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CP(72) 155

COPY NO 66

13 December 1972

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BRITISH STEEL CORPORATION DEVELOPMENT PROPOSALS  
NOTE ON THE EMPLOYMENT IMPLICATIONS OF MAJOR OPTIONS

Note by the Secretary of State for Employment

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1. The following note sets out the employment and manning implications of certain of the options for a British Steel Corporation (BSC) development strategy. It takes account of a recent discussion by officials of my Department with BSC officials.
2. This discussion was undertaken following certain revisions of earlier figures which were considered by the Ministerial Committee on Economic Strategy last week.

THE BSC STRATEGY

3. Under any strategy available to BSC there will have to be substantial closures particularly in the earlier part of this decade, to get rid of obsolete plant including many open hearth furnaces. Those already announced will result in manning reductions of some 23,000 as compared with BSC's labour force at March 1972 (229,000).

THE PREFERRED STRATEGY

4. BSC's preferred strategy, which involves an early expansion at Port Talbot and commitment to a new steel plant probably at Teesside, can adopt to an "upper" or "lower" path depending upon the actual course of demand for steel products. The "lower path" would assume a demand for liquid steel equivalent to 33.1 million tons in 1979-80 and, since capacity elsewhere must be reduced to make way for the new plant, this involves the closure by 1980 of the following major plants:-

Gross Job Loss

Corby (Northants)	6,100	Shotton (N Wales)	6,450
Consett	5,000	Cleveland (Teesside)	2,350

Shortly afterwards there would in addition be a further major closure at Normanby Park (Scunthorpe) and some closures at Templeborough (Sheffield).

5. Notes on these places are at Annex. The consequences of closure at certain of these plants notably at Shotton, Consett and Corby could and probably would have grave employment implications.

6. These closures would, under the BSC's preferred strategy, be partly balanced by the proposed new plant at Teesside (gross addition to jobs; said to be 5,800 by the end of the decade and 6,800 ultimately), by the expansion at Port Talbot (1,700 new jobs) and by certain other minor expansions.

7. If, under BSC's preferred strategy, demand turned out to be unexpectedly high, justifying the "upper path", certain of the closures which would occur by 1980 under the "lower path" would be delayed by a year or more. This applies particularly to the closure at Consett.

#### OPTION B

8. This option is roughly as follows:

1. It assumes that demand will be about 33 million tons liquid steel equivalent in 1980-81 (ie, the view of demand is a little more cautious than in the preferred strategy, lower path).

2. The expansion projected for Port Talbot would be much more modest, involving an increment of jobs of 400 as compared with 1,700.

3. There would be no commitment now to a new steel plant.

4. In the absence of this commitment, the plants referred to at paragraph 4 would remain open throughout this decade and beyond.

5. In particular, new investment in steelmaking capacity would take place at Shotton which would guarantee the continued existence of that plant for the foreseeable future.

6. There would be no bar ultimately to the building of a new plant at Teesside or elsewhere. The extent to which this would involve the closure of existing plants would depend on the course of demand.

9. No doubt, in the end, the real difference between the preferred option and Option B is that a six-plant industry might ultimately emerge, including Shotton as well as the five heritage plants. The path towards this outcome would, however, be more deliberate and certainly not less flexible for capable of adjustment than the preferred strategy.

#### OVERALL MANNING IMPLICATIONS

10. The figures recently re-presented by the BSC for the overall manning differences between the available options show an overall net difference in job loss terms between Option B and the "lower path" of the preferred strategy as being 3,000 in favour of the former. This difference contrasted with a difference of 9,000 or more emerging from earlier papers. The revised BSC figures have now been examined carefully by my officials in conjunction with BSC.

11. It emerges from this joint examination that the overall manning differences between the two options is, on the interpretation of events most favourable to the preferred strategy, of the order of 5,500-6,500 by 1980-81. It is in fact probable that the net manning difference between Option B and the preferred strategy by the end of the decade is nearer to the figures formerly advanced by BSC than those in their revised calculations.

12. On this basis, the two compare as follows:

Minimum Net Job Loss to 1980-81 as compared with 1972

Preferred strategy (lower course): 47,500

Option B 41,500

The difference would be substantially greater if account were to be taken of the closure of Normanby Park just after 1980 and, of course, the preferred strategy involves the closure of the plants mentioned in paragraph 4.

M V M

Department of Employment

12 December 1972

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ANNEX

NOTE ON CERTAIN PLANTS CLOSED OR PARTLY CLOSED  
UNDER THE BSC PREFERRED STRATEGY

Shotton

(N Wales)

Job Loss: 6,450, out of 12,550.

Male unemployment rates: 3.4% (November)

BSC accounts for 43% of male employment in the area. The future of the other major employers in the area (Hawker Siddeley and Courtaulds) is open to some doubt.

Corby

(Northants)

Job loss: 6,100 out of 12,200

Male unemployment rates: 3.4% (November)

This job loss would represent one third of the male jobs in Corby, with multiplier effects on services employment in the New Town - already an unattractive location compared with Milton Keynes, Northampton and Peterborough.

Cleveland

(Eston: Teesside)

Job loss: 3,500, plus 3,200 to occur in any case by 1976 in Eston in steel

Male unemployment: Teesside 8.2% (November)

This closure of a relatively modern ARC plant would only occur if the new complex is built at Teesside. This reduces the net advantage to the area of a new plant.

Teesside is threatened not only with closures in steel and with the further erosion of the Durham coalfield to the North East, but also with massive reductions at ICI Billingham. So far the area has not been markedly successful in attracting new jobs; North sea oil from Ekofisk may bring some relief.

Normanby Park

(Scunthorpe)

Job loss: 3,250

Male unemployment rates: 2.7%

This job loss will coincide with further losses of some 3,000 due to rationalisation in the area; but will be partly compensated as the new Anchor plant expands.

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Consett

(Durham)

Job loss: 5,000 out of 5,500

Male unemployment rates: 9.2% (November)

Consett is very isolated and already seriously affected by closures in the Durham coalfield. The jobs at risk amount to 24% of male employment in the area. A steel closure at Consett would represent a miniature social disaster, given the problems of nearby Tyneside and Teesside.

Notes

- 1 All the above plants except Corby are in assisted areas. Consett is in an SDA and Teesside neighbours one.
- 2 Job losses quoted above take no account of associated job losses in service industries.

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