



PRIME MINISTER

BRITISH STEEL CORPORATION: SHOTTON

1 I have seen the Secretary of State for Industry's minute to you dated 1 June in which he proposes that negotiations for the closure of steelmaking at Shotton should go ahead.

2 I am not clear precisely what is being proposed by way of Government announcements since the approach in the letter has not been discussed with me or my officials. I am, however, clear about the strength of feeling news of this proposal would arouse and I think we need to look in more detail at the reasons given for closure and the implications of going ahead this year before committing ourselves to what would be a crucial decision for steel-making employment in Wales, which could have widespread political repercussions. Closure of the heavy end at Shotton within the timescale now proposed, together with the plans for demanning at other BSC plants in Wales, would mean the loss of at least 9,000 job opportunities in Wales before March 1981.

3 I believe that a proposal announced now to end steelmaking at Shotton would be most fiercely resisted. We need to be sure of our ground and of our plans for remedial measures if we are to go ahead. The workforce at Shotton exerted heavy pressure in 1973 when our predecessors announced the same proposal. I recognise, of course, that other steel closures, including some in Wales, have since then been successfully negotiated. But the position in Shotton has special features. The workforce know that replacement job prospects in the area are particularly difficult. But they have been reassured by the pledge given as recently as March 1977, endorsed by the Labour Government and since repeated by the Chairman of BSC, that the future of steelmaking at Shotton would not be reviewed, let alone implemented, before 1982/83 at the earliest. The attitude of the workforce has been guided by this pledge and planning within Wales has been based on the assumption that steelmaking would continue to make a substantial contribution to job security in the Clwyd area for some time yet.

4 In these circumstances, I suggest that before taking decisions we ought at least to be given a clear picture of the implications of what is proposed for future operations at Shotton and what will be possible by way of replacement jobs.

5 We would need, for example, to know that the security and cost of supplies to the finishing end will not be jeopardised by the loss of steelmaking and that there will be no resort to imports.

/Our backbenchers

+ But this pledge was given in the context of the Port Talbot expansion: Shotton was to continue to make up for the disruption of supplies at Port Talbot. In the event, the Port Talbot expansion was shelved. So Shotton is now totally redundant. IL



Our backbenchers have expressed concern about this and it is an argument that the workforce are likely to put forward strongly. The latter have, I understand, only recently put forward further alternative proposals for the future of steelmaking, and these and any other options should be properly considered.

6 The scale of remedial measures needs also to be assessed. I agree with Keith Joseph about the importance of such action and I welcome his reference to reviewing Assisted Area status in Clwyd; an upgrading there would help. But there will be need also for substantial additional expenditure on infrastructure. Without that the task of attracting new industry becomes well nigh impossible. Our predecessors authorised substantial expenditure of this kind at Cardiff and Ebbw Vale and we could not reasonably do less for Clwyd. We shall need time to review all our expenditure programmes to see what can be done. For my part I am already in real difficulty on existing programmes. The cost of remedial measures will, I fear, mean that additional financial resources will have to be made available to me.

W 7 To sum up, while I accept the necessity for BSC to make every effort to reduce its losses, I believe we need to look at this closure proposal most carefully and to give ourselves ample time in doing so. I suggest that we should ask officials to prepare an urgent report on its implications so that we can discuss these, and timing and presentation, collectively. This would also allow the opportunity to set the Shotton proposal in the context of other developments on regional policy support which Keith Joseph has in mind to discuss with us.

8 I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Industry, Employment, the Environment and Transport, the Lord President, the Chancellor of the Duchy of Lancaster and Sir John Hunt.

Nick Clegg

RNE
5 June 1979

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