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Secretary of State for Industry

15 April 1981

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

*Cabled to Delhi
na
M/P 16/4*

Dear Tim

Thank you for your letter of 6 April seeking advice from my Secretary of State on how the Prime Minister should reply to the Hadfields' Joint Shop Stewards Committees.

2 My Secretary of State minuted the Prime Minister on 26 March setting out the position which had then been reached in negotiations between BSC and Hadfields. My letter of 7 April explained the position about redundancy payments to Hadfields employees. *PART 10*

3 Negotiations between BSC and Hadfields are now moving towards a conclusion. The final arrangements will require the agreement of the Department of Industry and of the Treasury. Briefly, however, the deal as presently constituted will provide that Lonhro close Hadfields and cease to compete with BSC; BSC will pay £12m, £7m for stock and plant plus £5m for goodwill. (These figures may be slightly increased.) If negotiations continue on their present course an agreement will be reached quickly, perhaps even before Easter. It is also possible, however, that Mr du Cann in his capacity as a director of Lonhro will continue to express dissatisfaction about the price agreed. He saw my Secretary of State on 10 April and I attach a note of that meeting.

4 In a situation of severe overcapacity, where the Hadfields facilities are duplicated in BSC Stockbridge, Lonhro would have wished to close Hadfields before now had they not been hoping for a better offer from BSC. BSC themselves have had to close capacity; two-thirds of Templeborough, or 550,000 tonnes with a loss of 1,600 jobs. This compares with 500,000 tonnes and 1,100 jobs at Llanelli and 325,000 tonnes and 2,200 jobs at Hadfields. In commercial terms it must be right for Hadfields to close but it is very hard on the Hadfields workforce, particularly since they stayed at work in the 1980 strike when the BSC workforce did not. Although the agreement will provide for Hadfields to close it is not BSC who are closing them down as they suggest. The only people who can close Hadfields are the owners of the business, ie Lonhro - by choosing to be bought out on terms which involve closure.



5 The Shop Stewards Committee is seeking a meeting with the Prime Minister. There is nothing that can be done for them, and there is a risk that their hopes would be raised unjustifiably by securing such a meeting. It will appear somewhat unsympathetic to refuse a meeting with a workforce for whose behaviour Ministers expressed admiration last winter. However, I have discussed the point with my Secretary of State and he remains firmly of the view that Ministers should not see the Hadfields' workers before a decision on closure is taken and announced. My Secretary of State considers this is consistent with the generally agreed line in closure cases that Ministers should decline to meet delegations from workforces before closures are announced.

6 Accordingly, I enclose a draft letter for the Prime Minister's signature declining to see the Hadfields' Shop Stewards at this stage. The draft letter refers to the meeting which my Secretary of State held with Bill Sirs and some of his union colleagues from the private sector steel companies - including Mr Adams of Hadfields - on 2 March. I am therefore also enclosing a copy of the note of that meeting.

7 Could I draw your attention to the sensitivity of the timing of the Prime Minister's reply to the Hadfields' Shop Stewards. Any deal between BSC and Lonhro is subject to Department of Industry and Treasury consent; no announcement can be made until this consent is given and a formal announcement will be delayed until the Prime Minister returns. However, it is well known that Lonhro and BSC are involved in negotiations, and it could be embarrassing for the letter from the Hadfields' Shop Stewards to be left outstanding. I am afraid, therefore, that I must ask that the letter should be put to the Prime Minister for approval in India to enable a reply to be sent as soon as possible.

Yours ever
Catherine Bell
CATHERINE BELL *Bell*
Private Secretary



DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

M Adams Esq
Secretary
The Hadfields Joint Shop
Stewards' Committee
Hadfields Limited
East Hecla Works
Vulcan Road
Tinsley
Sheffield
S9 1TZ

Thank you for your letter of 30 March.

I remember very well the determined fight that Hadfields' employees put up to safeguard their jobs during the BSC strike and I much regret that the company should now be trading with such difficulty. I am afraid that these are difficulties shared by all plants in the engineering steels sector in the EEC. They stem from excess capacity in the UK and Europe. BSC is closing two-thirds of its capacity at Templeborough to meet the situation and, as you know, Duport has had to close its works at Llanelli.

I am sorry that I do not feel any useful purpose would be served by a meeting at this stage. I know that you accompanied Bill Sirs when he came to see Sir Keith Joseph about the private sector generally and I have seen a note of that meeting.