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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE WALES
TUC AT 10 DOWNING STREET AT 1100 HOURS ON MONDAY 29 OCTOBER 1979

Present

Prime Minister	Mr. George Wright
Chancellor of the Exchequer	Mrs. Sylvia Jones
Secretary of State for Wales	Mr. John Griffiths
Minister of State, Department of Industry	Mr. Les Paul
Parliamentary Under-Secretary of State, Department of Employment	Mr. Bernard Pitson
Mr. I. Gow	Mr. John Foley
Mr. D. Wolfson	Mr. Derek Gregory
Mr. B. Ingham	Mr. David Jenkins
Mr. T. Lankester	
Mr. M. Pattison	

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After welcoming the Wales TUC, the Prime Minister briefly outlined the Government's economic strategy. This was to secure rising living standards and a rising number of genuine jobs. The Government's basic philosophy was that people were responsible for their own lives, and for using their own skills to obtain useful work. Unfortunately, the revival of the economy could not be achieved at once; it would require resolution and a change of attitudes throughout the country.

Mr. Wright thanked the Prime Minister for agreeing to see the delegation. This was their third annual visit to No.10, and they hoped that the Prime Minister would agree to see them again the following year so as to give them an opportunity to present the particular problems of Wales. They did not expect to persuade the Government to change the basic strategy, but they still felt bound to express concern at the manner of its implementation. One area of particular concern was the threat to job support programmes: they would like to see the previous administration's guarantee of work, education or training for young people continued.

Mr. Wright went on to raise two issues. First, he hoped that the proposal for a new power station in Carmarthen Bay would go ahead. This proposal, which would involve the use of the new fluidized bed boiler technology being developed by Babcocks & Wilcox,

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would improve the employment prospects of the area; and in any case the existing station was reaching the end of its useful life. (The Secretary of State for Wales commented that this proposal was still under consideration by the Department of Energy: unfortunately, Carmarthen Bay was not an ideal location for a demonstration plant.)

Shotton

Secondly, Mr. Wright raised the question of the closure of the Shotton steelworks. If BSC went ahead with the closure, this would create severe unemployment in the area. It was difficult to see how BSC could justify the closure, against the pledge which they had given in 1977. Whereas the previous administration had endorsed the 1977 pledge, the present Government did not appear to do so. Irrespective of the pledge, the continuation of steel making at Shotton could be justified on economic grounds. To close the works would involve more spending on redundancy payments and unemployment benefit than the funding required to keep the works going. The Shotton workforce had been very co-operative in agreeing cut-backs in employment in recent years, and they had achieved excellent productivity in the new coating complex. The policy of the unions had been to co-operate in the closure as long as there were alternative jobs in the offing; but despite repeated efforts, the number of new jobs brought into the Shotton area was negligible. The Secretary of State for Industry had said that Shotton was an issue for BSC and not for the Government. The unions could not accept this: in the last resort, if BSC did not take into account their representations, they had a right to expect intervention by the Government. The Government ought in any case to adopt a more flexible approach on the funding of BSC: if we were to stick to the 1980 deadline for breaking even, BSC could well collapse. The Government ought to recognise that BSC was faced with temporary difficulties, and provide the necessary funds to see them through the immediate period ahead. Another measure which would help Shotton would be to introduce temporary controls on sheet steel imports. The Wales TUC fully endorsed the Prime Minister's general approach on the EEC: to insist on import controls would be consistent with this approach.

The Prime Minister said that she was very unhappy that steel imports had reached such a high level. But it would be quite wrong

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to stop the engineering industry from buying imported steel when UK steel was higher priced and often not available. The solution to the import problem was not to impose controls but to improve the competitiveness of UK steel. The problem was not one of lack of investment. Rather, it was how to use existing investment more effectively. The present dispute at Hunterston, which was threatening the future of Ravenscraig, was a tragedy.

The Minister of State (Industry) said that the Shotton workforce had indeed shown a good attitude, and the steelworks was at present producing above target. However, the 1977 pledge had been given in the expectation of a growing market. It was easy to be critical of BSC with hindsight, but the reality was that the market for steel had not grown. The present Government had adopted the same break-even target as the previous Government: the only difference between the two was that the new administration intended to ensure that this target was achieved. Hence, BSC were making preparations for the closure of their less viable plants, and inevitably Shotton must be high on the list. They were currently producing at a loss of £24 per ton of steel, and they were the only steel works in the country still using open hearth furnaces. BSC had told the Government that they could meet the break-even target in 1980; it was now for them to take whatever action was needed.

The Prime Minister added that there was of course a human problem in any closure situation. But she could not accept the argument that it was worth subsidising jobs which were basically uneconomic. The more that the Government spent on supporting steel, the less there would be for the industries of the future. The Government would not intervene to stop BSC from going ahead with the closure; but everything possible would be done to help provide jobs for those made redundant. The Chancellor pointed out that Shotton might well have done better if it had continued as an independent company instead of being nationalised as part of BSC. But there was no point in trying to re-write history. BSC's investment in new plant and equipment had been massive, and the closure of the less economic plants was crucial if the industry was to become competitive. Indeed, the continued viability of the finishing end at Shotton would depend upon improved working at Ravenscraig and in the South Wales plants. The Government could not help here;

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it was primarily for the trade unions. The Secretary of State for Wales added that he was delighted at the recent improvement in productivity at Llanwern; the workforce at Port Talbot were also showing greater co-operation.

Mr. Wright then said that some of the steel imports appeared to be subsidised; he hoped the Government would consider this, and take action to stop the subsidies. The Chancellor commented that it would be difficult to complain about other countries' subsidies when we were subsidising BSC so heavily. We were already facing criticism in the USA for what appeared to them to be subsidies on exports.

The Secretary of State for Wales said that the Government were considering remedial measures for the Shotton area, and would make an announcement after BSC had completed their consultations and taken a final decision on the closure question. He appealed to the trade unions to work for the success of the Welsh steel industry as a whole.

Public Expenditure

Mr. Gregory said that the Government's public expenditure plans would cause severe difficulty for Wales. Public expenditure was more important to the economy of Wales than it was in the rest of the UK; for example, 60 per cent of employment was directly or indirectly dependent upon it. Mr. Gregory then cited the following areas of difficulty:

- (i) The Conservative Manifesto had said that there would be no cuts in the National Health Service. But as a result of tight cash limits and the VAT increase in the Budget, the real resources available to the National Health Service in Wales would be well down this year. As a result, services were deteriorating: for example, in South Glamorgan the ambulance service was already worse, there were fewer nurses

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in post and the Prince of Wales Hospital was threatened with closure. If the Government was to honour its commitment, it should provide sufficient cash.

(ii) The local authorities were being forced to cut back services in response to the proposed cut in the Rate Support Grant. (The Secretary of State for Wales intervened to say that the Rate Support Grant for next year had not yet been announced, to which Mr. Gregory then replied that the local authorities were cutting back because they had been told to reduce their planned expenditure by 3 per cent this year and by 5 per cent next). In Dyfed, 20 per cent of the road work force was likely to be made redundant, and this would mean worse roads which would be bad for tourism in the area. Some authorities were proposing to cut back the home help service; this would be a false economy since many old people would consequently have to go into old people's homes. The cuts in education spending would also be damaging - in particular, the closing of nursery schools, higher school meal charges, reduced transport in remote areas, lower capitation allowances and the likely reduction in the number of teachers. If school meals were cut back, this would be bad for female unemployment in view of the number of part-time dinner ladies who would lose their jobs.

The Chancellor commented that the Government could not continue increasing spending when the nation's wealth was virtually static. The spending plans which the Government had inherited from Labour would have meant an 8p increase in the basic income tax rate in 1980-81. Total public spending had to be stabilised, and this would inevitably mean that some difficult choices had to be made. The Government for its part had decided to give greater priority to law and order and defence; the local authorities would have to make their own choices on the services which they controlled.

/The Secretary of State

The Secretary of State for Wales pointed out that local authority employment in Wales had risen more rapidly over the year to June than in Britain as a whole. He was sure they had room for savings. In any case, the savings required were not as great as they were alleged to be. Assuming the local authorities achieved the 3 per cent cutback this year, they would only have to reduce their spending by a further 1 per cent in 1980-81. There was unfortunately a tendency for local authorities to select reductions which would cause the maximum outcry so as to draw attention to their overall financial position. In reality, the options were usually easier than they made them out to be.

Regional Aid

Mr. Griffiths then raised the question of regional aid. The Wales TUC welcomed some aspects of the July announcement on regional aid: for example, the upgrading of the Wrexham area, the continuation of the rate of grant at 22 per cent in SDA's, and the fact that the DA rate had only been reduced by 5 percentage points. But they felt that the downgrading in Wales as a whole had been too severe (and in particular the downgrading of the South Wales conurbations to intermediate area status), and they were unhappy at the abolition of regional development grant in intermediate areas. Regional aid had played an important part in creating new jobs in Wales generally and it had also helped to stem de-population in mid-Wales. Regional aid was especially important in attracting internationally mobile projects, as the Ford engine project at Bridgend had shown. He understood that final decisions on assisted area coverage in Wales had still not been taken, and hoped that the Wales TUC's arguments would be taken into account.

(At this point the Prime Minister had to leave the meeting).

The Secretary of State for Wales confirmed that the downgrading of central Wales to non-assisted area status by 1982 was subject to review. In addition, marginal boundary changes were being considered in travel-to-work areas, which would be announced fairly shortly.

/ Mr. Butler

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Mr. Butler added that the purpose of the Government's policy on regional aid was to concentrate assistance where it was most needed. As a result of the changes announced in July, those areas which continued to have assisted area status would do relatively better than they had done in the past. The upgrading of areas had taken place immediately while downgrading would be phased. Even after full implementation of the new policy 94% of Wales in population terms would continue to receive regional assistance of one kind or another. On the question of internationally mobile projects, Section 8 assistance would continue to be available: the recent decision to support the Dow-Corning project was a good example of this. As for the Shotton area, if BSC decided finally to close the steelworks, the Government would seriously consider upgrading the area to SDA status.

(At this point the Chancellor of the Exchequer had to leave the meeting).

The Secretary of State for Wales said that multi-nationals were still showing good interest in Wales. There was no evidence that their interest had diminished since the July announcement. In reply to a question on the timing of remedial measures for Shotton, Mr. Edwards said that he thought there would be great resentment if remedial measures were announced before BSC finally decided on closure.

Economic Planning

Mr. Paul said that he wished to raise one topic with no financial implications. This was the problem of human relations in economic development. The decision to establish a Select Committee on Welsh affairs would help to widen public discussion. Nationally, the Government was facing up to severe economic and social problems, but there was a specific Welsh dimension which would require separate attention. In the review of the powers of the Secretary of State for Wales, trade union involvement must be considered. The Wales TUC saw a strong case for a National Economic Development Council for Wales to fill this need. There was a lack of a continuous planning process taking account of new developments. Such a Council would involve the Government, the Wales TUC

/and the Wales CBI

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and the Wales CBI, [redacted] The Wales CBI had argued the case for a Council for Wales; [redacted] the TUC supported their general approach, whilst naturally disagreeing with some aspects of their case. The Government should give very serious consideration to this proposal. The Wales TUC had already told the Secretary of State that they were ready to work in partnership.

The Secretary of State for Wales said that there were always problems in institutionalising planning processes. Mr. Paul had spoken of a body to carry the confidence of the Welsh people, but responsibility for decisions must rest with the Government. He had decided to abolish the Welsh Council which had become quite ineffective. It could only have continued if completely revitalised. The Wales TUC and the Wales CBI had put in proposals, and he would bear in mind what had been said. He personally found exchanges such as the present meeting of great value - not only for the discussion which took place, but for the work of preparation which helped to focus Ministers' minds on the individual problems of Wales.

Dispersal

Mr. Paul said that, at a meeting in July, the Secretary of State had spoken of Ministry of Defence dispersal of 4,200 posts, leading eventually to 7,000 jobs in Wales. The Wales TUC had been shocked to learn, a few days later, that this programme had been suspended. They recognised the initial cost, but there were long-term benefits, and he firmly believed that there would be no problem of assimilating transferred staff in the Cardiff area. Recent work at the University of Strathclyde had demonstrated the long-term economic and social benefits of dispersal. He hoped the Government would look again at this, and reconsider their decision.

The Secretary of State for Wales said that, speaking personally, he would have liked to see a move to Cardiff go through. But the initial costs of the overall dispersal programme inherited from the previous Government would have been very high, with the economic returns a long time off. It would be misleading if he implied any

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likelihood of review or reversal, given that a decision had been taken. He would, however, ensure that any future opportunities for moving jobs to Wales were thoroughly examined, and put into effect if at all possible.

The meeting finished at 1230.

29 October 1979

cc: Private Secretary to the Secretary of State for Wales
" " " " Chancellor of the Exchequer
" " " " Secretary of State for Employment
" " " " Secretary of State for Industry
" " " " Secretary of State for Energy
" " " " Sir Robert Armstrong