



PRIME MINISTER

BRITISH STEEL CORPORATION : SHOTTON

As you requested in the minute from your office of 14 June, I am reporting to you the outcome of E(EA)'s discussion on Shotton. 27/6

2 We concluded that we should not stand in the way of the Corporation's beginning discussions on closure with their unions. We recognised the strong economic case for closure of iron and steelmaking. BSC have told us that if closure were completed by April 1981, then they could expect an improvement to their profitability of around £45 million per year from 1981-82 onwards. This is despite initial redundancy costs which we estimate at around £50 million.

3 However E(EA) shared Nicholas Edwards' concern about the likely strong local reaction to the closures. We took his point that reaction could be more severe than in other closures which BSC have announced. This is partly because of the relative youth of the labour force : redundancy payments are less compensation to young employees for job losses than to the older workforces. Partly it is because we can expect people to point to the earlier pledges on Shotton's future.

4 E(EA) accepted your own views that the pledges should not now be regarded as a valid objection to the closures. But their existence does mean that the announcement of discussions on closure will come

I did not put it as strongly as this JL

CF. →
spoken to Stradder (D21) who will provide a note by the weekend
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Note - Would any other company buy Shotton? The BSC would resist but it would be an effort here. Yes not.

The Prime Minister
Agree that the closure should not be announced until further work on remedial measures has been done? JL

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as a greater shock than it otherwise would. It also means that little urgent work has been carried out locally into appropriate remedial measures because no one there in a position to do this was expecting an early announcement.

5 For these reasons we agreed that BSC should not be authorised to begin discussions on closure until we were in a position to make an announcement at the same time about the kind of remedial measures we would consider appropriate.

6 We did not consider in detail the specific measures proposed by Nicholas Edwards : we felt that these would need further discussion between Departments, so that they could be examined for cost effectiveness and any suitable alternatives proposed.

7 We were most anxious that BSC should not incur unnecessary extra cost through delaying their timetable for consultation. Equally it will not be possible in a short time to do more than propose a very limited and tentative package. I am, however, arranging for officials in my Department to hold urgent interdepartmental consultations, with a view to producing agreed remedial measures, including those which might be announced at the same time as BSC announce their intention to begin their own consultations on closure.

8 We were very much aware that the type of measures we agree to at Shotton may well set a precedent for this Administration for other

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nationalised industry plant closures; and we have asked officials to pay particular attention to this aspect.

9 We have asked officials to consider urgently the proposal that Shotton might be made a "decontrol area" on the lines suggested at your meeting on Government strategy on 19 June and by the Chancellor, when in opposition, in his Isle of Dogs speech.

10 I hope that officials can report back in time for us to consider their proposals at E(EA) in the week beginning 25 June.

11 I am copying this minute to members of E(EA), to Norman Fowler and to Sir John Hunt.

KJ

K.J.

21 JUNE 1979

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