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From the
Minister of State

The Hon Adam Butler MP

M G Hughes Esq
Development Engineers
BSC Shotton Works
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11 September 1979

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

Dear Mr. Hughes

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

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

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

/ ... We are, nevertheless,



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

Yours sincerely

Adam Butler

ADAM BUTLER



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