-pin of phoenix 2. I went into the Lobby, secure in the fact that there would be a phoenix 2, there would be a private sector, and that it would compete equally and fairly with the giant British Steel Corporation. The private sector is part of my fundamental philosophy and that of my party. How can there be a private sector when the House was told last week that every tonne of steel that is produced by BSC carries a subsidy of £88?

I find it morally and politically offensive that a Government should condone the proposition that the British Steel Corporation should be allowed to use public money in its attempt to close the private steelworks at Manchester, using £16 million to put 900 men out of work. That is the confusion of the slaughterhouse, with the logic of the madhouse, supported by the assets of the poorhouse. The British Steel Corporation is financially bankrupt. It is the will of the House that we go through the Lobbies to write off millions of pounds again.

It is manifestly clear that a similar situation now applies at Round Oak steelworks, and I shall defend those steelworks tonight. The share capital of that company was purchased with public money. Although the time scale is a little longer, the situation is the same—the purchase of Round Oak with the intention of closing it and removing a competitor.

**Mr. Peter Griffiths** (Portsmouth, North): It is too efficient.

**Mr. Blackburn:** My hon. Friend knows the area well, and knows the black country. He is correct when he says that Round Oak is too efficient. It is the most efficient modern steel plant in the country. I am grateful to my hon. Friend for his intervention.

By the grace of God I shall display all the courage and dedication that is required to oppose the closure. I shall do it in a most reasonable and responsible way, which I pray will be the hallmark of my service in the House.

It is a matter of considerable concern that this company could be closed within five weeks of receiving the notice. I am able to tell the House that, because of the wealth of good will that has been extended to Round Oak steelworks, the highest and most knowledgeable authority in the country in connection with the administration of the steel industry is being commissioned to produce an independent report on Round Oak. I have already said that an independent financial report is being produced. Tomorrow at 2 o'clock I shall have it in my hands. It will be no surprise to the House to learn that the first person to whom it will go will be the Secretary of State for Industry, who is represented by his junior Minister tonight.

On behalf of the fine workers of Round Oak steelworks and the people of Dudley, and to protect the political integrity of the Government, I look to Ministers on the Treasury Bench. I ask that they take note of the fact that an independent assessment of the financial structure has been completed. I invite the Minister to take note of the fact that the highest authority in the land is being commissioned to do an independent inquiry into the viability of the steelworks. I know that the steelworks are viable. I could never stand by and see my workers taken out of employment when I know, and in the soberness of the House we all know, that they are fine men producing a fine product in demand. They do it very well and very competitively. I pay tribute to them.

It is in that spirit that I commend to the House the proposal that under no circumstances must Round Oak steelworks close. It is financially viable. It has an order book. It has a superb work force and a reputation which has been built up solidly for 124 years. I give due notice—I do not say this in a sense of bravado, but out of a sense of affection for my people—that I cannot and will not stand by and watch this dark day dawn.

**The Under-Secretary of State for Industry (Mr. John Butcher):** I commend my hon. Friend the Member for Dudley, West (Mr. Blackburn) on the most diligent and vigorous way in which he has presented his case both tonight and on previous occasions. He has pursued his constituents' interests most energetically and sincerely in seeking out my hon. Friend the Minister of State and my right hon. Friend the Secretary of State on several occasions. Last week he led a deputation from the Round Oak works, the Dudley district council and the West Midlands county council to see my right hon. Friend. I know that he has the wholehearted support for his efforts from all those involved with the Round Oak works, with which he himself has been so closely involved over several years.

[Mr. John Butcher]

As the Member for Coventry, South-West I share my hon. Friend's concern about what is happening in the west midlands. Traditionally it is an area of great prosperity with low levels of unemployment by comparison with other parts of the country. Because of this, the present hardships are even more difficult to understand and to come to terms with. The announcement of the ending of steelmaking is a sad blow to the west midlands. I join my hon. Friend in his concern for the work-force, and their families, faced with this closure.

The steel industry currently faces appalling problems. We heard of many of them in the course of the steel debate in the House only last week and many suggestions were put forward to improve matters. I remind the House of some of the key issues which are at the roots of the problem. Essentially there remains too much capacity to meet fewer and fewer orders.

The British Steel Corporation has more than twice the capacity of its current production of 10 million tonnes of liquid steel. On even the most optimistic of medium-term forecasts, steel demand is not expected to approach anything like those levels. This is a world-wide problem, but one that is particularly acute in Europe and in the United Kingdom. The solution to our problems is closely bound up with the measures being taken in Europe. We have fully supported the regime to cut capacity and phase out subsidies by 1985. This means further cuts in capacity and some of them will, I am afraid, affect modern steel plants.

The rules on pricing, production and imports from third countries are all being tightened and we welcome that. Those latter measures are essentially short-term palliatives designed to give industry a breathing space in which to adapt to the necessary structural changes.

For a time those measures brought some relief, but from the spring of this year the position has again deteriorated seriously. BSC's recently announced half-year losses of £154 million bear witness to the extent of this deterioration. Losses on this scale cannot continue and the corporation has therefore acted urgently to reduce them. It has been explained on previous occasions to the House that the Government, with the corporation, is undertaking a review of BSC's five major integrated works. However, other measures to cut costs, involving further redundancies and closures of smaller plants, are a matter for BSC's judgment and do not require authorisation by the Government. The decision to close Round Oak has fallen into this latter category.

Round Oak, as my hon. Friend said, has been a private sector firm for over 100 years. Since nationalisation in 1967, it has been jointly owned by Tube Investments Ltd. and BSC. Its principal function was to supply tube rounds to TI. By late 1980, along with most of the companies making engineering steel, it was sustaining heavy losses. Here again the problem was one of serious over-capacity, and so discussions about rationalisation within the sector began. These discussions were codenamed Phoenix II. The objective was a viable joint venture, private sector company. At the outset there were five or six possible participants operating at several locations in the United Kingdom and with a combined capacity of around 4·5 million tonnes. There was general agreement at the time that only some 2·3 million to 2·8 million tonnes was required.

By early 1981, Round Oak was in serious difficulties and the Government therefore authorised BSC to buy out TI's shareholding, in order to prevent the company from going into receivership. The clear intention was that the Round Oak plant would form part of the Phoenix II company. As we know, the discussions between the principal parties, BSC and GKN, have not produced any firm proposals. Sadly, no Phoenix II company has materialised.

Meanwhile, demand for steel products has dropped below even last year's levels—in engineering steels, demand this year is 20 per cent. below BSC's expectations. Further reductions in capacity are inevitable. BSC has therefore acted to close Round Oak, involving 1,286 job losses and at the same time has announced 1,700 further job losses at it plants in Sheffield and Rotherham, together with the closure of an electric arc furnace. Those are serious measures, but BSC's situation is serious and the corporation needs urgently to cut its costs to restore its financial and commercial position.

These measures will still leave BSC with almost 2 million tonnes of engineering steels capacity. Nor must we forget the rest of the private sector, which has currently over 600,000 tonnes in addition. United Kingdom demand for engineering steels totals 1·7 million tonnes and this is not forecast to show any significant improvement in the next two years. An increase in demand of 50 per cent. can thus be met without the Round Oak capacity of 360,000 tonnes and without increasing imports.

I turn more closely to the capability of the Round Oak works and the decision by BSC to close it. It has been made clear that that decision is a BSC management decision, and not one in which the Government would seek to influence or question the corporation's commercial judgment. I understand, however, that although it is agreed that the works is modern and flexible with concast facilities, there are now cheaper means in BSC and the private sector in the United Kingdom for producing the tube rounds which gave the works its traditional order book. That is a development that has also taken place abroad. In addition, orders for tube rounds have now dropped to a very low level.

The plan put forward by the work force involves a breathing space of 12 months in which to allow Round Oak to re-establish its market base. But as I have just explained, BSC believes that tube rounds can be produced more cheaply elsewhere and these alternative facilities are not expected to be fully loaded next year. In engineering steels, Round Oak would be competing against other BSC works and the private sector where both BSC and GKN have recently announced redundancies reflecting reduced demand and over-capacity for those products.

The more favourable exchange rate has only restored the position in Europe where the overall market is more competitive than last year. Demand in the United States of America is low and the quota arrangements inhibit any significant improvement. Elsewhere in the world, business is to be had only at a very low price, requiring the lowest cost process routes to be used.

Unfortunately, reducing the work force to 900 does not remove the underlying problem of excess steel making capacity, nor can it compensate for the very low level of the Round Oak order book. The works is not viable at the 4,000 tonnes per week level suggested. I understand that the order of 1,000 tonnes referred to is a single order for 1,000 tonnes of steel made very recently after the closure

announcement, and is not a regular order for 1,000 tonnes per week. However, I listened carefully to what my hon. Friend had to say and I am sure that that will enter into the Secretary of State's consideration of the paper that he recently put forward at the Department of Industry.

This closure has been presented as a departure from our political philosophy of promoting the cause of the private sector of industry. It is true that in the Phoenix II case things have not gone well and that the lengthy discussions between BSC and GKN have not produced a new joint venture company, but this was always a particularly difficult sector in which to seek success. With Phoenix I and Phoenix III we have been more successful. Last year, Allied Steel and Wire was set up, merging certain of the rod and bar interests of BSC and GKN. Rationalisation has also taken place in the heavy forgings area with the recent birth of Sheffield Forgemasters, a joint venture between BSC and Johnson and Firth Brown.

The paramount problem in the private sector is also one of over-capacity and the only way forward is for the industry to rationalise its resources. In order to assist this process, the Government originally offered £22 million under the private sector steel scheme and that has recently been increased to £34 million. One part of the scheme offers assistance to self-help levy schemes. Hon. Members will no doubt have seen references in last Sunday's press to major proposals for such schemes for the steel castings industry, and a similiar scheme was announced last week for wire drawers. They have the double attraction of ensuring a sector-wide approach to rationalisation, largely funded by the industry, and of ensuring that it is the industry as a whole—and not Government—that decides which companies are to close and which are to remain in business.

My hon. Friend referred to the proposal for a scheme for the wire rod and rebar sector. The compensation that was to have been given to Manchester Steel was, I stress, to be funded not only by BSC but by other private sector producers. Indeed, it was a prime condition of the Government's support that that was so. As my hon. Friend knows, that particular proposal has now been dropped.

My hon. Friend and I share a common interest in the well-being of the West Midlands. He and I have fought this corner together in the past. I listened carefully to my hon. Friend and I am aware that he has put in a very strong and tightly reasoned report to my right hon. Friend the Secretary of State, who is considering it. I assure my hon. Friend that his report, and the representations that he has often made, will be treated very seriously. I know that he has a promise from the Secretary of State that we shall respond to those representations as soon as we can.

My hon. Friend has been pugnacious in defence of his constituents' interests and in the interests of the Round Oak steelworks. I am sure that he can detect almost envy on my part because I am standing here and he is standing there on this occasion. That envy may not be reciprocated, given my hon. Friend's obvious affection for and faith in his constituents. He has shown that faith and I hope that, when we come to respond, we shall show that we have taken his position seriously.

My hon. Friend talked, rightly, about integrity. He has shown integrity in the way that he pursues his aims to preserve the Round Oak steelworks. We shall try to respond with equal integrity, because my hon. Friend's case justifies that.

I know well the people of the black country—those who live in Netherton, near Conuygre road and in Tipton. They are tough, warm and hardworking people and for their sake we should treat seriously my hon. Friend's requests.

*Question put and agreed to.*

*Adjourned accordingly at twelve minutes past Twelve o'clock.*

THE BLACK COUNTRY URBAN INDUSTRIAL MISSION

The Rev Robin G Blount

9 Tansley Hill Road
Dudley
West Midlands
DY2 7ER

Dudley 53084

C18/12

The Rt. Hon. the Prime Minister,
10 Downing Street,
London.

15 December 1982

THE CLOSURE OF ROUND OAK STEEL WORKS LTD.

Dear Mrs. Thatcher,

I am writing as an individual and not on behalf of the Black Country Urban Industrial Mission of which I am a member. Nor have I any sanction from the Company to write on their behalf. However, I have been a regular visitor to the Company as Industrial Chaplain over the past six years, and I am well aware of its present circumstances in the world steel markets as also in the British steel industry.

It seems to me, as also to many others, that there is a vital and fundamental issue at stake in this whole matter of the further slimming down of the British steel industry - and in this I do not make any distinction between privately owned and publically owned steel companies. The issue is the question whether the present Government is committed to the survival of a viable steel industry operative in this country. Will the Government support such an industry through the rest of this recession in order that the industry may rise to meet the demands upon it which will surely be forthcoming as recovery begins? Or is the present Government's commitment only in terms of cutting back the industry to save costs? Unless the Government, and you, are totally committed to retaining a strong steel industry for the future, with the implications of that policy upon the Treasury, then I understand from those whose knowledge of the industry is well founded on experience that there is little chance of such a strong industry resisting the pressures of recession.

There is no steel company, private or public, which is today able to stand firm and profitable. The whole of the Corporation is bankrupt, witness the daily losses which you are trying to diminish. Is there really any possibility that BSC will ever become profitable, or even that it will break even? Such a goal is so unlikely that tinkering with the number of employees at this or that plant seems of little relevance.

Through all this sorry business of slimming down the 'Big Five' coastal steel plants, and of allowing private companies to go to the wall, no-one in the steel industry that I have talked to can detect any clear signs of a long-term strategy for the industry. The only discernible pattern seems to be the following of that elusive 'Cut costs & break even' policy, which so far, despite all the pruning by Ian MacGregor, is as far away now as it ever was. Everywhere I hear the same cry: 'We have made sacrifices at such-and-such a plant, and where has it got us?'. The point is clear. What benefits accrue from sacrifices which stand no chance of helping to realise the goals set by the Government. But while there are no benefits, the costs are clear and obvious. Communities suffer, individuals suffer, British industry suffers. We are now seeing, in this heavily industrialised region, the emergence of a new generation of school-leavers whose life-expectation simply does not include having a job, and while some of us are now thinking seriously about a new 'Contribution-ethic' which should replace the old 'Work-ethic', 'having a job' is still the primary way in which the individual expects to gain respect and status within the community.

This, in my view, is the long-term effect of a short-term (and short-sighted) policy. If you, Prime Minister, cannot support (other than in financial ways) this basic industry through a recession in order that it may be able to play its full part in the recovery of our eceonomy which surely you <u>are</u> planning, then will you at least not be honest with steel workers throughout the country and declare your lack of commitment?

But if there is, after all, a clear-cut strategy for the survival of a steel industry with the implications of continuing and even increasing financial support in the short-term, then I would urge you most strongly to look again at the case presented to your Secretary of State for Industry, because given financial support, there is every good and sound reason for retaining Round Oak Steel Works as a major contributor to a national steel industry in the future. The Company and the Borough Council have well presented their cases, and they have been studied in some depth. This much we know. It seems to me that the essence of Round Oak's case is sound economics and not just emotional pleading. This is a company with a constructive and sound future, given support now by the Government. It is not a weak, ill-managed or badly equipped company; the opposite is precisely true, and the British steel industry will be losing a major contributor to a recovery if this closure goes ahead.

The initiative lies with you, Prime Minister, and I would urge you to give the whole matter your very serious consideration. Only you can alter the present policy of the British Steel Corporation.

Yours sincerely,

Robin G. Blount

Robin G. Blount.

FILE SW

17/12.

Cllr J.A.H. Edmonds

# 10 DOWNING STREET

*From the Private Secretary*

14 December, 1982

On 8 December, I sent you a letter the Prime Minister had received from Mr. John Blackburn, M.P. about the closure of Round Oak Steelworks. He asked if the Prime Minister could receive a deputation consisting of himself, the Leader of the Dudley Council, and Mr. Edward Du Cann,M.P. I asked if you could let me have a draft reply for the Prime Minister's signature by 17 December.

I now enclose a letter we have received from the Leader of the Dudley Council, who encloses a letter that he has written to your Secretary of State. I should be grateful for a short draft reply for the Prime Minister to send to Councillor Edmonds. It would be helpful if she could write to him at the same time as she writes to Mr. Blackburn. The draft could refer not only to her letter to Mr. Blackburn but also to the reply that your Secretary of State will no doubt be sending to Councillor Edmonds.

W. F. S. RICKETT

Ms. Caroline Varley,
Department of Industry

FILE SW

10 DOWNING STREET

*From the Private Secretary*

14 December, 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 10 December.

This is receiving attention, and a reply will be sent to you as soon as possible.

W. F. S. RICKETT

Councillor J. A. H. Edmonds, O.B.E.

DUDLEY
Metropolitan Borough

Councillor J.A.H. Edmonds, O.B.E.,
Leader of the Council

Council House Dudley West Midlands DY1 1HF Telephone: Dudley 55433 Telex: 339831

GR
PPS

Willie
You might want to deal with this in the context of the Blackburn letter
R.13

10th December 1982

Dear Prime Minister,

Round Oak Steelworks

I am writing against the background to the discussions you have had in recent days with John Blackburn, our Member for Dudley West.

I am enclosing a letter - which I believe is very important - which I have today sent to Patrick Jenkin.

You will know from the letter which John Blackburn sent to you on the 4th December that I would welcome the opportunity, if this is deemed desirable, to meet you with Edward DuCann and John Blackburn to discuss the vital issues involved in the decision on Round Oak.

Yours sincerely,

Jack Edmonds

Leader of the Council

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

DUDLEY
Metropolitan Borough

COUNCILLOR J.A.H. EDMONDS, O.B.E.,
LEADER OF THE COUNCIL.

Council House Dudley West Midlands DY1 1HF Telephone: Dudley 55433 Telex: 339831

10th December, 1982.

Dear Secretary of State,

Round Oak Steel.

You have received a request from the Dudley Metropolitan Borough Council and from local Trade Union Representatives to use your influence to reverse the British Steel Corporations decision to close the Round Oak Works at the end of December.

I felt that in coming to a view on this request it would be helpful to you to bring to your attention the local party's feelings on the matter. Basic to our view of the Round Oak situation is the party's belief in backing business enterprise and in particular those sections of the economy which can be competitive and profitable.

In Round Oak, we believe that there is an enterprise which has and can be profitable. The facts you have speak for themselves

- Apart from the last 2 years under full control of the B.S.C. it has been hugely profitable.

- It has taken the B.S.C. just two years to move the enterprise from profit into loss.

- It is, in its market, the most technologically advanced and efficient steel making and processing operation not only in the U.K. but in the E.E.C. and the rest of the world.

- Its secondary steel making capacity and versatility is unique. Only the Johnson, Firth Brown operation in Sheffield has the same form of steel making capacity. This capacity is however half (1 x 65 tonnes) that of Round Oak (1 x 130 tonnes) - the production of hot ingots products for local steel processing is also unique. The local John Sommers and John Folkes and other operations will have to bear the increased energy costs it will incur through the loss of this hot ingot facility.

Contd...

- In 1981 the B.S.C. reported the excellence of its progress in developing the continuous casting process on the grounds of its economic product. In 1981 26% of this product was produced by this method. It must be a retrograde step to reduce this facility at Round Oak.

- In the first 10 months of 1982 the West Midlands produced on average per week 7700 tonnes of usable steel of which about 4000 tonnes were produced by Round Oak - closure of Round Oak will at a stroke therefore cut Steel production in the West Midlands by 53% with very serious consequences for the regions engineering industries.

- The B.S.C. claims to have the technical capacity at its Stockbridge and Tinsley works to take 82% of Round Oak's market. This capacity is not the same as at Round Oak and there must be considerable doubt, taking into account this fact and the corporations poor "track record" of retaining the markets of steel works it has previously closed, of B.S.C. retaining anywhere near Round Oak's market.

- The evidence is strong that on past performance the closure of the Round Oak works will lead to further gains in the U.K. engineering steels market by our foreign competitors and even more steel imports will be sucked in to the economy.

It also seems to us locally that it is the economics of madness to transport large quantities of scrap from the Dudley and Black Country areas to Stockbridge and Tinsley and for engineering steels to be transported back to the Midlands to supply manufacturing customers local to the Round Oak works. The round trip from the West Midlands to the Sheffield area is over 200 miles.

The party locally is backing business enterprise and efficiency. Under its control Dudley Council has energetically pursued a large number of initiatives to stimulate business activity not least in the setting up of the Dudley Enterprise Zone and in the management of the Authority's affairs. Michael Heseltine and Tom King are well aware of our record in seeking value for money from local authority services and minimising rate increases to local industry.

Our local efforts, in the face of the powerful monopoly position of the B.S.C., do however require your support. We believe that Round Oak is a national asset and an example of what private enterprise can do in comparison with the Nationalised Industry.

Under reasonable trading conditions we believe that Round Oak can return to profit and success. Your decision can move the operation into these conditions by

- writing off the company's current debt now rather than at the end of the 1982/83 financial year - this will have to be done whatever your decision.

- making a commitment and seeking ways of returning Round Oak to the private sector at the earliest possible date. We have in mind the re-opening of the engineering steels rationalisation programme centred around the G.K.N. Brymbo plant in North Wales and B.S.C. Thryborough, Tinsley Park Templeborough and Round Oak Works.

- Persuading the B.S.C. to enter into meaningful negotiations to include the Round Oak Steel operation within such an agreed programme.

An early decision on each of these issues is essential if it is to remain a credible steel making and processing enterprise in the minds of its traditional customers.

Our latest information suggests that given the above conditions there can be a very real market for Round Oak products both in the U.K., the E.E.C. and the rest of the world.

Clearly the enterprise in a flat market in 1983, will like all other comparative operations in the U.K. be in a loss making situation in 1983 and 1984. There will therefore be a need for government to give financial support to the private sector if the benefits of a privatisation are to be achieved in 1985 and the longer term.

We believe that the benefits of the success of such an enterprise far outweigh the costs which will be incurred in the short term. Furthermore the short term financial support required by privatisation of Round Oak is nowhere as near as great as the total costs of closing the works. The two alternative situations were fully documented in the community's case which was placed before the Secretary of State by the delegation from Dudley which met him on the 30th November.

The local authority, the West Midlands County Council and the local Chamber of Commerce are at one in supporting the action I and the local party are calling for you to take. All these interests have also guaranteed their fullest support to make a private enterprise run Round Oak operation a huge success.

Here in Round Oak we have a real challenge to our deepest political beliefs in private enterprise. In Round Oak we have a jewel in the U.K. basic engineering steels manufacturing industry which must not be lost in order to prop up large loss making enterprises elsewhere in the British Steel Corporations operations.

Could I make one final but vital point. Closure of Round Oak could mean an abandonment of our political belief in a private sector for the steel industry. I have no doubt that it could have a devastating effect on our parties chance of success in forthcoming local and general election particular in critical West Midlands Parliamentary seats.

Yours sincerely,

Councillor J.A.H. Edmonds, O.B.E.
Leader of the Council.

The Secretary of State,
Department of Industry,
Ashdown House,
123 Victoria Street,
LONDON, S.W.1.

File

RM

John BLACKBURN MP

17/12.

# 10 DOWNING STREET

*From the Private Secretary*

8 December, 1982

Dear Caroline

I enclose a copy of a letter the Prime Minister has received from John Blackburn, MP, who encloses some papers on the closure of Round Oak Steelworks.

I should be grateful if you could let me have a draft reply for the Prime Minister's signature. It would be helpful if this could reach us by Friday, 17 December at the latest. As far as Mr Blackburn's hint that he may seek a meeting with the Prime Minister is concerned, I should just remind you that the Prime Minister's offer to meet Members of Parliament about closures was only extended to individual MPs in whose constituencies a closure was to take place; it was not extended to delegations, whom she feels should always see the Minister concerned. (I enclose the relevant exchange in the House on 12 February, 1981).

Yours ever

Willie Rickett

Ms. C. Varley,
Department of Industry

285

10 DOWNING STREET

*From the Private Secretary* 8 December, 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 4 December. I will place this before the Prime Minister and you will be sent a reply as soon as possible.

W. F. S. RICKETT

John G. Blackburn, Esq., M.P.,

John BLACKBURN, MP.

WILLIE

A petition of approx. 400 letters, sample below, was handed in yesterday afternoon.

Corres. Section had them sent over to D/Ind.

Kay.

7.12.82.

62, Oregon Close,
Crestwood Pk,
Brierley Hill.

Dear Mrs. Thatcher

I write with all urgency to request your consideration to the threat of the tragic closure of Round Oak Steel Works which was recently announced.

You may not know that all the main steel melting and rolling equipment at Round Oak is less than 9 years old and that its production process routes are amongst the most modern in Europe, in fact compare favourably with the best in the World.

In addition the market position is very strong, as witnessed by the Queen's Award for Exports obtained in 1980. (In fact strong enough to have justified an invitation to meet the Chairman Hua Guo Feng at the Banqueting Hall during his visit to London).

We have a proud and loyal and flexible workforce which has an enthusiasm for work bar none in the country.

Our process route is one of the finest in Europe

Our workforce loyal and flexible

Iron and steelmaking have been going on in this district for 350 years and Round Oak was incorporated some 125 years ago. Even so it has equipment less than 9 years old.

It is perfectly situated for all raw materials and for many of its UK customers, being in the centre of the country.

With a loading of 50/60% capacity it would break even - and there are no plants in Britain making the same product range which can achieve this.

Earlier this year the Company was breaking even at the trading line. If the Government is to be believed, the current order shortfall will be remedied in the long promised recovery in the economy.

The decision to close Round Oak should not have been born out of panic rather than far sighted vision.

In addition to the above this closure would cause devastation in what is already a very depressed area.

Please help us before it is too late.

G. Ashford.

JOHN G. BLACKBURN, M.P.

HOUSE OF COMMONS,
LONDON, SW1A 0AA.

4th December 1982.

Rt. Hon. Mrs. Margaret Thatcher, M.P.,
10, Downing Street,
Westminster,
London SW I.

R 7/12

cc: G 8/12

Dear Prime Minister

Proposed Closure of Round Oak Steelworks.

I would place on record my appreciation of our recent conversation concerning the above closure, which is in my constituency.

I did promise you, Prime Minister, that I would forward to you documentation which was prepared by the Conservative controlled Local Authority and the Trade Unions at the Works.

I was able to outline part of the case during the Debate on the Steel Industry in the House of Commons on the 1st December, and in addition I am due to speak on this subject having obtained the debate on the Adjournment of the House on Thursday next.

The proposed closure of this modern steel plant is a cause for concern. In this particular case it has now been established that as it was to form the major plant in the Pheonix II exercise,for the Company was in Private Ownership for 124 years. It is now sadly proved beyond any doubt that B.S.C. purchased the remaining private shares with the express intention of closing the Works. My contention is that for B.S.C. to spend the public monies to purchase the Shares and then with the public money to create 1,800 job losses is politically and morally offensive.

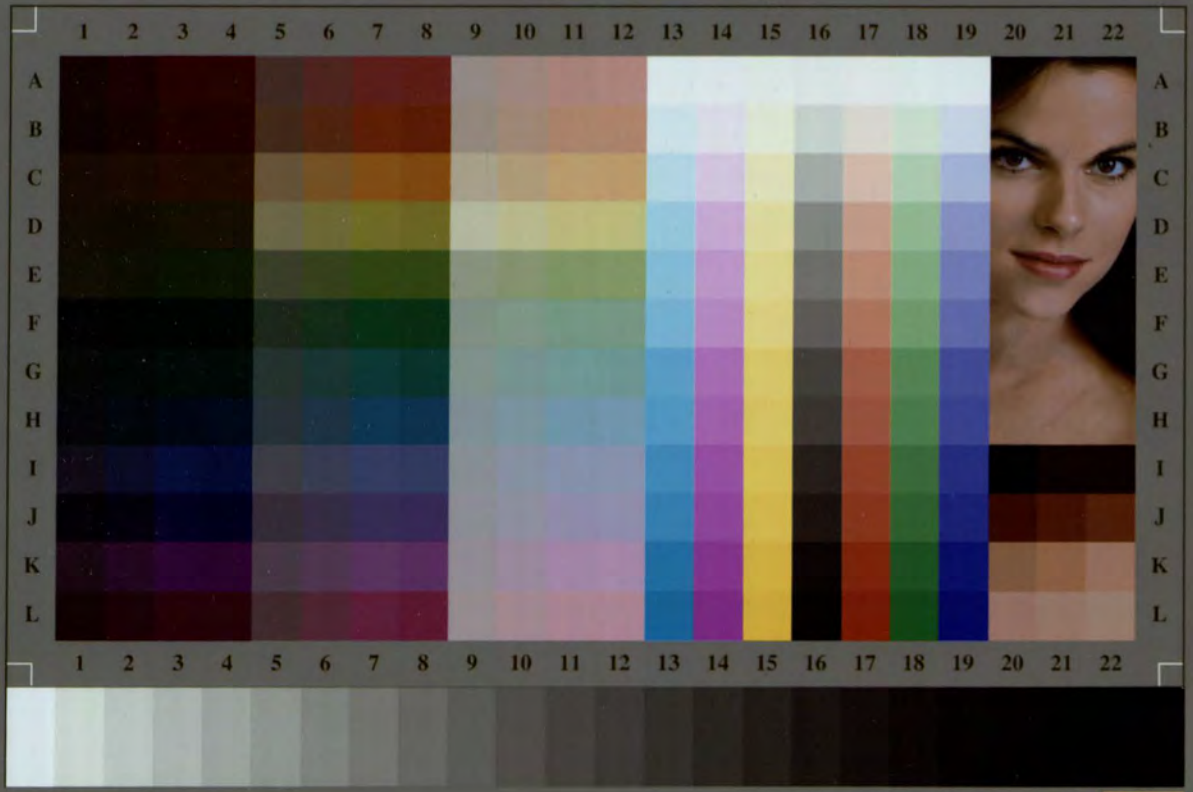
In a spirit of honesty, which you would expect of me, I may well seek your co-operation in the area of representation by asking you to receive the Conservative Leader of the Dudley Council, together with Mr. Edward Du Cann, M.P. and myself in the near future.

I conclude as always by sending you my warmest personal good wishes.

Kindest regards

John

John G. Blackburn, Esq.,M.P.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