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DEPARTMENT	

January 23 1980

YOUR REFERENCE

OUR REFERENCE

LM/DL/MV

DEPARTMENT

Secretary's

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

PS / INDUSTRY
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 SIR D. WASS
 MR. RYRIE
 SIR K. COUZENS
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Dear Sir Geoffrey

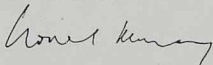
The TUC General Council today endorsed the statements on steel closures and coking coal drawn up by the TUC Steel Committee and TUC Nationalised Industries Committee. These are attached.

The General Council decided that their Nationalised Industries Committee should seek a meeting with you and the Secretary of State for Industry and the Secretary of State for Employment on the financial problems affecting nationalised industries, with special reference to the financial basis of the BSC's operations, and in particular the financing of an arrangement to stem the rise in the imports of coking coal by the BSC at the expense of output by the NCB.

Among other matters the Committee would like to discuss with you are the EEC aspects of both issues, including the financial basis of these industries in other countries belonging to the European Coal and Steel Community and the possible role of EEC finance in helping to deal with the difficult problems involved.

I hope that it will be possible to arrange an early meeting to discuss these issues.

Yours sincerely



General Secretary

THE STEEL INDUSTRY

1 On December 10, the BSC Board announced that they intended to reduce "quickly" their current manned liquid steel producing capacity from 21.6 to 15 mtpa, and the workforce from some 150,000 to 100,000. This would be done by closures and de-manning at on-going works. Some of the works closures entailed have already been agreed, amongst them those at Shotton, Corby and Cleveland. However, further massive closures lie ahead in early 1980 under these proposals.

2 With the closures completed, BSC would load the lowest cost works to the maximum. Social employment considerations will play no part in these decisions. The Corporation take the view that they are discharging any obligations which they may have under that heading through the work of their job-seeking subsidiary, BSC (Industry) Limited.

3 The Government have, ostensibly, contracted out of the situation, declaring that the Corporation's problems are no concern of theirs, while in reality they have created the problem and are perpetuating it by their policies. They say that they accept that the social-employment consequences which will follow from the Corporation's actions are a Government responsibility. But they give no real indication that they intend to

discharge it or, indeed, are capable of doing so.

4 Turning to the proposals themselves, it is clear that BSC regard their three most competitive complexes as being Ravenscraig, South Teesside and Sheffield. These will therefore escape further major closures, and the level of steelmaking and rolling would be built up during 1980-81. Scunthorpe, Port Talbot and Llanwern, however, are proposed for major cutbacks. Outside the complexes, Consett, in North East England, and Hallside, in Scotland, are both proposed for completed closure, before September 1980. New investment would continue in concast equipment at both Port Talbot and Normanby Park.

5 The Government and BSC are both aware that the Steel Committee are opposed to the closure proposals. The Committee have put forward, in general terms, alternative proposals to both parties. These were contained in a statement which they discussed with the Industry Secretary on December 13. They were to the effect that there should be tripartite discussions, involving representatives of the Government, BSC and the Committee, to resolve BSC's problems by agreement.

The Committee asked BSC to support this approach. Regrettably, the Government specifically rejected the idea and BSC refused to support it. The Committee also proposed that, within the context created by these discussions, bilateral negotiations should be held between the Committee and BSC about steps which both parties could take, separately or jointly, to improve efficiency, against an agreed timetable.

6 The Committee remain of the view that the proposals set out in their December statement remain the best way of tackling the present structural problems in the steel industry. Only a reconsideration by Government and BSC of their dogmatic policies will prevent irreparable damage being done to the industry.

7 Under the terms of the Steel Act the unions have not been fully consulted regarding the details of the proposals being put forward by the Corporation and we demand a suspension of the proposals until they have been fully discussed. Moreover, the Government have in no way been prepared to accept the responsibility for the devastating social and regional consequence of its abrogation of responsibility. We do not believe that the British people would in any way support this policy if they were given a full account of these consequences. There is not much time left for a change of course.

8 The Committee take the view that discussions should start at the earliest possible moment, with the objective of maintaining both Port Talbot and Llanwern as integrated works, and retain Consett on a similar basis, taking into account the social and employment effects of closure proposals (eg, on the coalmining industry and local authorities).

9 The Steel Committee are prepared to meet representatives of the Government or BSC, or both, at any time to discuss these proposals. This, along with the proposals being considered on the issue of coal imports, constitutes a continuing agenda of discussion on which the TUC, through the Nationalised Industries Committee and the Steel Committee, are fully involved. We therefore recommend to the General Council that these matters continue to be pursued as a matter of urgency, at TUC level, recognising the most serious industrial consequences which would follow if the TUC General Council did not consider the talks led to any reasonable accommodation being reached.

January 10 1980

COOKING COAL AND STEEL

Points of Agreement

- (i) In many areas the NCB can supply BSC with coking coal of the quality it requires.
- (ii) There may however, according to the BSC, be problems about the quality of coal needed for the Redcar furnace and this is the subject of continuing discussion and investigation between the BSC and the NCB.
- (iii) Because the price of coking coal from some overseas sources is below the price of coal produced by the NCB, the BSC states that it is obliged to increase its imports of coal; if however BSC exercises its options to increase its imports there will be catastrophic implications for the mining industry in South Wales, with severe knock-on effects for other industries and local services.
- (iv) As a long-term objective there should be alignment of the cost to BSC, taking account of the value in use, of imported and domestic coking coal. This will require Government or EEC assistance to the coal industry as is the practice in some of those European countries which are our main steel making competitors.
- (v) The details of such a scheme will require attention. To provide a breathing space the NCB and the BSC should be willing to agree on a scheme for 1980 which will enable BSC not to increase its imports in 1980. The minimum cost of this will be £33 million of which £15 million will be provided by the NCB. The remaining £18 million should be part of general public expenditure.
- (vi) All parties should approach the Government to grant the £18 million subvention from UK or EEC sources with a view to working out a more long-term scheme.

January 10 1960