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From the
Minister of State

The Hon Adam Butler MP

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

14 September 1979

Prime Minister

Dear Secretary of State,

out

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

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

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

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

/ ... Because BSC



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

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

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

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

yours sincerely,

T.M. Jeffrey

for ADAM BUTLER

(approved by the Minister and signed in his absence)

19 SEP 1979

