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PS / Secretary of State for Industry

12 March 1981

Clive Whitmore Esq
Private Secretary to the
Prime Minister
10 Downing Street
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Prime Minister

*I will deal with this
mt*

*You have agreed to see Sir Keith Joseph
and Mr Tebbit on Monday to discuss, at their request,
how representations from MPs to you about closures
should best be handled.*

Dear Clive

*Sir Keith has authorized his Private Secretary
to send me this letter which he sees as serving
as a basis for Monday's meeting. I am afraid
there is much in it you
will not like. KJW*

GOVERNMENT INTERVENTION IN FACTORY CLOSURES

1. I am writing to you privately to explain some of the thoughts which lie behind the very strong reservations held by Sir Keith and Mr Tebbit about the Prime Minister's recent actions in connection with factory closures. Sir Keith and Mr Tebbit are calling on the Prime Minister at 3 pm on Monday 16 March to discuss these issues.
2. Both Sir Keith and Mr Tebbit fully understand that the Prime Minister has given her word to see individual Members of Parliament whose constituencies are affected by major closures. They also understand the Prime Minister's wish to appear to be helpful towards those concerned.
3. They believe, however, that by seeing individual MPs the Prime Minister may be creating the impression - and may even be convincing herself - that the Government is able to alter the repercussions of agreed policy without very serious risks. Both Sir Keith and Mr Tebbit believe that the Government has no alternative but to allow closures to take place and that decisions about individual closures have to be left to the companies concerned; only those who have direct management responsibility for the plants in question can have the necessary understanding of the commercial, industrial and market considerations which determine whether or not a plant, or one plant rather than another, can continue in operation. They think that the Prime Minister's intervention in connection with the Bowater plant at Ellesmere Port, the Tate & Lyle plant in Liverpool and the BSC foundry at Distington have been seen by outsiders as evidence that the Government is second guessing the managements concerned. They are worried that this may be undermining the ability of the managements to manage and companies to reach necessary but painful decisions.
4. Moreover, the Secretary of State and Mr Tebbit believe that the great majority of trade unionists and many others are deeply ignorant of the economic facts of life and believe that the

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Government can "rescue" uneconomic plants as if by magic and at no cost. Correcting this misapprehension is difficult and they think that the Prime Minister's willingness to intervene in connection with closures may be helping to prevent the wider public from gaining an understanding of the impracticability of "preserving" employment artificially.

5. Sir Keith and Mr Tebbit also believe that the Prime Minister's intervention may result in the wider public perceiving her as a court of appeal to whom work forces may turn in attempts to prevent closures. They also think that because of her personal prestige, her interventions may influence firms to take completely uneconomic decisions to defer closures. If this were to happen they think it would damage the whole economy since uneconomic jobs would be artificially preserved and employment in other plants operated by the same employer would be damaged. They are also concerned about the burden on the Prime Minister's time.

6. Sir Keith and Mr Tebbit would like to suggest to the Prime Minister that when she sees Members of Parliament about closures she should draw a distinction between representations and action taken prior to a closure or redundancy and actions taken to mitigate the effects after closure. In their view no pressure should be exerted on a company to distort its commercial decision (although clearly regional aids may be available to improve the prospects of viability) and neither unions nor Opposition should be given the impression that the Government can in any way prevent closures taking place. They think that, prior to a closure, the Government can only say that the decision is for the commercial judgement of the company concerned, that no Government money will be available to prevent closure (except in special circumstances where the national interest is directly involved or through the normal structure of regional aids) and that the Government will not intervene with the company to distort commercial decisions.

7. Sir Keith and Mr Tebbit think that the Prime Minister should instead concentrate on action which can be taken to mitigate the effects of a closure after it has taken place. The Government has a battery of support measures (assisted area status, regional development grants, selective financial assistance under Sections 7 and 8 of the Industry Act and under the Science and Technology Act, assistance to clear derelict land, advance factories, infrastructure measures etc) and the Prime Minister can describe these as they apply to the particular area affected by the closure in question. By concentrating on remedial actions the Prime Minister will be able to give the MP concerned some hope for the future and can demonstrate that the Government is not indifferent

/to ...



to the human impact of closures. At the same time the necessary (but socially unfortunate) process of structural industrial adjustment can go forward without being hindered by Government intervention.

8. So far as the closure at Distington is concerned, Sir Keith and Mr Tebbit feel strongly that the Prime Minister should not seek to ask Mr MacGregor to justify his decision. They are particularly reluctant to see her acting in response to a request from Mr Dale Campbell-Savours who has been acting most unconstructively in connection with the closure proposal at Distington. The closure itself forms part of the BSC Corporate Plan and has been approved by Ministers collectively. The delay in making the closure is adding to BSC's costs and hence to BSC's call on public expenditure. The decision itself has been considered by Mr MacGregor carefully and Mr Campbell-Savours has sent the Prime Minister a document (which may or may not have been stolen) demonstrating that Mr MacGregor has considered the issues again. Sir Keith himself has mentioned Distington to Mr MacGregor who stands by his decision. The Welsh Secretary is concerned that a reprieve for the Distington foundry would lead to a comparable closure in Wales (or perhaps in Scotland, a point which has not yet occurred to political interests in Scotland). In the circumstances Sir Keith and Mr Tebbit hope that the Prime Minister will agree not to pursue her factual enquiries of Mr MacGregor and will instead agree to write to Mr Campbell-Savours saying that, since her meeting with him, Sir Keith has spoken to Mr MacGregor, that Mr MacGregor has (as demonstrated by the (stolen) document supplied by Mr Campbell-Savours) considered his decision again and that the Government, which has approved the BSC Corporate Plan, will not intervene in the matter. The Prime Minister could go on to point out that extensive regional aids are available at Distington to mitigate the effects of closure and that the economic prospects of the area will be greatly enhanced if the workforce cooperate in bringing about a speedy and peaceful closure to the plant rather than persisting in blocking the decision.

Yours ever

Ian Ellison

I K C ELLISON
Private Secretary