



PRIME MINISTER

SHOTTON

I am discussing with Sir Charles Villiers actions by the British Steel Corporation to restore profitability. After losses totalling some £1,100 million in the last four financial years the Corporation is faced with uncertain market prospects, too much capacity and too much manpower. I have insisted that the management should continue to work towards the target of operating at a break-even rate by the end of the current financial year adopted by the BSC Board in April 1978. This means that efforts to cut costs, improve efficiency and eliminate surplus capacity will have to be stepped up.

Closures which have so far been delayed will need to go ahead, including the end of iron and steelmaking at Corby (which BSC is currently discussing with the unions) and at Shotton in North Wales, where no announcement has yet been made. The Corporation intends to start consultations with the unions about Shotton as soon as possible. Closure would probably begin in November/December 1979, by which time alternative sources for supplying steel to the modern coatings complex at Shotton should be established, and would then proceed as fast as possible on a phased basis. Including demanning through productivity agreements in the surviving plants at Shotton, some 6,000 job opportunities would be lost. About 4,100 jobs would remain.

I do not propose to stand in the way of the closure plans which Sir Charles Villiers assures me have the full support of the BSC

/Board ...





Board, including the trade union members. I have no formal powers to intervene and would regard it as quite inappropriate to do so informally, both because of our general approach to Government/nationalised industry relationships and our need to support the Board's efforts to get the Corporation back on its feet.

We will of course need to consider what, if any, remedial measures should be taken in the Shotton area. Sir Charles Villiers has told me that BSC (Industry) will be making a special effort in the area. The Secretary of State for Wales has responsibility for selective assistance in the immediate area and for the Welsh Development Authority, and would no doubt expect to take the lead in this. However, other Departments, including my own, will need to be involved because there are also implications for adjacent areas of England, especially Mersey. We will need to consider assisted area gradings in the course of our examination of the region's problems and prospects.

Copies of this minute go to the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, the Environment and Transport, the Lord President, the Chancellor of the Duchy of Lancaster and Sir John Hunt.

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1 June 1979



