

Shotton Steelworkers' Action Committee

Please reply to:

M. G. HUGHES,

Development Engineers,
Drawing Office,
British Steel Corporation,
Shotton Works,
Deeside, Clwyd.

21st August, 1979.

R22/8

The Rt. Hon. Mrs. Margaret Thatcher, M.P. P.C.,
Prime Minister,
10 Downing Street,
LONDON.

Dear Prime Minister,

You will undoubtedly be fully aware of the plans which the British Steel Corporation have to close iron and steelmaking and rationalise finishing operations at Shotton Works with the loss of at least 6,300 and probably 8,000 B.S.C. jobs and of the widespread concern over these proposals.

As an Action Committee representing every section of the workforce here, we find it difficult to accept - and that is putting it mildly! - that it is in the best interests of either the British Steel Corporation or the nation to close the major part of a works which not so very long ago was consistently in profit, has a loyal workforce with one of the best industrial relations records in British industry, has never failed to meet its production targets despite lack of investment in new steelmaking plant and enjoys the esteem and goodwill of thousands of customers here and abroad.

We suggest to you and your Government that all this must surely count for something, even at a time when losses are being incurred through no fault of the local management and workers.

We believe that Shotton is being made the scapegoat for a whole series of bad operational and commercial decisions made in recent years by the top level of management in the British Steel Corporation.

Such decisions have led to a loss of traditional home and export markets, undermined the confidence of those customers who have remained loyal to the home industry, reduced morale throughout B.S.C. to an exceedingly low ebb and placed the future of this great industry in jeopardy.

This situation must be of equal concern to the Government and to you in particular, and we urge the Government to consider action as follows:-

CONTD...

Shotton Steelworkers' Action Committee

(CONTD...1)

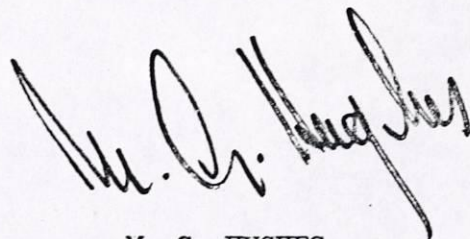
Please reply to:

M. G. HUGHES,

Development Engineers,
B. S. C. Shotton Works,
Deeside, Clwyd.

- (1) Order an in-depth investigation into our recent allegations (see attached press release) that the British Steel Corporation has consistently distorted facts and figures to justify its case for the closure of steelmaking at Shotton. Figures presented in 1974 have now been investigated by economists from Warwick University and another independent person and found to be inaccurate and biased (see attached article from the Engineer).
- (2) Halt the projected closures and rationalisation at Shotton Works until the findings of the aforementioned in-depth investigation are known, and until such time that the Government is assured that the closure proposals in relation to Shotton Works are fully justified commercially and socially, and are in the best long-term interests of the nation.

We remain convinced that the present strategy of the B.S.C. will lead, in the not too distant future, to the total closure of Shotton Works with the loss of 10,600 direct jobs and 4,000 indirect jobs. We appeal to you for your personal intervention in this matter.



M. G. HUGHES,
CHAIRMAN.

LECTURERS LASH POLICY OF 'ROTHERHAM MAFIA'

Shotton 1974 closure figures changed to suit BSC case

By Daniel Ward

AS PROTESTS are becoming increasingly militant over planned closure of iron and steel making at Shotton, unions have taken a second look at the British Steel Corporation's first attempt to close the heavy end of this Deeside works in 1974.

The TUC steel committee at that time failed to question the Corporation's financial figures which backed plans to build a six million tonnes a year plant at Port Talbot. It went wrong at a tangent to be sidetracked eventually into looking with BSC management at technical alternatives for Shotton.

Two lecturers from Warwick University interviewed last week have now examined the confidential report giving the Corporation's case in 1974 for a single plant at Port Talbot as opposed to a scheme to produce 2.2 million tonnes at Shotton and 3.5 million at Port Talbot.

But the report does not compare like with like. The proposal for the single Port Talbot scheme contains some 338 811 tonnes production more than the combined totals of the two-plant alternative. The lecturers, Dr Rob Bryer and Terry Brignall, find the tonnage discrepancy astonishing because, they told me, there is no technical reason for it—there are no restrictions on plant size.

The report gives operating costs of the two-plant scheme as £42.8 a tonne and £40.3 for the Port Talbot works. On the basis of equal tonnages for both projects the advantage swings from the single plant to £4.7 a tonne in favour of the two smaller works.

The lecturers found the most obvious inaccuracy in the report was the replication of capital costs for the 3.5 million tonnes output plant at Port Talbot and the proposed six million tonnes alternative. Costs for the stockyard, hot strip mill and coke ovens have been put down as the same for both schemes.

Total cost of these items is given as £197 million at 1974 prices. Bryer and Brignall have scaled down the costs because they see no justification for having a stockyard, mill and ovens in the smaller project any bigger than is needed.

Their result is to bring down the capital cost per tonne of the two-plant scheme from £62.9 to £53.6. Although the reassessment is necessarily rough and ready Terry Brignall grimly pointed out: 'It understates the true effect of the over-estimation'. Equivalent cost for the single plant is £49.8.

Bryer and Brignall said that if the Shotton/Port Talbot option had been given the go-ahead then BSC intended to replace the two blast furnaces at Shotton with a single 10 or 11 m blast furnace capable of producing 5 300 tonnes a day—1.9 million tonnes a year.

Bryer sees the need for this new blast

furnace as highly questionable as the existing furnaces are still in use five years later. He added: 'If BSC had not gone for the single blast furnace with the necessary handling and sinter plant £55.4 million would have been saved from the capital cost of the project'.

BSC wanted to end iron and steel making at Shotton and invest £450 million in a single works at Port Talbot on the basis of an £8.75 a tonne saving on total costs. Bryer and Brignall show that evaluated on equal tonnages and with the capital repetition eliminated the combined Shotton/Port Talbot project would have produced steel at a total cost saving of £14 a tonne compared with the single Port Talbot project.

Experience at Redcar shows that this may be overstating the case by about £2 a tonne because of operating the existing blast furnaces at Shotton. When looking at the report Bryer and Brignall have assumed that because the Corporation saw no reason to explain the figures or methods of evaluating certain costs that these can be taken as its accurate assessment of the various costs affecting the decision on where to expand capacity.

The examination by Bryer and Brignall of first the Corby closure plans and more recently Shotton has yielded highly controversial information. They have been told that on the first occasion the evaluation of the alternative schemes for Port Talbot and Shotton was produced BSC came out in favour of continuing iron and steel making at Shotton.

The figures were subsequently rejigged to show that the opposite was true. A BSC manager is said to have refused to present the amended report to the unions.

The lecturers see the course of events at Shotton as consistent with the known keenness of what they call the 'Rotherham mafia'—the Corporation hierarchy—to make its mark by using a massive injection of public funds to copy the 'big is beautiful' philosophy of the steel industry in Japan and Germany.

This was the basis of the BSC 10-year strategy which proposed concentrating iron and steel making into five massive integrated plants at coastal sites.

However sound when first adopted, Bryer and Brignall criticise failure to

abandon the strategy when there was a rapid increase in world steel capacity due to new plants in developing countries and a fall in demand.

Bryer says: 'BSC should not have carried on with the strategy when the market changed dramatically. The reality is that having closed smaller plants to provide work for the large plants, in a flat market BSC has yet to make the massive works profitable.'

Brignall adds: 'The steel industry needs flexibility in the current world market'. This is why he sees Shotton and Corby as a test of BSC strategy.

In the study of the Corporation's case for closing Corby, Bryer and Brignall put their views bluntly: 'The large plants which BSC wishes to support are in their essence inflexible, requiring some 85% utilisation before breaking even. Corby breaks even at some 65% capacity... it can therefore stand fairly substantial swings in demand'.

Apart from heavy losses incurred by the large integrated works at Llanwern and Port Talbot last year the lecturers cite operating costs at Redcar. BSC's newest and largest blast furnace at Redcar has a designated output of 10 000 tonnes a day with a cost per tonne of £65.

Bryer and Brignall have been informed that BSC management has now revised the expected cost per tonne because it has emerged that energy costs had been underestimated and achievable throughput of the furnace overestimated. It has been inflated from £65 to £85 a tonne.

The existing three blast furnaces at Redcar's Clay Lane works produce iron at £67.43 per tonne.

BSC chairman Sir Charles Villiers has said that when he meets representatives from Corby for the first time on September 20 to discuss closure plans he will look at any figures produced by the union. This is a reference to Bryer and Brignall's study.

While BSC wants to use hot coiled strip from its Ravenscraig plant in the finishing end at Shotton permanently from the beginning of next year it has yet to explain to the unions where the estimated £40 million a year savings will come from.

Cost of steelmaking at Ravenscraig and transport are fundamental to the Corporation's case to close the heavy end at Shotton.

Shotton Steelworkers' Action Committee

SECRETARY: K. W. MONTI, 25 CHESTER CLOSE, SHOTTON, DEESIDE.

Please reply to:

3rd August, 1979.

SHOTTON CALL FOR TOP-LEVEL GOVERNMENT INQUIRY INTO BRITISH STEEL

The Works Action Committee, fighting the British Steel Corporation's plans to close steelmaking at Shotton Works, Deeside, next year with the loss of at least 8,000 jobs, today called for a top-level in-depth investigation into the way B.S.C. operates and makes its decisions.

They want the Prime Minister, Mrs. Margaret Thatcher, and the Industry Minister, Sir Keith Joseph, to order an immediate independent inquiry into the full financial and technical implications of the Corporation's plans for the short and long term future of the industry "in the national interests".

The Action Committee, which has campaigned for the retention of steel-making at the Deeside Works since 1972, claims that it has proof that the Corporation 'cooked the books' when the future of Shotton was being considered in 1974.

"Many of the people who were party to what went on in B.S.C. five years ago are still advising Government and influencing decisions at the highest level", said Committee chairman, Mr. Monty Hughes.

Shotton Steelworkers' Action Committee

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Please reply to:

"We want to be quite certain that the major decisions now being made by the Corporation with the authority of the Government - such as that which affects Shotton - are based on 100 per cent accurate costings. Furthermore, we want the Government to fully appreciate the dire consequences of those decisions on the industry and particularly on traditional steelmaking areas", he added.

An independent economist/accountant has made available to the Action Committee his appraisal of the figures submitted by B.S.C. in 1974 for either the development of Port Talbot to 6 million tonnes capacity (known as the single plant scheme) or of Port Talbot to 3 million tonnes and Shotton, to 2 million tonnes, known as the twin plant scheme.

This states that the figures presented by the B.S.C. were "too biased to be reliable" and adds "A decision to proceed with the closure of steelmaking at Shotton on the strength of these one-sided and misleading reports would be yet another example of the dangers of handing unfettered control of an industry to technocrats with unlimited access to the public purse and no longer subject to the independent and additional financial disciplines imposed by the Companies Act and the Stock Exchange".

• Mr. Hughes revealed that the Action Committee had now sent the report together with other data relating to the options for the development of steel-making at Shotton to economists at Warwick University for even more detailed appraisal.

"Even the initial report," he said, "should be of grave concern to those with the interests of the Welsh steel industry at heart." Events have proved that both Shotton and Port Talbot would have benefitted from the twin-plant scheme but it was apparently scuppered because of a juggling of figures.

Shotton Steelworkers' Action Committee

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Please reply to:

"Instead, development of Port Talbot has been inhibited and there is even redundancy there, while the whole of Shotton is now under threat".

Mr. Hughes said that his Committee believed that the hierarchy of B.S.C. had much to answer for and were now making decisions which threatened to destroy the whole of the Welsh steel industry, once the pride of the nation. They wanted the Government to look more deeply into the running of B.S.C. before it was too late.

"Shotton simply cannot accept that it is in the best interests of either the Corporation or the nation to close the major part of a works which not so very long ago was consistently in profit, has a loyal work force with one of the best industrial relations records in British industry, has never failed to meet its production targets and enjoys the esteem and goodwill of thousands of customers both home and abroad.

"All that must count for something even at a time when losses are being incurred through no fault of the local management and workers.

Mr. Hughes continued: "The closure of Shotton's heavy end and rationalisation of its cold rolling mill will strip the British steel industry of an asset which it cannot afford to lose.

"We have hundreds of customers for uncoated as well as coated strip products and many have already indicated that they will buy from abroad rather than from elsewhere in B.S.C. if Shotton cannot supply them. That will mean still further loss of the home market and more plant closures".

The Shotton Action Committee is to continue to press the Corporation and the Government for investment in new steelmaking plant at the works, on commercial, strategic and social grounds.

For further enquiries Ring Deeside 812345
Extn.269 or 8346

MONTY HUGHES
CHAIRMAN

After office hours
Home 051-608-3968