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Secretary of State for Industry

23 April 1981

Nick Sanders Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Handwritten notes:
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M(O/R)
to see - telegraphed
to Saleleh
MS
23/4

Dear Nick

HADFIELDS

You asked to be kept in touch with events at Hadfields.

X/2 Lonhro broke off negotiations with BSC on Thursday 16 April. At this point BSC had offered £13½ million, comprising £7½ million for goodwill and £6 million for stock and plant; Lonhro were asking for £15 million, £9 million being for goodwill.

1 Yesterday, ~~as you know~~, Hadfields announced that they intended to close their Leeds Road plant, which employs 1,900 and to keep open only their East Hecla plant which employs 700. Both BSC and officials here consider this is a tactic to get a better price. Hadfields' announcement was accompanied by allegations that Mr MacGregor, BSC and the Department of Industry had misled them and caused them to incur further losses. These allegations about the Department of Industry had been made previously by Mr du Cann in a letter he sent to my Secretary of State on 2 April. My Secretary of State replied to Mr du Cann on 7 April before meeting Mr du Cann on 9 April. ~~[I enclose copies of the exchange of correspondence with Mr du Cann and a copy of the note of the meeting].~~

4 A further serious difficulty has arisen on the Hadfields' negotiations; ~~you may wish to draw this to the Prime Minister's attention.~~ You will remember that my Secretary of State advised the Prime Minister that a payment for goodwill could only be justified on the basis that BSC were buying an orderly withdrawal by Hadfields from the market. ~~(My Secretary of State's minute of 26 March).~~ In the present situation, BSC's financial advisers, Lazards, and the Department of Industry's advisers, Hill Samuel, have both said that if negotiations recommence it will be very

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difficult to justify any goodwill payment in respect of Leeds Road, and probably in respect of East Hecla also. The announcement of closure will cause a rapid loss of orders from Leeds Road and the political campaign which Lonhro are conducting will make it very difficult for them to achieve an orderly rundown at either Leeds Road or East Hecla.

5 My Secretary of State had thought it likely that Mr du Cann would wish to appeal to the Prime Minister following Mr du Cann's meeting with him. I understand from a radio interview given by Mr Norton of Hadfields that he intends to make a public appeal to the Prime Minister to step in and preserve the 1,900 Leeds Road jobs. BSC have of course given up two thirds of their Templeborough plant, with a loss of 1,600 jobs as well as closing Bilston and Hallside last year, so the pain has been shared to some extent.

1/4

*Yours ever
Catherine*

CATHERINE BELL

Private Secretary