



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

11 February 1980

*Dear Len*

Thank you for your letter of 1st February with which you enclosed a memorandum on the steel industry and coking coal imports. You asked for observations and in particular for a reply to the three questions you set out in your letter.

Both the meeting and the memorandum have shown that there is a good deal of common ground between the TUC representatives and the Government. We agree, for example, on the need for financial discipline in the nationalised industries as in the private sector and for BSC's losses to be limited in size and time; that the trade unions can play a big part, though of course by no means an exclusive one, in reducing BSC's costs and improving performance; and that the Government has a responsibility to take action that will help to alleviate the serious unemployment consequences caused by industrial change. You will have seen that the Secretary of State for Wales announced in the House on 4th February that £48 million additional expenditure would be made available in the next two years for the provision of industrial sites and factories in order to provide new jobs in Wales.

The urgency of industrial change is however inescapable. The uncompetitiveness of much of our industry, including major steel-using industries as well as steel itself, is in part a reflection of our inability in the past to face up quickly enough to the need for change and too often the necessary pace of change has been slowed by Government intervention. Uncompetitiveness has often deepened in consequence, further eroding our industrial base and jeopardising jobs which otherwise could have been made secure. The priority must be to use the resources available to us to promote a readier acceptance of change and new jobs. Any alternative course is self-defeating.

/This case

The Rt. Hon. Lionel Murray, OBE



This case is reinforced by the very large sums which are being provided to the NCB and BSC, partly for investment and partly to cover losses. For the NCB the Government is planning to make grants to the Board of some £450 million over the period 1979/80 to 1980/81. In the same period the Government plans to make available loans for investment, either directly or through providing guarantees, of almost £900 million. Over the two years this totals about £1,350 million for the NCB. As for the BSC, the Corporation's modern capital equipment has cost over £2½ billion in the last five years. In 1979/80 and 1980/81 alone the Government is providing BSC with £1,150 million of interest-free money. Thus over these two years the total provision for coal and steel together is no less than £2½ billion.

All these points form the background to the Government's answers to the three questions in your letter:

- (i) We have been assured by BSC that they are anxious for further consultations to take place as soon as possible between themselves and the unions about their proposals and the basis for them. The Government hope that these consultations can proceed just as soon as possible.
- (ii) The Government agree that there should be an urgent joint examination at official level with the TUC on the scope for using more EEC funds to alleviate the problems of the UK coal and steel industries. This study should also in the Government's view cover the use of such funds for promoting new jobs in areas affected by job losses in the coal and steel industries; and the financing of such measures to see whether they offer a net advantage to the UK, which we would not otherwise get. I am glad that the Department of Industry have arranged the first meeting for Monday, 11th February.
- (iii) The Government understands that the NCB and BSC have now reached an agreement which will ensure that BSC will not enter into additional commitments for the import of coking coal in 1980. The two Boards are expected to make an announcement very soon.

/More generally,



More generally, as I said at our meeting on 31st January, my colleagues and I will be ready to have and indeed would welcome further discussions with the TUC Nationalised Industries' Committee on matters of common concern.

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*Howe*

(GEOFFREY HOWE)