

Extract of a meeting between the Prime Minister and the

Wales TUC at 10 Downing Street at 1100 hours on Monday

29 October 1979

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;



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.