

9th March 1981



HOUSE OF COMMONS  
LONDON SW1A 0AA

Private Secretary to the Prime Minister,  
10, Downing Street,  
London S.W.1.

Dear Sir,

I have been asked by Mr. Campbell-Savours to draw to the attention of the Prime Minister the enclosed document.

It is Mr MacGregor's reply to Distrington. Its highly misleading contents have so angered the representatives of the Management and the Trade Unions that they have convened a number of meetings over the weekend. Mr. Campbell-Savours expects to receive their reply, which was sent to him today, in the morning. As soon as he receives this reply he will forward it to Downing Street.

Yours faithfully,

Helen Donoghue (Research to  
D. Campbell-Savours)



In	Ian MacGregor	To	Mr J K Dumigan
File No.		Dept.	Mr R Crellin
Ext.	7 401		cc Mr R Scholey
			Mr D B Bray
File Ref.		Date	27 February 1981

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## Subject

DISTINGTON MOULD FOUNDRY

Thank you for your memorandum of February 13 and the enclosed documents.

I do, of course, understand your deep concern regarding the closure of the above works and I have studied your arguments carefully. However, they do not provide sufficient evidence for me to reconsider the Corporation's decision to close the Distington Foundry.

In support of the Corporation's decision to close the Distington Foundry I would like to draw your attention to the following important issues affecting our decision.

1. It is generally accepted by all concerned that the BSC no longer requires three major mould foundries. Furthermore, demand for ingot moulds will continue to fall throughout the early eighties with the increasing usage of continuous casting. The fall in demand, therefore, relates to a trend and not some cyclical requirement which could conceivably show improvement in the future.
2. After heavy investment by BSC in slab casters during the last few years, the next tranche of casting machines will be designed for bloom and billet casting. This will further reduce the requirement for smaller square moulds which have been, and remain, a major product line for the Distington Foundry.
3. The costs outlined in the original rationalisation document were those provided by Distington personnel - in fact, Distington was pressed to project forward any improvements they could visualise for inclusion in the calculation. (There is no disagreement by anyone in this respect.)
4. To suggest that these costs were not the responsibility of the Distington workforce (management, staff and manual grades) cannot be sustained. Over the last three to four years all Corporation employees have known of the precarious financial position of the BSC and have been exhorted to explore every possibility for improvement. In this respect, the Workington area was no exception, though the response to such management initiatives at Distington has been, until most recently, comparatively lukewarm and uninspired. This is despite the involvement of national union officials who tried to effect a greater change of heart on the shopfloor.
5. Costs included in the rationalisation document for Fullwood and Dowlais are current manufacturing standards and reflect actual

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performances. I have little doubt that both foundries can achieve improvements and had they been asked to project these forward, and into the calculation, the gap in product cost would have been even greater than that presently indicated.

6. It is acknowledged that when faced with imminent closure Distington has finally, and belatedly, reduced costs; however, a gap still remains and this is without taking into account point number 5 above.
7. Quite apart from any weighting given to the efforts of the employees there are basic differences of plant configuration between Fullwood and Distington, which give Fullwood the advantage on costs:-
  - (a) Fullwood's furnaces were designed to melt rapidly unbroken moulds, saving breaking costs and time.
  - (b) Fullwood's electricity charges are lower than Distington's due to the availability of hydro-electric power in Scotland.
  - (c) At the projected levels of loading the Fullwood facilities will be almost fully utilised with optimum recovery of overheads. This would not be so in the case of Distington.
8. In addition to the cost and labour advantages there are other benefits in retaining Dowlais Foundry:-
  - (a) Their quasi flake moulds are seen as an excellent product by their major customers, Port Talbot and Llanwern Works.
  - (b) This mould has only been in production some three years and is already competitive on mould cost per tonne. Given the same sort of improvement curve achieved when developing the straight haematite mould it would be most surprising if current costs were not substantially improved over the next two or three years.
  - (c) Trial quantities of quasi flake moulds from Dowlais are already in service in the United States and should, therefore, provide Dowlais with a reasonable and profitable export load in the next year or so, again helping to utilise fully their facilities.
  - (d) It must make sense, whilst a reasonable load remains, to retain both a cupola and a cold charge channel furnace route - the one supplying new iron to the system and the other consuming scrap moulds.
9. There is no case for injecting fresh tax-payers' money into Distington to improve facilities when existing capacity is already in excess of requirement and where that imbalance will steadily increase in the future.



10. It is, of course, easy in hindsight to question the original development programme for the mould foundries, involving as it did considerable capital injection. The facts are, however, that the BSC assumed, along with the rest of the world, a continuing high demand for steel through the eighties, a much stronger UK manufacturing base and a slower growth in the continuous casting process. None of this has happened and, therefore, contraction of the BSC's foundry operation has become inevitable.
11. Whilst monies may need repaying to Government on account of rules governing the iron foundry grants scheme, it is less costly to do this than retain three under-utilised foundries or retain only two but include the Distington higher cost route.
12. It is disappointing to receive no formal retraction of allegations that FFE management deliberately mis-used information to prove the case for closing Distington, particularly in view of the time and effort spent by their management in ensuring all relevant facts were brought to your representatives' notice.
13. The inference that Scotland and Wales have been given favoured treatment in respect of foundry closures would be a serious misrepresentation of the facts. Over the last two years the size of the BSC workforce has been reduced substantially and Wales and Scotland have borne the heaviest burden in this respect.
14. Closures, with resultant unemployment, are not lightly sought by BSC senior management, who are only too well aware of the hardships and family upsets that this can create. It is because of this that they have supported the provision of substantial severance payments to redundant employees.

I have given considerable time and thought to the issues raised by your memorandum and I have re-examined a number of factors and sought further detail from Mr Bray and his team. Following this re-evaluation I am still convinced that the foundry at Distington should close.

I do not believe that it would be constructive or appropriate to agree to an independent enquiry not least because its findings would need to be acceptable to both Dowlais and Fullwood. Both these works are currently in possession of all the facts available to you and are, therefore, aware of the costings submitted by the three parties and the disparities that exist.

*Jan MacGregor.*