

PRIME MINISTER'S MEETING WITH A DELEGATION FROM THE SCOTTISH TUC
AND OTHERS AT 1630 HOURS ON TUESDAY 14 DECEMBER 1982 AT
10 DOWNING STREET

Present:

Prime Minister
Secretary of State for
Scotland
Secretary of State for
Industry

Mr. J. Langen, Vice Chairman STUC
Mr. J. Milne, General Secretary STUC
The Rev. J. McIndoe, Convenor,
Church of Scotland, Church Nation
Committee
Father Frank Kennedy, Roman Catholic
Church
Councillor L. McGarry, Strathclyde
Regional Council
Councillor N. Stobo, Glasgow
District Council
Councillor J. Frew, Motherwell
District Council
Mr. E. Marwick, Glasgow Chamber of
Commerce
Mr. H. Morrison, Chief Executive,
Scottish Council (Development and
Industry)

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RAVENSCRAIG

Mr. Langen said that the nature of the delegation underlined the importance to all sections of the community of the preservation of steel making capacity in Scotland. As the recent report of the Parliamentary Select Committee on Scottish Affairs had concluded, there was a strong social, industrial and economic case for the retention of Ravenscraig. The plant was not a lame duck; it represented £250 million of investment and together with Hunterston some £400 million. When the plant was properly loaded productivity was high and earlier this year had reached 4.45 tonnes per head which was the best in the UK and comparable with European plants. The British Steel Corporation had received maximum co-operation from the workforce including very low wage increases. More generally, the British steel industry was suffering from excessive

import penetration and there was evidence of dumping. BSC had taken a disproportionate share of cutbacks in steel capacity in the EEC. Italy for example had increased both capacity and employment. A firm stand was now necessary; no further reductions in capacity were acceptable. When the Scottish TUC had some time ago met^{the} Chairman of BSC he had said that the retention of 14.4 million tonnes of capacity and the five major integrated plants was essential; the STUC agreed with him. If the steel industry were to survive the recession with a chance of health in the future Ravenscraig and the other major plants should be retained.

Mr. McGarry said that he was pleased that the Government had taken on responsibility for decisions about the five major plants. The closure of Ravenscraig would cause 20,000 redundancies, 80% of which were in the North Lanark area. The Strathclyde region would lose £350 million-worth of business. Proposals to close Ravenscraig were based on essentially short-term assumptions about the future of the economy, of inflation and of import penetration which derived from the current depressed state of the economy. It was the business of Government to take a longer term view.

Mr. McIndoe said that he spoke for both the Church of Scotland and the Roman Catholic Church in drawing attention to the social consequences of the closure for Ravenscraig. Such a closure would destroy the social fabric of the area and would greatly magnify the incidence of alcoholism, crime and mental illness which were already apparent as a result of very high unemployment. There was a sense of fear not only amongst individuals employed in Ravenscraig but also amongst the entire community. The Ravenscraig campaign had united the Scottish people in a way which was seldom seen.

Mr. Morrison said that the Scottish Council did not consider that there was no alternative to a further massive reduction in capacity. The full range of alternatives such as more rigorous policing of pricing and quota agreements and reductions in energy costs had not been deployed. Moreover a closure of Ravenscraig would not guarantee an improvement in the management of BSC.

The Council was also against partial closure or mothballing of parts of BSC. Partial closure would simply raise unit costs to such an extent as to make full closure inevitable, whereas mothballing would give a clear signal to customers that they should look elsewhere. More generally the Council believed that the argument that transport costs for Ravenscraig were too high was not only intrinsically wrong but also could cause a loss of confidence in Scotland as a whole as a site for industrial development.

Mr. Marwick said that the Glasgow Chamber of Commerce too wished to retain a major steel making capacity at Ravenscraig. The plant itself was of European standard and its products had a high reputation throughout industry. Its closure would to a large extent undermine the industrial credibility of the West of Scotland. Moreover in addition to the direct redundancies as a result of any closure it would have a severe impact on the 3,000 sub-contractors which supplied Ravenscraig, 1,400 of them in the West of Scotland. The disappearance of this demand together with the impact of a closure on the rates would be enough to push companies at the margin of profitability over the edge.

Mr. Frew said that closure of Ravenscraig would have an immediate catastrophic impact on Motherwell. Its repercussions would be felt immediately in the closure of the small businesses which depended upon demand from the workers employed at Ravenscraig.

The Prime Minister said that the problems of our steel industry had to be set in the context of world over-capacity. Present world capacity was 1,000 million tonnes; output was 700 million tonnes. BSC's capacity was 21 million tonnes; output was 10 million tonnes. World capacity was moreover growing at a time when steel was increasingly being replaced by other materials. A 2% rise in industrial production each year was needed simply for steel production to remain constant. The need now was for more customers for British steel both in the home and export markets.

/Our export record

BSC's export record was appalling - less than 4% of world exports. Productivity in the steel industry had improved considerably but it had to improve still further; so too did that of industries using steel products. The sharp decline in the competitiveness of the car industry for example had deprived BSC of a large domestic market for steel. Mr. Jenkin said that although the steel industry worldwide was in deep trouble, there was no question of writing off steel. It was an essential strategic industry for Britain. The issue was the level of capacity which would best meet future needs. He accepted that other EEC countries had cut their capacity by less than the United Kingdom since 1979 (although the change since 1974 was more equitable). It was for this reason that he was taking a firm stand in the EC Council of Industry Ministers that this country had made its share of cuts. As regards imports from the EEC, the real damage had been done during the 1980 steel strike when import penetration went up by about 4%. In response to UK pressure, a range of measures, including more rigorous policing of production quotas and pricing rules under the Davignon regime was being introduced. Collective action was also being taken by the Community to tighten the control arrangements for steel imports from outside the EEC, including a restriction on quantity of 12½% below 1980 levels under the voluntary restraint measures. Anti-dumping duties had been imposed on steel imports from Spain and Brazil and quotas imposed against imports from Czechoslovakia and Bulgaria. Anti-dumping investigations had been opened against imports of steel coil from Brazil, Canada, Argentina and Venezuela. It was nevertheless possible to exaggerate the effect of import penetration on the UK steel market; UK levels were, for example, lower than those in Germany and France. Commenting on this point, the Prime Minister said that while taking anti-dumping action in appropriate cases ourselves we would need to ensure that we were not open to such measures by other countries. The recent action by the United States demonstrated our vulnerability in this area. It was also relevant that the American action had been ameliorated only by joint Community negotiations rather than unilateral action on our behalf.

Mr. Younger commented that the Government very much appreciated the social consequences of any closure of Ravenscraig and the concern of the local community. That was why he was particularly pleased at the action being taken by the community to assist BSC.

/He understood

He understood, for example, that Strathclyde Regional Council were assisting in consultations between BSC and British Rail on the latter's price structure. The Council were in addition consulting BSC on the rate burden. Although the local community had a part to play, however, the Government recognised that the decision on the future of the five major steel plants had to be taken on broad social and economic criteria. They had therefore assumed responsibility. Mr. Jenkin added that Government responsibility was limited to this particular issue; other issues were for the management of BSC.

Concluding the meeting the Prime Minister said that she wished to take an optimistic but realistic view of the future of BSC. That future must be based firmly on an increase in competitiveness on the part of the steel industry and those industries which used its products. A decision on the five major plants would be reached during the course of the week and a decision announced by the Secretary of State for Industry early in the following week.

Master

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10 DOWNING STREET

From the Private Secretary

15 December 1982

As you know, the Prime Minister met a delegation from the Scottish Trade Union Congress and others at Downing Street yesterday to discuss the future of the Ravenscraig Steel Plant. Your Secretary of State and the Secretary of State for Scotland were also present.

I attach a record of the meeting which I am copying to John Kerr (HM Treasury), John Holmes (Foreign and Commonwealth Office), Muir Russell (Scottish Office), Adam Peat (Welsh Office), John Gieve (Chief Secretary's Office, HM Treasury), Barnaby Shaw (Department of Employment), Julian West (Department of Energy), John Rhodes (Department of Trade), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS).

Jonathan Spencer, Esq.,
Department of Industry



10 DOWNING STREET

THE PRIME MINISTER

31 December 1982

Dear Father Kennedy,

Thank you for your letter of 21 December. I was grateful for the way in which the delegation of which you were a member explained their views about the future of the Scottish steel industry, and I am glad that you are pleased with the announcement made by Patrick Jenkin on 20 December. Like you, I very much hope that the steel industry can now work together to achieve the efficiency and hence the competitiveness which alone can be the guarantee of its long-term future.

With very best wishes for the New Year.

Yours sincerely

Raymond Hunter

Father Frank Kennedy

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JR

INTER-CHURCH INDUSTRIAL TEAM



CHURCH'S SERVICE TO INDUSTRY

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Rt. Hon. the Prime Minister,
10, Downing St.,
London.

21st December 1982.

Dear Mrs. Thatcher,

I write as a member of the Scottish delegation you were kind enough to meet on December 14th to discuss the future of the steel industry in Scotland.

I wish to express my gratitude for the hospitality shown on that occasion and also, more importantly, for the courageous and sympathetic decision as to the future of the industry which was announced in the House of Commons yesterday.

I would hope that we would be able to make constructive use of the breathing space thus gained in order to contribute to the longer term social & industrial health of the community in North Lanarkshire. Their presence in Downing St on 14th December should be the beginning rather than the end of the commitment of the organisations represented to work together to benefit from the next three years - and thus also into the future. I trust we shall be equal to the task.

*With renewed thanks + best wishes
for Christmas + the New Year,*

Frank Kennedy

Rev. Norman Orr
Rev. Frank Kennedy

Church of Scotland
Roman Catholic

Rev. Jim Kay

Rev. Harold Clarke
Rev. John Potter

Episcopal Church in Scotland

Methodist
Church of Scotland/Methodist

MEMORANDUM TO THE COMMITTEE ON SCOTTISH AFFAIRS

THE RUN-DOWN OF THE GLASGOW STEEL INDUSTRY

1.0 INTRODUCTION

- 1.1 This memorandum gives brief details of the position in the various iron and steel plants in Glasgow as far as is known, as of November 1982. In addition it provides an assessment of the implications for Glasgow of the threatened closure of Ravenscraig Works at Motherwell and the closures of plant in the City.

2.0 IRON AND STEEL CLOSURES - CURRENT POSITION

- 2.1 The iron and steel industry in Glasgow has declined dramatically over the last ten years during which time employment has fallen from 9862 to 2907. Over the period 1974 to 1982 an estimated 6660 jobs have been lost of which 5500 were in the nationalised sector.

The situation in the B.S.C. plants in Glasgow since 1974 is as follows:-

Clydebridge	- Decline from 2410 to 725 with a further 575 job loss imminent
R.D.L. Westburn	- Decline from 1020 to 400 :now privatised
Clyde Iron Works	- Closed 1978 with 1190 jobs lost
Tollcross	- Closed 1978 with 310 jobs lost
Tollcross P.E.D.	- Closed 1980 with 460 jobs lost
Hallside	- Closed 1980 with 550 jobs lost
Smith & McLean	- Closed 1980 with 230 jobs lost
General Terminus Quay	- Closed 1979 with 68 jobs lost
Group Offices	- Decline from 600 to an estimated 200.

The situation in the major private firms and BSC plants still operational is described below.

B.S.C. Clydebridge

- 2.2 B.S.C. intend to close plate mill facilities with a loss of 575 jobs by 12 November 1982. Under the proposals only the heat treatment plant employing 150 people will remain operational. Although there are no known plans to close this operation, its viability and its future is clearly threatened.

Parkhead Forge

- 2.3 B.S.C. have agreed to merge part of their forgings and casting business with the private forges of Firth Brown in Sheffield and rationalise UK capacity at the same time. Part of this package is the closure by March 1983 of the Firth Brown owned Parkhead Forge with a job loss of 350. Firth Brown however have stated that the closure policy could be changed if Government aid is forthcoming to help undertake a reorganisation.

Westburn

- 2.4 Redpath Dorman Long was sold by B.S.C. to the Trafalgar House Group for £10 million in April 1982. Although current contracts will maintain employment at Westburn for the remainder of 1982, the prospects thereafter are less certain. The uncertainty stems from low demand levels and the announcement that in 1982/83 the Trafalgar House Group will be seeking between 600-700 redundancies within the R.D.L. organisation.

Possible implications of Ravenscraig closure on Glasgow District

- 2.5 Should B.S.C. cease operations at Ravenscraig the possible ramifications for Glasgow District could include,

- (i) a direct loss of some 275 jobs for those Glasgow residents employed at the works.
- (ii) the closure of Cardowan Colliery with a job loss of 1100. The total coking coal output of this colliery is marketed within the Scottish Iron and Steel industry, the major consumer being Ravenscraig. Cardowan is already known to be in terms of output per man/production costs a marginal operation.

Loss of its main market will probably result in closure.

- (iii) any hopes of saving Clydebridge and Parkhead Forge would be severely reduced.
- (iv) a number of Glasgow based suppliers of oils, machine tools, electrical and smaller items would also be adversely affected with possible job losses resulting.
- (v) the loss of purchasing power of employees will reduce city centre shopping and service expenditure.
- (vi) consequent loss of rates revenue should Glasgow firms be forced to close.

Table 1 summarises the employment impact on Glasgow District of steel closures and contractions through direct, indirect and multiplier job losses. A total of 11154 jobs are estimated to have been lost over the period June 1974 to September 1982. A further 1503 will be lost under the proposals for Clydebridge and Parkhead Forge. An estimated 1908 job losses can be expected should Ravenscraig close.

3.0 IMPLICATIONS OF THREATENED CLOSURES

Scale of Unemployment

- 3.1 If Parkhead Forge and Clydebridge close, nearly all the 925 employees will become and remain unemployed due to the lack of alternative job opportunities. There are virtually no jobs lying unfilled which Parkhead and Clydebridge employees would be able to fill. The main Employment Office Areas affected are Parkhead and Easterhouse (Parkhead Forge) and Cambuslang and Rutherglen (Clydebridge).

At July 1982 unemployment of people living in East Glasgow was as follows:-

	Males	Females	Total	Total Number
Parkhead Emp. Exchange	31.1%	15.0%	24.0%	10010
Easterhouse Emp. Exchange	34.4%	12.3%	24.0%	5820
Cambuslang Emp. Exchange	16.8%	8.7%	13.3%	2082
Rutherglen Emp. Exchange	77.6%	38.0%	60.4%	7299
Glasgow Inner Conurbation	24.6%	12.2%	19.3%	84737
Great Britain	15.6%	9.6%	13.2%	3069769

- 3.2 If Parkhead Forge closes the number of unemployed males in Parkhead and Easterhouse is likely to rise by 2.4% and the unemployment rate for males by nearly 1%. If the Clydebridge job losses occur, the number of unemployed males in Cambuslang is likely to rise by 15.3% and the unemployment rate for males by 2.5% while the corresponding increases for Rutherglen are 4.3% and 3.4% respectively.*

Length of unemployment and vacancies

- 3.3 At July 1982, over 29% of all unemployed males and 17% of unemployed females in Easterhouse and Parkhead had been unemployed for more than two years. Over 55% of all unemployed males had been unemployed for more than one year (38% for females). Over 72% of all unemployed males had been unemployed for more than six months (60% for females).

The chances of Parkhead Forge employees gaining alternative employment in the area are therefore very poor. This is underlined by the vacancies position. Not all vacancies are registered but at 2 July 1982 there were only 138 vacancies registered in Parkhead and Easterhouse Employment Exchanges and well over 15000 registered unemployed - a ratio of 113 to 1.

* Assuming (1) 80% of the job loss to be males

(2) an equal distribution of Clydebridge job loss in Cambuslang and Rutherglen Exchange Areas.

- 3.4 In Cambuslang, 21.6% of all unemployed males had been unemployed for more than two years (as at April 1982); 50% for more than one year and 68% for more than six months. In Rutherglen, 23% of all unemployed males have been unemployed for more than two years, 49% for more than one year and 68% for more than six months.

The likely impact of Clydebridge closure would therefore be a significant increase in the long-term unemployed.

Cost of unemployment to the state

- 3.5 It has officially been estimated by the Treasury that the difference in income to the Government between a man on average wages paying tax, national insurance and so on and the same man unemployed and receiving benefits is between £5000 and £6000 per annum depending on whether he is married with children or not.
- 3.6 Total direct employment losses from the closure of Parkhead Forge and Clydebridge would be 925. Even assuming that only some 80% of job losses would be male, the minimum total cost to the state of these closures would be £3.7 million per year for as long as it takes to create new jobs.
- 3.7 If indirect and multiplier job losses are included (Table 1) this figure increases to a minimum of £6 million per annum. In addition if the total job loss at Ravenscraig were to materialise then a further £7.6 million cost to the state is forecast.

Environmental implications

- 3.8 The rash of B.S.C. closures during the 1970's (Tollcross, Hallside, Clyde Iron) has left Glasgow District with a legacy of vacant sites including 130 hectares of derelict land (1981/82). The cost of reclamation is high, for example, the SDA have already committed a £5.5 million outlay on the Cambuslang Recovery Area the greatest percentage going to vacant steel sites. The closure of Parkhead Forge and Clydebridge will further increase the current stock of vacant (including derelict) land by an estimated 40/45 hectares.

Customer Losses

- 3.9 In theory all the products made at Parkhead Forge, Clydebridge and for that matter Ravenscraig, could be made elsewhere in the UK. Glasgow has, however, a traditional core of industry (some 30,000 jobs in 1981) based upon steel/shipbuilding/mechanical engineering linkages.

- 3.10 The advantage of having local suppliers is often an important factor. If such a customer network were to breakdown it is possible that steel consumers may switch to alternative suppliers via the stockholders facilities. There is a steel stockholders network of some 55 distributors in the Glasgow area - many of whom are now purchasing from abroad. Consequently, if customers switch to imports there will be a total loss of jobs to Britain. In addition the loss of a local supplier must also make less secure customer supplies particularly as the B.S.C. rationalisation programme (concentrating production on a few works) will also make supplies more vulnerable to stoppages of whatever kind and may influence some companies to place orders elsewhere.

Rate loss

- 3.11 The current rateable value of Parkhead Forge is £133500 and Clydebridge £416000. Closure of these works would result in a substantial reduction in rate payment to the City.

4.0 SUMMARY/CONCLUSION

- 4.1 In the recent past the iron and steel industry in Glasgow has experienced massive contraction. The major impulse has been through cessation of B.S.C. operations notably in the Parkhead and Cambuslang areas of the City. This has led to large scale redundancies, high long term unemployment rates and an erosion of job opportunities through indirect and multiplier factors. A legacy of derelict land and redundant buildings remains. In terms of social and community malaise, the psychological impact on remaining industry and the additional fiscal burden to the state the cost alone is high.
- 4.2 The continued rundown of the steel industry through closure of Parkhead Forge, contraction at Clydebridge and the possible closure of Ravenscraig might effectively produce a job loss of some 3400 jobs in Glasgow.
- 4.3 In a City already characterised by considerable social and economic problems and with one of the highest unemployment rates in both Scotland and the UK such a loss would place an additional and unacceptable burden on the local community.
- 4.4 The District Council take the view that the major factor influencing the steel industry's - and in particular B.S.C's - performance in recent years has been the low and falling level of domestic volume demand. The Council consider that there is a strong case for short-term Government support for the steel industry through demand stimulation of:-
- (i) North Sea Oil and gas development (for example development of the Clyde field and major gas gathering systems);
 - (ii) British Rail's electrification programme; and
 - (iii) energy conservation programmes.

TABLE 1

Estimated Employment Impact of Steel Closures and Contractions on Glasgow District					
Job losses June 1974 to September 1982		Job losses announced October 1982		Job losses should Ravenscraig close	
DIRECT		DIRECT		DIRECT	
BSC	5500	BSC Clydebridge	575		275
Private	1100	Parkhead Forge	350		
INDIRECT*		INDIRECT		INDIRECT	
Ancillary services to BSC:other steel industry supplies: NCB, British Rail, Electrical and other suppliers	1980		278		1250
MULTIPLIER**		MULTIPLIER		MULTIPLIER	
Shops and Services	2574		300		383
TOTAL	11154	TOTAL	1503	TOTAL	1908

* Based on 30% of direct job losses

** Based on 25% of direct and indirect job losses