

Confidential Filings

The Steel Industry

NATIONALIST
INDUSTRIES

Part 1 June 1979

Part 16 December 1988

| Referred to | Date | Referred to | Date | Referred to | Date | Referred to | Date |
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| 2.12.88 | - | 20.10.93 | | | | | |
| 5.12.89 | | 23.12.93 | | | | | |
| 13.12.89 | | | | | | | |
| 31.1.90 | | | | | | | |
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| 30.12.91 | | | | | | | |
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| 18.1.93 | | | | | | | |
| 18.8.93 | | | | | | | |
| 25.8.93 | | | | | | | |
| 3.9.93 | | | | | | | |
| 11.10.93 | | | | | | | |

Material used by
official Historian
DO NOT DESTROY

PREM 19/3864



pla

ccmf
PU

Note

Foreign Sec agreed 24/12
that we should support EC in
imposing quotas
on FSU steel.
I have not
returned it
to Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

23 December 1992

MF
30/12

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

Prime Minister
To note.
The Chancellor strongly
opposes imposing
steel quotas on the
FSU.

① What are steel supports...
② do we have?
③ do other Member States have?
Dr. [Signature] 28.12

MF 24/12

STEEL

I have reflected further following our telephone conversation earlier this evening on the negotiations that have been held in Brussels over an EC steel regime after 1 January 1993. I have to say however that I continue to believe that the agreement now on offer is contrary to the interests of the UK, the EC or the FSU. In my judgement, we should use our veto to block it.

As I understand it, all the other 11 Member States (and the Commission) would like to impose quotas on steel imports from Romania, Bulgaria and the FSU. In respect of Romania and Bulgaria I believe that, reluctantly, we may have to accept quotas. They are to be imposed for a few months only, until the Association Agreements come into effect. I do not like this outcome, but I do not think it sufficiently serious for us to resist.

The same is not true, however, of the imports from the FSU. As I understand it, the proposal is that the Community would accept the import, without quotas or restriction of many steel products, including pig iron. But the proposal is also that for flat steel products there should be quotas which are below the 1992 import levels. For long steel products (where the FSU is not a major exporter), there is to be a high quota, way above 1992 import levels.

I recognise that British Steel very much want some quotas and have asserted that increasing imports are hurting them. I also



understand that other Member States have said that, in the absence of a Community wide regime, they will impose low, or even zero quotas on FSU steel at national level.

Nevertheless, I remain firmly of the view that we should resist this proposal.

On the substance:

- (i) There is no evidence that steel imports from the FSU or Eastern Europe are contributing significantly to British Steel's difficulties, or that they are "dumping" steel below the cost of production;
- (ii) If it were the case (which seems unlikely, given the low level of imports hitherto) that FSU imports were reducing UK steel prices, this would be to the advantage of British industry as a consumer of steel. We should not remove the potential benefits to jobs and competitiveness that such cheap steel might bring.
- (iii) The present proposal does not meet the terms which you established, and which we all agreed, namely that any quota should be above the 1992 steel import levels.
- (iv) It is against our fundamental interests to constrain the imports of FSU steel. The UK and the EC needs to do what it can to assist in the development of a prosperous and stable economy. We do not do that by restricting their imports in areas where they have some competitive advantage. Indeed to take such a step would be in flat contradiction of one of the key stated aims of the UK Presidency.
- (v) Although some Member States may threaten to erect national barriers, these would be very difficult to enforce in the single market. They could not, in practice, stop FSU steel being imported into restricted markets via unrestricted markets. In the case of the dispute over Commercial Defence Instruments, you have, with my full support, called the bluff of those Member States who threatened national restrictions in order to persuade us to accept procedural changes that would make protectionist action easier. You were right to say "no" then. It would be right to do the same here.

But I think there are also some additional reasons for resisting this proposal:

- (i) I fear that, as we move into the single market, there will be increasing calls for protectionist measures.

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We cannot always be sure of outvoting them. In this case, we have a veto. We should use it.

- (ii) The European Council has just welcomed the Commission report calling for freer trade with Eastern Europe and for Partnership with FSU. Our stance would be consistent with that. It would be for others to defend their actions against those agreed Conclusions. When they discover the difficulties of implementing national measures in the single market, they may well wish to make more of an effort to agree a regime more in line with EC policy. In the meantime, we can use the opportunity to rally those in other capitals who might be more sympathetic to our point of view - as opposed to those responsible for domestic steel industries, who have, I understand, been running policy in other Member States up to now.

Frankly, I do not see how we can defend a proposal, such as that now on the table, to the FSU, or to EC industry as a whole. We are in an unusually strong position to make a stand in favour of free trade. In my judgement, we should certainly take it.

In view of their wider interests in what has been, as I say, one of the key objectives of the UK Presidency, I am copying this letter to the Prime Minister and Douglas Hurd, as well as to Sir Robin Butler.

A handwritten signature in black ink, appearing to read 'N. Lamont'.

NORMAN LAMONT

Hustair,

Alc

● SoFS said that he wanted a statement drafted (which ^{is to be} ~~could either be issued or held~~ against enquiries) along the lines of:

"British Steel's statement confirms the operational details of the closure ~~and~~ of the plant Ravenscraig announced in January this year. I am sad to say that the worst expectations have been

fulfilled.

They ^{company} have ~~also~~ already spelled out their plans and we continue to be in touch with them on such matters as ~~reducing~~ retraining ^{and} environmental works on the site."

The SoFS said that we could say in any follow up questions that there was no news on Hunterston or Nucorps.

Anne Shewas

IND-OH

15 May 1992.

British Steel

News Release

BRITISH STEEL ANNOUNCES FINAL CLOSURE DATE FOR STEELMAKING
AT RAVENSCRAIG

British Steel announced on 8th January 1992 that it intended to close down its remaining steelmaking operations at Ravenscraig and the terminal facilities at Hunterston no later than September 1992.

Market conditions are such that there is now no requirement for Ravenscraig's output beyond the end of June. Accordingly, the decision has been taken to cease steelmaking on 27th June 1992 and a phased closure will be implemented at Ravenscraig and Hunterston.

The phased closure is being discussed with Trade Union representatives. As announced in January, a full counselling service is available and the ongoing task to relocate or redeploy the personnel affected to other parts of British Steel will continue.

ENDS

May 15th. 1992

N/R 1318



British Steel plc
Press and Information Office
9 Albert Embankment
London
SE1 7BN

Telephone: (071) 735 7654
Telex: 918061
Telefax: (071) 587 1142

Reference

COMMERCIAL IN CONFIDENCE UNTIL 15 MAY

cc Roy
DPO 75
f back to me
pl.

To:
Mr Yearly
Inf

From:
Caroline Normand
BTF1/3c
3/001 BPR
215 1094

14 May 1992

BRITISH STEEL: CLOSURE OF RAVENS CRAIG

1. As Robin Simpson's minute explains, British Steel will announce tomorrow morning, 15 May, that it is to bring the closure of Ravenscraig forward from September to June 27.
2. I attach a line to take for your use tomorrow.

Caroline Normand.

Caroline Normand

BACKGROUND

1. In January, British Steel announced the closure of their Ravenscraig plant with some 1,200 direct job losses and the same number of indirect losses. Closure was expected to take place in September, but due to lower than anticipated demand, British Steel will announce tomorrow, that the plant will close at the end of June.

2. British Steel have confirmed their adherence to an earlier undertaking to consider on a commercial basis any private sector offer for the steel making facilities at Ravenscraig. A US company, Nucor, have explored the possibility of developing thin slab casting at Ravenscraig; they have recently told Scottish Office Ministers that they are not interested in the Ravenscraig facilities, but could possibly be interested in a greenfield development at British Steel's nearby Hunterston site.

3. British Steel made a remarkable turnaround during the 1980s from a loss of over £1.7 billion in 1979 to profits of £733 million in 1989/90. However in common with most other European producers, results have deteriorated over the last two years due to depressed market conditions with excess capacity and low prices. The last set of interim results showed profits down from £307 million to £19 million, and experts are predicting a loss of up to £100 million for 1991/92

LINE TO TAKE

1. Decisions are a commercial matter for BS, not a political matter for the Government. BS needs to ensure that it continues to be successful, especially in the current difficult market conditions.
2. British Steel have assured HMG that they stand by their 1987 undertaking to consider private sector offers for its steel making facilities as an alternative to closure. The Government will urge BS to consider any commercially viable bid from Nucor or any other party for its assets at Hunterston or Ravenscraig.
3. [Defensive] BS' December 1987 undertaking that steel-making would continue at Ravenscraig until 1994 was made subject to market conditions. Current market conditions are made difficult by continuing over-capacity in many sectors of the steel industry.

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Government Chief Whip
12 Downing Street, London SW1A 2AA

From the Private Secretary

9 January 1992

Dear Tim,

The Opposition Chief Whip has asked me whether the Government was proposing to make a Statement on the closure of Ravenscraig. I said that to the best of my knowledge the Government had no intention of doing so since it was essentially a matter for British Steel and not for the Government. However, I am pretty sure that there will be a number of PNQs on Monday and there must also be the possibility of an application for a debate under S.O.20.

Obviously it is for the Speaker to decide whether to grant an S.O. 20, although one cannot immediately see what the urgency is. But he will probably come under some pressure and since no application under S.O. 20 has been granted since 1989, I suppose it is sensible to have a contingency arrangement in the event of him granting the debate.

If he did agree that the application fell within the Standing Order, the debate would probably be granted for the commencement of business on Tuesday, 14 January rather than for 7.00 pm on Monday, 13 January. If that were to happen then I think the Business Managers would wish to consider moving the Defence debate to the Wednesday and postponing the remaining stages of the Coal Industry Bill to a later date. This would obviously require a business statement to be made by the Leader of the House, which I think could probably only be made at 10.00 pm on Monday since we will not know the Speaker's decision until after any Statements or PNQs which there may be on Monday. Perhaps we might discuss this further with the Lord President on his return?

I am sending a copy of this letter to William Chapman (No. 10), Alan Fraser (Scottish Office), John Neilson (Department of Energy), Simon Webb (Ministry of Defence) and Robert Canniff (Chancellor of the Duchy of Lancaster's office).

Yours,
Murdo

MURDO MACLEAN

Tim Sutton Esq
Private Secretary to the Lord President
68 Whitehall, London SW1



CONFIDENTIAL

RAVENS CRAIG: STATEMENT BY SECRETARY OF STATE

Today's announcement by British Steel that they are to close their main Ravenscraig plant is hugely disappointing.

It cannot come as a complete surprise to anyone aware of the national and international market conditions and the recent sharp downturn in British Steel's trading performance. But it is particularly regrettable that British Steel have been unable to maintain the plant at least until 1994, in line with their earlier undertaking. I have pressed the Chairman of British Steel to make public his assessment of the market conditions that justify breaking their undertaking; it is for the company now to justify their unwelcome decision.

The closure of Ravenscraig will bear hardest on North Lanarkshire. In the light of the recommendations of the Lanarkshire Working Group, substantial extra help has already been provided, and there is already a wealth of planning and activity in the area geared towards economic growth. The recent announcement that British Rail are to locate their Channel Tunnel Railfreight Terminal at Mossend is a welcome example. We have given priority to Lanarkshire in our spending plans, and have made available very substantial sums through Scottish Enterprise - £15m this year and up to £25m next year - to tackle the problems of the area, and to help open up new opportunities. We have increased the capital allocations to local authorities in North Lanarkshire for factory building in the current year; and we have agreed extra resources for upgrading key motorway junctions in the area.

The Government has also now completed its appraisal of the suitability of sites in North Lanarkshire for Enterprise Zone status. The Government's policy is that such status is now granted only in exceptional cases where it is justified by a rigorous appraisal of benefits and costs. However, I am pleased to announce today that, following such appraisal, we have decided to support Enterprise Zone status for the area. We will now seek the necessary agreement of the European Commission. If that is secured, I expect there to be major economic benefits to North Lanarkshire. Preliminary estimates are that net additional public sector expenditure associated with an Enterprise Zone of some £50m over a 10 year period should secure 7,500 net additional jobs for the area.

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BRITISH STEEL

News Release

BRITISH STEEL TO END REMAINING STEELMAKING
OPERATIONS AT RAVENS CRAIG

British Steel regrets to announce that in the light of the present and forecast commercial situation in its national and international markets it is to close down its remaining steelmaking operations at Ravenscraig and the terminal facilities at Hunterston no later than September 1992. The decision follows a detailed and exhaustive review of the Company's capacity for strip products and has been made against the background of the continuing deep global recession and general price weakness.

The closures will result in 1220 job losses. The Company is giving nine months' notice of the closures to facilitate an orderly rundown of plant and equipment. It will ensure that all possible measures are taken to alleviate the effects of the closures. A full counselling service will be set up and attempts made to relocate or redeploy the personnel affected to other parts of British Steel.

British Steel plc
Press and Information Office
9 Albert Embankment
London
SE1 7SN

Telephone: (071) 735 2854
Telex: 816081
Telefax: (071) 307 1142

The Company closed the hot strip mill and moved to a single blast furnace operation at Ravenscraig last year. Previously it had indicated that there would be a need for slabs to be made at Ravenscraig until 1994, subject to market conditions. Current and forecast poor conditions in the market mean that there is no requirement for Ravenscraig's output beyond September this year. British Steel has already approved capital expenditure further to develop slab casting facilities at Llanwern at an appropriate time, thus releasing additional steelmaking capacity there and enabling the Company to take full advantage of its competitive steelmaking facilities in South Wales and to reinforce its global trading position.

Discussions with trade union representatives will begin immediately and, as in the past, British Steel will take positive steps through British Steel (Industry) Ltd., to assist in the creation of new job opportunities in the Motherwell area.

The closure of steelmaking facilities at Ravenscraig will not affect the plate rolling facilities at Dalzell.

January 8, 1992

N/R 1310

CONFIDENTIAL**RAVENS CRAIG: STATEMENT BY SECRETARY OF STATE**

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Given today's news, I shall consider whether, as well as the very large programme of extra investment now proposed for North Lanarkshire, there are other ways in which its economic needs can sensibly be addressed. To this end, I am asking Allan Stewart to secure the effective co-ordination of efforts of the Lanarkshire Development Agency, the Scottish Office, Scottish Enterprise, LIS, the local authorities and British Steel (Industry) so that all the bodies involved play their full role in the economic regeneration of Lanarkshire.

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British Steel

News Release

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British Steel plc
Press and Information Office
9 Albert Embankment
London
SE1 76N

Telephone: (071) 735 7654
Telex: B15087
Telefax: (071) 587 1142

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January 8, 1992

N/R 1310



T.D.M.
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BHP
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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Peter Lilley MP
Secretary of State for Trade & Industry
Department of Trade & Industry
1-19 Victoria Street
LONDON
SW1H 0ET

25 April 1991

Dear Peter,

**SECOND REPORT FROM THE TRADE AND INDUSTRY COMMITTEE IN
SESSION 1990-91: BRITISH STEEL - RAVENSCRAIG AND CLYDESDALE** *gap*

Thank you for sending me a copy of your letter of 16 April to John MacGregor, seeking his views on your proposal that we should not accept the recommendation of the Trade and Industry Select Committee that there should be an early debate on the future of the UK steel industry.

Although the Government may well be criticised for refusing a debate, I understand it is unusual for a Select Committee to make such a recommendation. It therefore could not be said that the Government was breaking with tradition in refusing a debate. Although a debate is unlikely to serve any useful purpose, we should perhaps bear in mind the possibility that we could come under pressure to agree to steel being the subject of a Matter Day or Estimates Debate. Nevertheless, I share your view that we should not offer a debate in response to the Select Committee's report.

In addition to the considerations mentioned in your letter, I am concerned that a debate would lead to fresh calls for Government intervention to "save" the Scottish steel industry. Following publication of the final Arthur Little report, there is a general acceptance that, however unwelcome the demise of the Scottish steel industry may be, the industry faces an extremely bleak future and the emphasis should be on diversifying and rebuilding the Lanarkshire economy. A further debate at this stage would simply be an opportunity for the Opposition to reopen the issue and for political point-scoring by them.

Turning to the draft memorandum which you propose to send to the Committee, our officials have of course discussed this and I am generally content. However, in view of the disclosure on 22 April that British Steel have begun to dismantle and remove from the site certain plant

ancillary to the Ravenscraig hot strip mill, I suggest the following addition at the end of the response to Recommendation 5:

"In the light of the Select Committee's recommendations, the Secretary of State for Scotland wrote to the Chairman of British Steel inviting him to reconsider the company's stated attitude to the sale of the hot strip mill. The Chairman's response indicated that the board was not prepared to alter its position and that the company intended to remove some items of plant ancillary to the strip mill. Although this process has now commenced, we understand the mill itself has not been dismantled and remains operable for the time being."

I am copying this letter to the Prime Minister, John MacGregor, the Chief Whip, David Hunt and to Sir Robin Butler.

Yours ever,
IAN

IAN LANG

NAT (IND)

STEEL

PL 16



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switsfwrdd)
071-270 0538 (Llinell Union)
Fax: 071-270 0561



n.b. P.M.
BAP
25/4

celj

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switchboard)
071-270 0538 (Direct Line)
Fax: 071-270 0561

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon David Hunt MBE MP *From the Secretary of State for Wales*

CT/12241/91

g/h/r April 1991

Dear John

I have seen a copy of Peter Lilley's letter to you of 16 April about the Report of the Select Committee on Trade and Industry on the British Steel closures at Ravenscraig and Clydesdale.

I agree with his proposal that we turn down the Committee's recommendation for a debate. The terms in which debate is suggested are wide and I would not want to go over again the already well-aired issue of recent Welsh steel job losses.

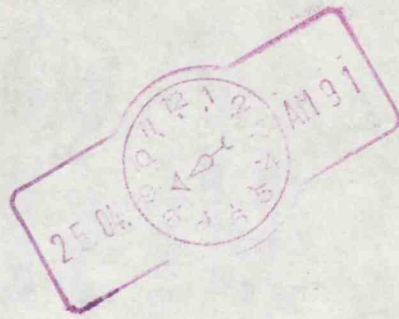
Copies of this letter go to the Prime Minister, the Chief Whip, Peter Lilley, Ian Lang and Sir Robin Butler.

John MacGregor

[Signature]

The Rt Hon John MacGregor OBE MP
Lord President of the Council and Leader
of the House of Commons
68 Whitehall
LONDON
SW1

NAT 1NO : Steel ATIC





The Rt. Hon. Peter Lilley MP

1. DM
2. n.s.p.m.
ITP
16/4

ccp/1

Rt Hon John MacGregor OBE, MP
Lord President of the Council and Leader
of the House of Commons
68 Whitehall
London
SW1

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071 215 5233
Our ref JW4133
Your ref
Date 16 April 1991

Dear John

SECOND REPORT FROM THE TRADE AND INDUSTRY COMMITTEE IN SESSION
1990-91 : BRITISH STEEL - RAVENSCRAIG AND CLYDESDALE

As you will know, the Trade and Industry Select Committee published its report on the closures at British Steel's Ravenscraig and Clydesdale plants on 14 March. Although we have until 14 May to respond, there are I think advantages in trying to respond earlier before we are overtaken by any further developments. For the most part our response will follow our established line, as you will see from the enclosed copy of the draft memorandum I am proposing to send to the Committee. As you will also see however, I am suggesting that we do not accept the Committee's recommendation that there be a debate and it is on this issue in particular that I would appreciate your views and those of colleagues.

The Committee's recommendation in full was that "an early debate be held in Government time on the future of the United Kingdom steel industry." In their report the Committee having acknowledged that the powers of the Government are limited, go on to say that in their view "the closure (of the hot strip mill at Ravenscraig) has significance for the whole of the steel industry in Scotland. Although a debate has taken place in the House on the closure of Ravenscraig, we believe that further discussion is needed at an early date to consider the merit of retaining a saleable steel industry at Ravenscraig and to hear and discuss the views of Government on the future of steel production in the United Kingdom."

dti

the department for Enterprise



Recycled Paper



the department for Enterprise

The subject of Scottish steel is, of course, a highly charged political issue. A refusal to accept the recommendation would be controversial against that background. I think, however, that for present purposes we should not be ruled solely by the Scottish dimension. In that context it is clear that we will be criticised whatever we do and a debate will only give a further opportunity to rake over the coals. Even when put in the context of our privatisation policy, explaining to the House that the Government has no direct role in the affairs of a privatised British Steel, is bound to give rise to controversy and fuel the negative elements. Moreover the House has already considered the matter.

The question of refusing to accept a unanimous Select Committee recommendation is, however, rather different. But even so, I think we should. The Committee could have reached a conclusion concerned with the undertakings British Steel gave in 1987 on their future plant strategy and which formed one of the planks on which the privatisation was founded. I would have accepted this as a matter for Government and that a debate was appropriate. But they did not, even though they considered this issue at some length and it featured during their press conference. Rather the Committee expressed views on "the merit of retaining a saleable steel industry at Ravenscraig" and "the future of steel production in the United Kingdom". These are issues over which the Government does not have, and does not intend to have, direct control or involvement. Moreover, accepting the need for a debate would inevitably undermine to some extent the fact that the disposition of its plants is entirely a matter for British Steel and has nothing to do with the Government, provided the undertakings are met.

On balance therefore, I am inclined to bite the bullet and refuse the Committee's recommendation. This stance would be fully consistent both with our highly successful privatisation policy, and our policy of leaving companies to manage their own affairs free from political interference.

In order to keep up the momentum on our response to the Committee I would appreciate views as soon as possible, and by 24 April if at all possible. I am copying this letter to the Prime Minister, the Chief Whip, Ian Lang, David Hunt, and Sir Robin Butler.

Yours ever

Peter



Recycled Paper

THE GOVERNMENT'S REPLY TO THE SECOND REPORT FROM THE TRADE AND
INDUSTRY COMMITTEE IN SESSION 1990-91 : BRITISH STEEL -
RAVENS CRAIG AND CLYDESDALE

Memorandum by the Department of Trade and Industry

The Committee made seven recommendations of which two (numbers 5 and 7) were addressed to the Government. The Government also has an interest in one other recommendation concerning the report by Arthur D Little Ltd. The Government's response to these recommendations is as follows.

Recommendation 5 : We recommend that the Government seek urgent assurances in the public interest that British Steel will not dismantle or remove the strip mill at Ravenscraig until all possibilities of sale have been fully explored and exhausted.

The Government considers that it is quite clear that British Steel's undertaking that it would consider offers for the steelmaking facilities at Ravenscraig as an alternative to their closure does not include, and never has included, the hot strip mill at Ravenscraig. Indeed, this point was made specifically at paragraph 7 of the Department of Trade and Industry's Memorandum submitted to the Committee in December 1990 and the position was confirmed by the Secretary of State for Scotland in his evidence to the Committee on 12 December. While there may be advantages in keeping the hot strip mill intact for a period after its closure, the assets belong to British Steel Plc and the Government recognises that it is for the company alone to decide how to dispose of them. Moreover, so far as the Government is aware there have been no offers for these assets in the 11 months since the closure was announced.

Recommendation 6 : We recommend that both options identified by Arthur D Little Ltd for the future of Ravenscraig be thoroughly explored, and that British Steel cooperate fully with the studies required.

Since the Committee reported, the final report of Arthur D Little's study has been published. This indicates that, although the options concerned could in certain circumstances be commercially viable, there would be considerable difficulty in bringing any project to fruition. The Secretary of State for Scotland has nevertheless arranged for copies of the report to be sent to all the parties who had expressed any interest in the future operation of Ravenscraig, inviting them to say whether their potential interest is likely to result in a firm proposition being put to British Steel. He has also sent a copy to British Steel, drawing its conclusions to their attention and inviting them to give very serious consideration to the report and to any commercial propositions which it might stimulate.

Recommendation 7 : We recommend that an early debate be held in Government time on the future of the United Kingdom steel industry.

Now that the whole of the United Kingdom steel industry is in the private sector, the Government does not have, nor should it seek, any direct role in the management or disposition of the industry. And of course, as the Committee acknowledges the House has already had an opportunity to debate the specific question of the closure of the hot strip mill at Ravenscraig. In these circumstances, the Government does not consider that any useful purpose would be served by a debate.



CF R15/2
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

COVERING CONFIDENTIAL

Dominic Morris Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

Overtaken
SM
18 February 1991

Dear Dominic

Thank you for your letter of 22 January, which recorded the Prime Minister's meeting that day with John Reid MP to discuss the implications of the impending closure of the Clydesdale seamless tubeworks at Bellshill, Lanarkshire. You requested a note from the Scottish Office on the prospects for the Scottish steel industry in the light of the Arthur D Little study and the steps being taken to follow through on the most likely course.

I attach a note which outlines the position on this.

*Yours
JD*

J D GALLAGHER
Private Secretary

COVERING CONFIDENTIAL

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PROSPECTS FOR SCOTTISH STEEL INDUSTRY: POSITION AT MID-FEBRUARY 1991Summary

It is now generally accepted that the Scottish steel industry's short and long-term prospects are poor, following publication of the interim findings of the Arthur D Little study and the decision of the respective workforces to accept as inevitable the closure of the Ravenscraig hot strip mill and most of the Clydesdale tubeworks. There has been a slump in demand for strip products in the UK and we suspect this could lead to further substantial redundancies at Ravenscraig later this year. The downturn in demand may yet be so severe as to prompt BS to seek to be released, on the grounds of market conditions, from the undertaking given before steel privatisation to continue steelmaking at Ravenscraig at least until 1994. But it should be stressed we have had no formal indication from BS that this may happen. British Steel's review of plate production strategy has produced a preferred option which would result in closure of the Dalzell plate works; but Dalzell should be safe at least until 1994 unless BS propose early closure of Ravenscraig.

The Scottish Development Agency/Arthur D Little study is evaluating 2 possible options for Ravenscraig and one for Clydesdale - but these options may yet turn out not to be viable. The opposition parties continue to press the Government to refer British Steel to the Monopolies and Mergers Commission and to promote the sale of the Scottish plants. Work continues in the Scottish Office-chaired Lanarkshire Working Group to identify measures which will help to stimulate regeneration and diversification of the Lanarkshire economy.

Way Forward

The way forward is to seek to demonstrate that, while the Government will continue to do what it can to secure the retention of any parts of the Scottish steel industry which are identified as commercially viable, there is no question of the Government intervening in British Steel's commercial decisions; that the long-term interests of Lanarkshire would be better-served by the creation of a more broadly-based economy; and that the path to that future lies in the current work of the Lanarkshire Working Group which will be taken forward by the Lanarkshire Development Agency and Scottish Enterprise.

Arthur D Little study

The Scottish Development Agency and Arthur D Little are evaluating the 2 most promising options identified in the consultants' interim findings, which were published on 24 January. These are:

1. The development of thin slab casting at Ravenscraig using the plant's existing steelmaking facilities.
2. The use of Ravenscraig to supply slab on a contractual basis to third parties.

The prospect of either of these options proving to be viable is rated as no higher than 25%. A further option, involving an investment of

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£30-50m at Clydesdale is also being evaluated. These options are being discussed with BS, without whose cooperation none of them could be taken forward. There are likely to be considerable difficulties here since BS are very reluctant to cooperate in any option other than the slab export option for Ravenscraig. The consultants' final report, which will be published before the end of March, will indicate the extent to which any of these options is likely to be viable.

Remedial measures

The Secretary of State considers the prime need is to revitalise the local economy in Lanarkshire. Scottish Enterprise and the Lanarkshire Development Agency (LDA) will - once they are operational - form the main channels for Government support for Lanarkshire. They will combine the economic and training powers and funds hitherto operated by the Training and Scottish Development Agencies, and bring the knowledge of the local business community to bear on Lanarkshire's economic needs. The Scottish Office Minister for Industry is supervising a Lanarkshire Working Group to consider remedial measures for the area. This Group is being chaired by a senior official from the Scottish Office Industry Department. It brings together the top officials from the various agencies involved in delivering economic regeneration measures in Lanarkshire. The Working Group has no formal remit but has the following broad objectives:

1. to identify the main physical, economic, environmental and administrative constraints to revitalising the local economy in the wider Lanarkshire area;
2. to make recommendations on the measures which could be adopted to resolve these problems; and
3. to consider how these measures might best be implemented.

The Working Group expects to produce its report by around the end of April. After that, the Lanarkshire Development Agency (with support from Scottish Enterprise) will take the lead in implementing remedial measures.

It has been made clear - to the Group and beyond - that no proposal should be ruled out from consideration on grounds of public expenditure costs. However, the Group has been asked, in the first instance, to ensure that the considerable amount of Government finance already available to the various agencies in the area is being effectively utilised through proper coordination of spending programmes. The need for additional resources will be judged in the light of the Working Group's final recommendations.

Ravenscraig

The hot strip mill closed officially on 15 February with the loss of 770 jobs. One of the plant's 2 operational blast furnaces was shut down, ostensibly on a temporary basis, on 9 February. BS are to review the situation at the end of March, but in the light of a 13% drop in UK demand for strip products in the current quarter compared with the same quarter last year, there are indications that the company may decide to

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close the furnace permanently, with the loss of 1,000 or more jobs - but this is not in the public domain. Operating on the basis of a single furnace is likely to reduce the plant's viability, possibly to the point where BS would wish to close it completely, on the basis that market conditions had deteriorated to the extent that the company should be released from its undertaking to continue steelmaking at Ravenscraig at least until 1994. This would of course be a further serious blow to the Lanarkshire economy.

Dalzell Plate Works

Dalzell, which has 670 employees, is also covered by BS' undertaking to continue production until 1994. Dalzell receives all its slab from Ravenscraig and any decision to close Ravenscraig would obviously bring Dalzell's future into question. BS are currently reviewing plate production strategy and have indicated to the Secretary of State that the board is to consider recommendations for an investment of £430m on a single plate mill, probably to be located on Teesside. The current downturn in demand is also affecting the plate sector and the company may yet decide to defer any decision on major investment for the time being.

Clydesdale/Imperial

1200 of Clydesdale's 1400 employees are to be made redundant at the end of March, when BS propose to implement their decision to cease steelmaking and tube production at Clydesdale. BS intend to remain in the seamless tube market by importing unfinished tube from European manufacturers for finishing in Scotland. Arthur D Little identified the possibility of a viable future for Clydesdale based on the investment of around £60m. This option was discussed with BS, prior to publication of the interim findings of the study, when it was made clear that BS intended to retain their share of the North Sea tube market. In view of this and as BS' cooperation is essential if any of the options for Ravenscraig is to be fully explored, it was decided to set aside the Clydesdale option. However, following representations from former BS managers, supported by Motherwell District Council, the SDA and the consultants are to reconsider a proposal similar to this option and will seek to ensure that BS give full consideration to the commercial case for retaining Clydesdale. On the face of it, the economics of importing pipe for finishing in Scotland look less favourable than making the investment necessary to enable Clydesdale to return to profitability. But some of the underlying assumptions look questionable and this option may turn out to be of doubtful viability.

Prospects for Sale

Various companies or individuals have approached the Scottish Office expressing potential interest in acquiring all or part of Ravenscraig or Clydesdale. The Scottish Office has also followed up reports that certain overseas companies, mainly Japanese steelmakers, are potentially interested in investing in Scotland. While support and advice has been provided as necessary in order to assist the parties concerned, it has been made clear to them that the assets belong to BS and that the Government cannot act as a broker between the company and a potential

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purchaser. So far as we are aware, no firm offers have been made to BS for any of the assets concerned.

Role of competition authorities

Ministers have come under pressure to make a monopoly reference to the Monopolies and Mergers Commission on the grounds that BS' refusal to disclose the commercial case for closure of the hot strip mill, in particular, and the company's refusal to make the mill available for sale to potential competitors amounts to anti-competitive behaviour.

Ministers have responded by saying it has been their practice to leave the exercise of monopoly reference-making powers to the Director General of Fair Trading and that the Director General, having considered representations on the matter, does not consider he would be justified in making a reference. In the case of Treaty of Paris steel products (all the products of Ravenscraig and Dalzell and Clydesdale's steelmaking are in this category) the European Commission has jurisdiction on competition issues and the Commission, having also considered representations, has given its provisional view that there is no evidence that BS has abused a dominant position. We expect a final view soon; it is likely to confirm that position.

Inquiry by Trade and Industry Select Committee

The Trade and Industry Select Committee began an enquiry into the planned closure of the hot strip mill and the Clydesdale works in November 1990. The Secretary of State for Trade and Industry has provided written evidence and our Secretary of State gave oral evidence on 13 December. The Committee has also taken oral evidence from Sir Robert Scholey, the trade unions, the Scottish Development Agency and Arthur D Little. It is likely that the Committee's report, which is expected to be published in mid-March, will be highly critical of British Steel's refusal to reveal, to the trade unions and the Secretary of State, the commercial case for these closures and of the company's refusal to make the hot strip mill available for sale. In this connection, the Committee is concerned that British Steel has not adhered to one of the undertakings announced in December 1987 and repeated in British Steel's privatisation prospectus - to consider private sector offers for the steelmaking facilities at Ravenscraig as an alternative to closure. Some members of the Committee consider that this undertaking should extend to the hot strip mill. In fact, the hot strip mill has never been covered by the undertaking and this has been made clear to the Committee by DTI and Scottish Office Ministers.

National Sports Stadium

There is little to say on the prospects for a new national sports stadium to help regenerate the Lanarkshire economy. The Scottish Football Association needs to move quickly so that its major matches can be played before all-seated crowds, in compliance with the Taylor Report and international football regulations. The Association is presently considering several options for a national stadium, including the site at Strathclyde Country Park mentioned on 22 January by Dr John Reid MP and a site nearby at Bothwell. At present the Association is assessing the viability of refurbishing Hampden Park in Glasgow, the existing,

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extremely dilapidated national stadium. It seems likely that we will be asked to meet some of the costs. But if Hampden is refurbished, all other options would fall, as a national sports stadium would not be viable without major football usage.

Michael Forsyth has met Dr Reid and the consortium promoting the Strathclyde Country Park option. The Motherwell Enterprise Trust estimate some 4,000 jobs during the construction of the stadium and other developments on the site and some 2,700 permanent jobs. Of these, only about 250 low quality jobs would be related to the stadium, with the balance being in business, distributive, leisure and retail developments which would be essential contributors to the total package.

The timing of decisions on this is uncertain. It may be some months yet before the SFA takes a final decision on Hampden. For the present, it is not possible to view a national stadium as a serious candidate for a flagship project to lead the regeneration of Lanarkshire.

Scottish Office
February 1991

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MEETING RECORD

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 January 1991

Dear Tim

The Prime Minister saw Dr. John Reid MP this afternoon, at the latter's request, to discuss the proposed closure of British Steel's Clydesdale works and the steel industry in Scotland generally. Mr. Stewart was also present.

Dr. Reid said that the steel industry, in particular Ravenscraig, had been seen over the past decade in Scotland as a political touchstone. In contacts with the unions and the press in advance of the meeting with the Prime Minister, he had been at pains to explain that the purpose of his meeting had simply been "to see the man at the top" to explain the social consequences of steel closures. In his view, the closure of Ravenscraig would lead to 25 per cent unemployment (and 40 per cent male unemployment) in the Lanarkshire TTWA; and if Clydesdale and Dalzell were added the unemployment levels would be the worst anywhere in Great Britain.

He believed there was some prospect of commercial viability for Clydesdale because of the expansion in the north sea market. The workforce had improved productivity substantially but there had been no investment in the plant and, as it stood, it was unproductive. He recognised that there was substantial over-capacity of tubes but if no tubes were produced at Bellshill, they would need to be imported. He was not expecting the answer "yes", but he had to ask formally whether the Government was prepared to intervene. Second, and more important in view of the social consequences, what measures could the Government take to alleviate the unemployment that would follow closure. His particular suggestion was for a new national sports stadium for Scotland based on a combination of public and private finance. This would create 3-5,000 jobs in Lanarkshire over five years. It would cost some £120 million. Tarmac were very interested. The problems lay with the Strathclyde structure plan and the indecision of the Scottish Football Clubs as between the competing sites, (and by the way, it would also require a public sector contribution of £10-15 million). Mr. Stewart confirmed that Scottish Office officials were looking at this proposal and he expected them to report within the next two months on whether the proposal might be viable. If so, the Scottish Office would look at it in depth.

In answer to a question from the Prime Minister, Mr. Stewart said that British Steel had made efforts to find a buyer for Clydesdale but so far there had been no firm offers. The A.D. Little study, due out the following week, would give an independent view on the costs of necessary investment where there

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- 2 -

was a wide disparity at present between British Steel and the unions.

The Prime Minister commented that the A.D. Little report could set in chain one of two courses of action. Either it would suggest some commercial options for the future of Clydesdale, in which case they would need to be pursued; or it would make clear that there was no commercial future, in which case the contingency efforts to deal with what could become significant unemployment in Lanarkshire would need to be put into effect. He would not be pressed on details of what the Government would do in way of regenerative measures as it would depend in part on the scale of the problem. It was also important that British Steel should not take lightly any commercial decisions about the future of Ravenscraig and that any Government regenerative measures for the local economy should not lessen that responsibility. As to Government intervention, as Dr. Reid would expect, the answer had to be that the future of Clydesdale must be a commercial decision for British Steel. Dr. Reid said he welcomed the Prime Minister's assurances on future regenerative measures. There was a severe risk to the social fabric of Lanarkshire if there were a long gap before the generation of new industries and jobs.

At the end of the meeting, Dr. Reid said he would make it known to the unions and the press that the Prime Minister had discussed the Clydesdale closure and that, in the Prime Minister's view, intervention would not be helpful. He would say that he had found the Prime Minister well briefed on the economic and social consequences for the area, but the discussion had not got on to specific projects. The Prime Minister said that Dr. Reid might add that he was not unsympathetic to the problem; that he was in touch with the Scottish Office on the work going on to find alternative employment and that the Government had no intention of "abandoning Lanarkshire".

After Dr. Reid had left, the Prime Minister said he would be grateful for a full note from the Scottish Office on what you expected could happen in the light of the A.D. Little study and what steps were being taken to follow through on the most likely course. We will certainly need to be well briefed before the Prime Minister goes to Scotland again in March, but I think he would like a note on Scottish Office views on the way forward between now and then. Could I ask for a suitable note by mid-February.

*y
has ever
Dominic*

DOMINIC MORRIS

Jim Gallagher, Esq.,
Scottish Office.

CONFIDENTIAL

HOME MINISTER


(Motherwell) tubes in Clydesdale
- 85% w. Sec. ✓ *o/cap. in Europe*

After Questions tomorrow you are seeing Dr. John Reid MP (Motherwell North) about British Steel's proposed closure of the Clydesdale tube works at Bellshill in his constituency.

The meeting is primarily for him to set out the case for retaining the plant. That has to be for British Steel's commercial judgement so you will be able to do little more than listen sympathetically. There is a fuller brief in the folder from the Scottish Office but there are three main points you can make:

- British Steel have to take commercial decisions in the interests of the group as a whole. They have actively sought partners for Clydesdale so far without any success. They have said they would consider any serious offer;
- British Steel has also undertaken not to close the plant before the results of the SDA's wider study into the Scottish steel industry is available (in March);
- the Working Group set up to look at ways of revitalising the Lanarkshire economy has already begun meeting. There is a considerable volume of public finance already available to the various agencies (cf10-£20 million a year) and the Working Group's main task will be to ensure that this is most effectively used to deal with Lanarkshire's difficulties. [If pressed: obviously the need for additional resources would have to be considered in the light of the Working Group's recommendations.]

Allan Stewart (Parliamentary Secretary at the Scottish Office) and I will sit in on the meeting.



DOMINIC MORRIS

21 January 1991

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SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Dominic Morris
Private Secretary
10 Downing Street
Whitehall
LONDON
SW1A 2QQ

21 January 1990

Dear Private Secretary

The Prime Minister is to meet Dr John Reid MP to discuss the closure of the Clydesdale tubeworks at Bellshill, in Dr Reid's constituency on 22 January.

I attach briefing for the Prime Minister's use at the meeting.

J D Gallagher
PP
J D GALLAGHER
Private Secretary

PROPOSED CLOSURE OF CLYDESDALE TUBEWORKS

Background Note

Facilities

1. The Clydesdale (Bellshill) and Imperial (Airdrie) Works are an integrated operation producing seamless steel tube from steel scrap. Employment at Clydesdale is 1,400 (330 of whom are involved in steelmaking and the balance on tube making) and 400 at the Imperial finishing plant. Clydesdale is the only UK tubeworks producing seamless tube in its particular (comparatively large diameter) range. The electric furnace and continuous casting facility are relatively modern, as are the quenching and tempering plants and the machining and finishing facilities. But the Pilger mills, in the middle of the process, are about 40 years old. Modern plug mills would enable BS to meet the higher specifications increasingly in demand but would have required capital investment estimated at £60m to £100m by BS.

Market

2. Clydesdale is highly dependent on the North Sea offshore oil and gas sector, which takes about 80% of output. There is European and world over-capacity in seamless tube production with more capacity coming onstream. European capacity is about 8 million tonnes but demand is only about 2 million tonnes and world capacity in the sector is only about 40% used.

Prospects

3. British Steel announced on 8 November their decision to close the steelworks and tubemills at Clydesdale. They are holding discussions with the trade unions with a view to completing the closure at the end of March. The closure will result in a loss of around 1,200 jobs out of the 1,400 employed at Clydesdale. The Imperial Works will continue in operation, subject to BS concluding satisfactory arrangements with a (unnamed) foreign company. Imperial will be supplied with lower cost pipe from abroad, some of which would be heat treated initially at the quench and temper plants at Clydesdale.

Trade Union Response

4. The Trade Unions claim the plant's short term viability could be secured by the investment of between £12m and £15m. British Steel's view is that the investment proposed by the unions would tide the plant over for some 5 years, during which time they would continue to make substantial losses at the plant. Following a meeting with BS Chief Executive on 18 January the unions are reported to have concluded that their attempts to save the Clydesdale plant have failed.

Possibility of Sale of Clydesdale

5. British Steel have said that they would consider any serious offer for the Clydesdale plant but that they seriously doubt whether any such offer would emerge in view of the unfavourable market conditions. Rumours of Japanese interest in Clydesdale have proved unfounded.

FORECAST

- Cost and practicability are factors the Group cannot ignore. But I can confirm that no proposal will be ruled out simply because it needs extra resources.

If Pressed on 21 Jan Glasgow Herald article comparing Scottish and Welsh Development Agency funding on steel closures

- SDA funding has been stable through the 1980s: WDA funding dipped and is now catching up.
- Current relationship between SDA and WDA gross spend has stayed same (1.2) for last 4 years. Comparisons in Herald do not take account of New Town or Highland and Islands Development Board/Development Board for Rural Wales expenditure.

(SDA annual budget is c £180 million).

Dr Reid's involvement with steel

6. Dr Reid has played an active role in the steel debate, as the Clydesdale plant is in his constituency. He has tabled a succession of Parliamentary Questions to the Secretary of State for Scotland concerning steel in which he has pressed for investment in the Scottish plants, for investigation by the competition authorities and has questions about the SDA study.

SDA Study

7. The SDA's study was at the Secretary of State's request. They engaged consultants Arthur D Little to carry out a wide-ranging analysis of the prospects and opportunities which might arise for the steel industry in Lanarkshire or elsewhere in Scotland.

8. [NOT TO BE DIVULGED: The interim findings of the SDA steel study, which are to be published on 24 January, suggest that the Clydesdale plant could have a viable future based on investment of around £50m. The willingness of British Steel, or any other potential investor, to exploit this potential opportunity will be explored in phase 2 of the study.]

Lanarkshire: Remedial Measures

9. The Scottish Office-headed Lanarkshire Working Group had its first meeting on 11 January. The Group - made up of chief officers of the various agencies involved in economic regeneration in the area - will identify constraints to revitalising the local economy and make recommendations on remedial measures around the end of April 1991. Scottish Enterprise and the Lanarkshire Development Agency will then take over the reins.

10. The Group's setting up was prompted by the need for co-ordinated action to tackle the problems of the area in the wake of large steel job losses. The Working Group will not simply look at the problems of Motherwell District, where the steel closures will take place. The issues to be tackled apply to the local labour market which operates over the whole of Lanarkshire. The search for remedial measures has to be conducted at that wider level.

11. Despite pressure from many quarters, no assurance has been given to the Working Group that new money will be made available for any measures it might propose. The Group has been asked, in the first instance, to ensure that the considerable volume of government finance available to the various public sector agencies represented on the Group is being effectively utilised. The need for additional resources will have to be judged in the light of the Working Group's recommendations.

Scottish Office
January 1991

FORECAST**CLOSURES IN SCOTTISH STEEL INDUSTRY**Announced Closures/Direct Job Losses

- Ravenscraig hot strip mill to close 5 April 1991; loss of 770 jobs
- Clydesdale seamless tubeworks to close by end March 1991; loss of 1200 jobs.

Consequential (indirect) Job Losses

- Around 3000, of which 1400 in Lanarkshire
- Lanarkshire male unemployment rate will rise to around 13.4%
- total cessation of steelmaking in Scotland could lead to around 15,000 job losses.

Remaining Scottish Steel Industry

- Steelmaking at Ravenscraig; 2500 jobs
- plate rolling at Dalzell; 670 jobs
- British Steel have confirmed that these operations will continue at least until 1994.
- tube finishing at Imperial; 400 jobs

Scottish Development Agency Study

- Commissioned by Secretary of State for Scotland
- wide ranging analysis of prospects for steel industry in Scotland
- scheduled for completion by March 1991
- interim findings presented to Agency's steering group on 17 December
- findings not encouraging but one or 2 options identified which may merit further investigation
- British Steel have undertaken not to demolish plant at Ravenscraig or

Clydesdale in advance of completion of study

- British Steel have also agreed to co-operate with study.

Sale of Assets

- Assets belong to British Steel; decision on sale is ultimately a commercial matter for the company
- Government hopes BS will give careful consideration to any offers they may receive
- Scottish Office has followed up all approaches and reports of potential interest; not aware of any firm offers so far.

Select Committee Inquiry

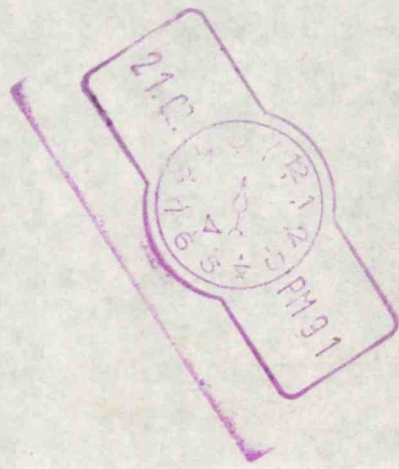
- Note Select Committee's decision to require BS to release details of commercial case for closure of Scottish plants
- Government considers as much information as possible should be made available to workforce and potential purchasers.

Mothballing of Plant

- Welcome British Steels undertaking not to dismantle plant in advance of completion of SDA study
- trust British Steel will give serious consideration to any opportunities which SDA study may identify.

Remedial Measures

- Working Group will identify measures to help regenerate Lanarkshire economy.
- It will give a kick-start to regeneration - then the Lanarkshire Development Agency and Scottish Enterprise will take over reins.





Personal Assistant:
MARY McKENNA

Home Telephone & Fax:
0698 734118

Dr JOHN REID, MP
Motherwell North Constituency

Parliamentary Office,
114 Manse Road,
Newmains ML2 9BD

Telephone: 0698 383866
Fax: 0698 381243

Home Telephone No:
0698 861817



Dr. John Reid M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA
071 219 3000

114 Manse Road
Newmains, ML2 9BD
Tel: 0698 383866
Fax: 0698 381243

15th January, 1991

Rt. Hon. John Major PC, MP,
Prime Minister,
10 Downing Street,
London, SW1A 2AA.

*I think Graham said he had
fixed this up, but I can't remember
when.*

Can Doune provide briefing

Dear Prime Minister,

In the absence of John Reid M.P. from the office on Parliamentary business, I write to acknowledge receipt of your letter of 14th January.

I know John will be very pleased at your response and I await Graham Bright's contact with a view to putting a date in the respective diaries.

Yours sincerely,

Mary McKenna

Mary McKenna,
Personal Assistant.
(Constituency Office, Newmains).

418.



10 DOWNING STREET

Graham Jr

When the PM has signed
this off we will need to fix
up a meeting. When that is
done can you pl let me know
& I will set the necessary
bfug from Secretariat Office.

DM

PM has signed.
GB to ring John Reid & fix up
meeting.
DM will then provide briefing.



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Thank you for your further letter of 9 January.
In the light of that, I should of course be happy to see you.

I am grateful for your understanding of the other pressures on my diary at present, but I have asked Graham Bright to make contact with you to fix a suitable time as soon as possible.

Dr John Reid MP

RM

Dr. John Reid M.P.



HOUSE OF COMMONS

LONDON SW1A 0AA

071 219 3000

9th January, 1991

114 Manse Road
Newmains, ML2 9BD

Tel: 0698 383866

Fax: 0698 381243

Rt. Hon. John Major P.C., M.P.,
Prime Minister,
10 Downing Street,
London.

Dear Prime Minister,

Thank you very much for your letter of 27th December in connection with the announced closure of the Clydesdale Tube Works at Mossend, Bellshill. I am gratified that you share my own regret, and that of thousands of my constituents, regarding the effects which the proposed closure will have in this area. Indeed, this is partly the reason which prompted me to write to you in the first place.

I also believe there are strong economic and industrial arguments for the retention of the plant and I would very much wish to put these to you.

I realise that the Trade Union representatives have already met with Malcolm Rifkind and I have no complaint about the willingness of Allan Stewart to meet with them to discuss their concerns.

I do, however, believe that the importance of this issue is such that it should be placed squarely before yourself and I would ask therefore if you would be prepared to allow me to meet you, as the local Member of Parliament for the Constituency most directly affected by the closure, in order to achieve this end.

I do realise that the international situation means that this is an extremely pressing and busy time for yourself but I hope that you will be able to meet my request.

I look forward to hearing from you.

Yours sincerely,

John Reid
John Reid M.P.

2
PRIME MINISTER

At about 11 tomorrow morning British Steel will announce the closure of the Clydebank Tube Works. This will mean the loss of 1200 jobs. Although that is more than are at risk in the medium term at Ravenscraig, Clydebank is not the political touchstone that Ravenscraig represents. Mr. Rifkind tomorrow will confine himself to expressing regret at the loss of 1200 jobs, and saying that the various agencies will do their best to create new jobs in the area. _____


DM 

7 November 1990

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JHP
7/9CONFIDENTIAL AND MARKET SENSITIVEPRIME MINISTER

7 September 1990

RAVENS CRAIG

Sir Robert Scholey wishes you to know that the British Steel Board will next week consider fixing an earlier closure date for the Ravenscraig hot strip mill. The original intention was to close 'during the first half of 1991'. Production may now stop by the New Year because the price of 'rolled strip' has fallen sharply since the Middle East crisis developed.

The Board also intends to review the future of the Clydesdale Seamless tube mill at the same time. Sir Robert's intention is to have decided both issues by the time he announces half year figures in mid-November.

Discussion of a new plate mill goes on; a decision on that may also be announced in November but Sir Robert gave no indication of the Board's view.

His position on a sale of the Ravenscraig strip mill to another producer is the same; no sale until 1994 when the commitment to produce steel slabs there runs out.

British Steel will consult the workforce at the Ravenscraig strip mill and Clydesdale before making final decisions on timing of closures. After that, Sir Robert Scholey will inform Mr Rifkind of the company's intentions.

Howell Harris Hughes

HOWELL HARRIS HUGHES

CONFIDENTIAL

cc/lu



*n.b.p.m.
BHP
2/9*

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H 0ET

29 June 1990

Sm Nuh

IRON AND STEEL EMPLOYEES READAPTATION BENEFIT SCHEME (ISERBS)

Thank you for your letter of ^{*Hap*} 30 May. I have also seen Malcolm Rifkind's letter of 8 June.

2. There seems to be little doubt that on its merits we should abandon the anachronistic ISERBS scheme, which is becoming increasingly expensive to the UK as the ECSC's funding share is reduced. It was in recognition of the potential presentational difficulties at the current time which you describe that I agreed to delay the closure of ISERBS from this year to next year. You acknowledge that this timetable would cover payments for the Brymbo and Ravenscraig hot strip mill closures. I find it difficult to accept that there is a good case both for continuing with the ISERBS scheme of benefits to redundant steelworkers and for substantial remedial measures in the closure areas. The Government seems to have derived little or no public credit in the Ravenscraig controversy from the existence of this unique scheme of benefits.

3. Particularly in view of our very difficult public expenditure position I hope that you will reconsider your view. But in any event, I agree that we must look to abandoning the scheme as soon as the horizon is clearer in 1992 in the context of your proposed further review.

4. I am copying this letter to the Prime Minister, Douglas Hurd, David Hunt, John Wakeham, Malcolm Rifkind, Michael Howard and Sir Robin Butler.

[Handwritten signature]

NORMAN LAMONT

CONFIDENTIAL

NAT IND : Steel PIGS



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Martin Stanley Esq
Private Secretary
Department of Trade and Industry
Victoria Street
LONDON

✓
27 June 1990

Dear Martin

RAVENSCRAIG HOT STRIP MILL

You will want to know that we and British Steel are simultaneously publishing tomorrow (Thursday) the contents of the exchanges between my Secretary of State and Sir Robert Scholey on the future of the Ravenscraig Hot Strip Mill. British Steel are particularly keen to publish tomorrow - indeed we had to persuade them not to publish today - because they have been under pressure to do so.

I attach a copy of the final draft of the press notice in which this information will be released by us, which also includes a statement by my Secretary of State, subject only to final clearance by him. You will see that he has concluded that, given the commercial sensitivity, this is as much as we can expect British Steel to release in the way of explanation of their decision. He has however in all the circumstances concluded that it would be right to invite the Scottish Development Agency to mount one of their sectoral studies of the steel industry in Scotland (as they have done in the past in relation to electronics and biotechnology and other subjects) to assess its prospects, and also to allow for the opportunity of consideration of the implications of potential contraction of that sector for the Lanarkshire economy and indeed the economy of Scotland as a whole. This is being announced at the same time as the publication of the letters.

I understand that British Steel will use a similar text in response to queries which they are getting from Mr Gordon Brown and Mr Donald Dewar, and also in response to queries which the Office of Fair Trading are making to them.

A copy of this letter goes to Barry Potter at No 10, with the enclosures.

*Yours
Jim*

J D GALLAGHER
Private Secretary

caft

CONFIDENTIAL



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

*n.b. P.M.,
BAP
11/6*

The Right Hon Norman Lamont Esq MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

8 June 1990

Dear Norman,

IRON AND STEEL EMPLOYEES READAPTATION BENEFITS SCHEME

at flap

I have seen copies of your letter of 30 April to Nicholas Ridley and his reply of 30 May; I have also seen Peter Walker's letter of 31 January.

In the light of the reaction to British Steel's announcement on 16 May of their proposal to close the hot strip mill at Ravenscraig during the first half of next year, with the loss of 770 jobs, I have to say that your proposal that this Scheme should close at the end of 1991 causes me very considerable concern. The long term future of the balance of BS' Scottish workforce of around 5000 is by no means secure and I would be most reluctant to agree to a decision being made, at this stage, which would result in ISERBS assistance being unavailable to any of the employees at Ravenscraig or Dalzell who may lose their jobs after the end of 1991. The Government has come under heavy pressure following the company's announcement concerning the hot strip mill. If it were to emerge that we had decided that ISERBS should close at the end of 1991, this would be seen as signifying Government indifference to the fate of steel workers.

I therefore strongly support Nicholas Ridley's proposal that rather than taking a decision now on the future of the Scheme we should review the position in 1992 in the light of the circumstances then prevailing in the steel industry.

I am copying this letter to the Prime Minister, Douglas Hurd, Nicholas Ridley, John Wakeham, Michael Howard, David Hunt and to Sir Robin Butler.

over,

MALCOLM RIFKIND

NAT IND: Steel Pile



dti

the department for Enterprise

CONFIDENTIAL

n. b. P. M.

BHP

30/5

cefu

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon Norman Lamont Esq MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 01 215 5622
Our ref PB4ANF
Your ref
Date 30 May 1990

Norman Lamont

IRON AND STEEL EMPLOYEES READAPTATION BENEFITS SCHEME (ISERBs)

Thank you for your letter of 30 April.

As you will be only too well aware, events have moved on with the announcement on 14 May by United Engineering Steels (UES) of the closure of the Brymbo Steel Works and on 17 May by the BS announcement of the closure of the hot strip mill at Ravenscraig.

I am sure the pressure engendered by both closures and, in particular, the very difficult situation in relation to Ravenscraig would have been exacerbated had we already announced the closure of the ISERBs scheme and that there would have been calls for individual schemes. As it is, we have avoided attack on that front.

Of course, the timetable you propose would cover payments for these two closures. But other significant operations remain under threat between now and 1994. The rest of Ravenscraig, the Dalzell plate mill and the Scunthorpe plate mill (all owned by BS). In the context of the recent decisions on the Ravenscraig strip mill, the company have reaffirmed their statement to the effect that production of basic steel should continue there until 1994, but there is, of course, no commitment as to levels.

In all these circumstances, it seems to be best that we should not now make any decision on timing for the scheme as a whole, but we should agree to review the position in 1992, to see how things stand at that stage.



Recycled Paper

dti

the department for Enterprise

CONFIDENTIAL

I am copying this letter to the Prime Minister, Douglas Hurd, David Hunt, John Wakeham, Malcolm Rifkind, Michael Howard and Sir Robin Butler.

I don't think we should make a difficult situation harder for us all because it is - as soon as the horizon is clear, I suggest we abandon the scheme.

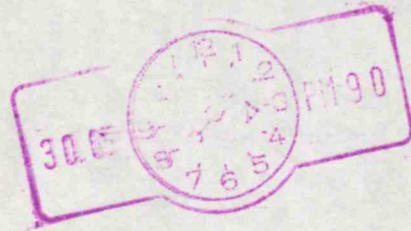
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NAT IND: Steel Pr 16



dti

the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

Murdo Maclean Esq
Private Secretary to
the Chief Whip
12 Downing Street
LONDON
SW1

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

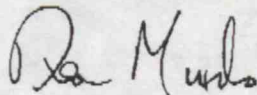
Enquiries
071-215 5000

Telex 8811074/5 D1HQ G
Fax 071-222 2629

Direct line
Our ref
Your ref
Date

071-215 5621
PE1ANZ

21 May 1990



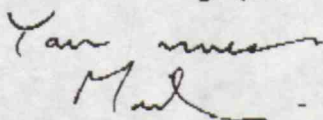
RAVENS CRAIG

This is just to confirm what you told me on Friday evening about the way in which Mr Ridley's name was "omitted" from the list of those supporting the Government Amendment to today's Opposition Motion.

If I understood you correctly, you told me that it had been intended that the six Government supporters should be the five most senior Cabinet Ministers plus Mr Rifkind. It was not therefore intended that the name of my Secretary of State should be on this list. By mistake, however, the Secretary of State for Wales was listed as one of the five most senior Ministers, it having been forgotten that Mr Walker had been replaced by Mr Hunt. On the face of it, therefore, the Amendment is supported by the two territorial Ministers, and it is odd that it is not supported by my Secretary of State.

It is clear, however, that it was never intended that my Secretary of State sign the Amendment. There is therefore no foundation to the implication in the first two or three paragraphs of the attached last Sunday Times article.

I am copying this to Barry Potter (No 10), Jim Gallagher (Scottish Office), Stephen Williams (Welsh Office), Sonia Phippard (Sir Robin Butler's Office) and Bernard Ingham.



MARTIN STANLEY
Principal Private Secretary



Recycled Paper

A10

☆

Rifkind's steel bluster

THE SUNDAY TIMES 20 MAY 1990

riles English Tories

by David Hughes and Gerry Malone

THE name of Nicholas Ridley, the trade and industry secretary, is missing from a government amendment calling on British Steel to "explain and defend" its decision to close the Ravenscraig hot strip mill near Glasgow.

The disclosure fuelled fresh speculation at Westminster last night that a serious cabinet split has developed over Ravenscraig. The amendment has been tabled for tomorrow's Labour-inspired Commons debate on the closure when Malcolm Rifkind, the Scottish secretary, will lead for the government.

The absence of Ridley's name could help swell a revolt by Tory MPs angered by what they regard as "special treatment" for Scots. The MPs say the Scots already get more than their fair share from the public purse.

Sources at Ridley's department said that "he was not asked to sign" the government amendment due to "an oversight".

Ridley was reported last week to have been distancing himself from any attempts to criticise British Steel over the closure, which will cost 770 jobs. But the wording of the government amendment suggests that it is Rifkind's view that has prevailed.

While recognising that British Steel's investment and operational decisions are a matter for the commercial judgment of the company, it nevertheless "expresses its concern" about the potential

employment consequences, recognises "the considerable productivity achievements" of the workforce, and "invites British Steel to explain and defend its decision".

Nicholas Budgen, Tory MP for Wolverhampton South West and a member of the Treasury select committee, said yesterday that commercial companies were under no obligation to explain their actions to government.

"We have gone through the whole process of privatisation precisely to prevent politicians interfering with commercial decisions," he said. "Mr Rifkind should have confined himself to expressing sympathy."

Bowen Wells, Tory MP for Hertford and Stortford and an officer of the Tory backbench industry committee, said he had every sympathy with those who would lose jobs and that efforts should be made to find them work.

"But all the ranting and raving we have had from Scottish MPs does not cut much ice," Wells said. "Why should Scotland have its own steel industry?"

The continuing row intensifies the most serious political crisis Rifkind has faced at the Scottish Office.

He began last week as a recognised part of Margaret Thatcher's all-UK team, his ministerial progress stuck in a groove as the Scottish sec-

retary only because of the lack of successors among the small band of Tory MPs north of the border, where his party holds only 10 of 72 seats.

But on Wednesday afternoon, answering a Commons question on the Ravenscraig closure, he called on the management to change its mind, supported calls for an all-party campaign to pressurise the company and endorsed Labour's view that there were strong commercial reasons for keeping the plant going.

His remarks astonished cabinet colleagues and English Tory MPs could hardly believe their ears. Rifkind, thought to be a supporter of Thatcherite non-interventionist policy in industry, appeared to be in open revolt.

It was immediately made clear that a government U-turn was not planned: Ravenscraig would not be bailed out with taxpayers' money. Ridley let it be known that Rifkind was too interventionist.

English Tory anger welled up at Thursday's meeting of the 1922 committee of backbench MPs. Sir Hal Miller, from Bromsgrove in the West Midlands, complained bitterly about "Scots whingers". From the supportive banging of tables around him, it was clear he spoke for many.

Miller continued his onslaught in a radio interview on Friday, telling Alick Bu-

chanan-Smith, Tory MP for Kincardine and Deeside: "We in the Midlands are getting rather fed up with all this. We believe Scotland is over-represented, over-subsidised and over-protected."

Buchanan-Smith's reply that "statements like that" threatened the future of the United Kingdom revealed the potential the dispute has for splitting the Scottish Tories from the rest of the Conservative party. Rifkind now insists that English colleagues misunderstand the strength of Scottish feeling.

Scottish anger flows, he argues, not from the 770 jobs under immediate threat, but the fear that the whole Ravenscraig complex is doomed to close by 1994, when the management's guarantees to ministers run out. Ravenscraig, in short, is a totem of Scotland's industrial virility to which even Thatcherites have to bow.

Rifkind says that cabinet colleagues understand this and insists that he has no differences with them. But he cannot ignore the fact that some ministers are profoundly fed up with Scotland's special pleading.

The danger for him is that the resentment fostered by his approach to this issue will be corrosive, and not just for his prospects of cabinet promotion. Rifkind's handling of last week's events has led some Tories — on both sides of the border — to question the value of the Union.

8

dti

the department for Enterprise

Prime Minister²

To note.

BTP

17/5

Douglas Hogg QC MP
Minister for Industry and Enterprise

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line
Our ref 215 5147
Your ref
Date 17 May 1990

mf

Dear Barry,

RAVENSCRAIG HOT STRIP MILL

I have seen Jim Gallagher's letter to you of 16 May attaching the text of the statement which Mr Rifkind used in response to the Private Notice question from Mr Donald Dewar.

Mr Gallagher's letter says that this text was discussed with my Minister in the absence of Mr Ridley.

My Minister did indeed speak to Mr Rifkind at about 1.15 pm on 16 May after Mr Rifkind had held a Press Conference and issued a Press Notice. Mr Rifkind said his statement would be virtually identical to the text of the Press Notice. My Minister welcomed the passage in the Press Notice which referred to the fact that these matters were for the commercial judgement of the company. The Minister said that he would emphasise this point during DTI 1st Order PQs which preceded the PNQ. The Minister said that he was anxious not to create differences between this Department's position and Mr Rifkind's. As you will have seen from the Hansard Report, my Minister stuck to the line he had told Mr Rifkind he would take.

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the department for Enterprise

The purpose of this letter is to clarify that at no point did any Minister in this Department clear the text of the statement (indeed we did not see the actual statement until after the conversation had taken place) or even discuss it in any detail. The conversation between my Minister and Mr Rifkind took place after the Press statement had been issued.

Copies of this letter go to Mr Gallagher and to recipients of his letter.

Yours sincerely,
Kate Philipps

KATE PHILIPPS
PRIVATE SECRETARY

ING3072



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PRIME MINISTER

RAVENS CRAIG

I spoke to Scottish Office officials this afternoon about the proposed closure of the Ravenscraig strip mill. There is no doubt that there will be very considerable dismay in Scotland at the closure. And this action will be widely seen as spelling the end for Ravenscraig.

I attach a note from Policy Unit which sets out the background. However, it may be helpful just to fill in a little more about the basic disposition of the steel plants in Scotland.

First, Ravenscraig is an integrated steel works involved in both primary and secondary steel-making. The hot 'primary' steel goes either to the strip mill or the slab mill both of which are on the Ravenscraig site. It is the strip mill which is being closed.

Second, nearby at Dalzell is a plate mill. This takes the product of the slab mill and turns it into steel plates. These are either sold directly to UK customers or overseas (though the export market is relatively small).

Third, at Clydesdale there is a separate primary and secondary steel-making capacity. This produces seamless steel tubes mainly used in the North Sea.

All three sites are owned by British Steel.

The key issues for the future would seem to be as follows:

- (i) The Clydesdale mill is a separate unit. But it is losing money and there is UK over-capacity in the market. Its future is under review: at the very least, it does not look promising.

SECRET

- (i) Ravenscraig is still viable even if it only comprises a slab mill with output feeding directly to the plate mill at Dalzell. But there is uncertainty on whether the plate mill at Dalzell will be upgraded.
- (iii) There must be doubts about whether - in the long term - British Steel will concentrate the future UK slab production at Ravenscraig. Although it is a technical possibility to take the slabs from Ravenscraig to other plate mills (if Dalzell is not modernised) this seems unlikely to be uneconomic.

I will provide a detailed line to take for Questions on Thursday. But none of the commitments that have been made in the past have strictly been broken by British Steel. The potential worry for Mr Rifkind is much more that the closure of the strip mill will be seen as heralding the end for Scottish steel production.

BHP

BARRY H. POTTER

15 May 1990

c:\wpdocs\economic\ravens

(slh)

MR POTTER

15 May 1990

RAVENS CRAIG

At 10 o'clock on 16 May British Steel will announce that the hot strip mill in Ravenscraig will close during the first half of 1991 with the loss of 770 jobs in the mill and related services. That will leave approximately 2,600 people working in the slab mill. Annex A to this note sets out the commitment which the Company made at the time of privatisation; the Ravenscraig strip mill will have been kept going for 2 years longer than the original 1989 date. The commitment to maintain production of steel slabs at Ravenscraig until 1994 stands.

SHORT TERM DEMAND

The Company has been experiencing a down turn in the level of UK demand for steel strip and Ravenscraig has already had two or three "pause" weeks. However, British Steel has always made it clear that it would not "spread the pain" but concentrate production on those mills which are most cost-effective - Llanwern and Port Talbot.

INTERNATIONAL COMPETITIVENESS

The more powerful, longer term argument is about international competitiveness. French and German steel producers have been cutting costs and realignments in the US dollar and yen have altered the terms of trade. The pattern of demand has also changed a lot in recent months. Since the crack down in China, the Chinese domestic market has dried up and the Koreans in particular are attacking other markets. Very little new business is coming out of Brazil because of

its counter-inflationary programme and the Russians are delaying payments. British Steel feels that it must move quickly to protect its competitive position by rationalising production in this way.

A NEW PLATE MILL?

The Company will refuse to comment on the question of a new plate mill. The Scottish press has been saying that there are "crates on Tyneside" which will be used to set up a new mill somewhere, perhaps at Ravenscraig. That may or may not be the case; no decision has been taken and nothing whatever should be said about it.

CLYDESDALE

The Clydesdale mill at ^{Ardrie} Ardrrie (in Mr John Smith's constituency) is losing £12 million a year. Here again, no definite decisions have been taken but it is conceivable that they may decide to stop local production of seamless tube whilst importing plain piping to be finished on that site. All the Company will say is that there is huge over-capacity in the market for seamless tube and that the commercial viability of the operation is under review. We should avoid comment if at all possible.

A SALE OF RAVENSCRAIG PRODUCTION FACILITIES?

British Steel will continue to use production from the Ravenscraig hot strip mill until it is closed. Equally, they will make use of slab production until 1994. Until 1994 there is no question of British Steel selling the plant to another private sector buyer. What happens after 1994 entirely depends on the state of the international steel market. Sale might be a possibility but it should not be given a very high

probability in anything which we say. The Prime Minister did answer a question on this point in February (Annex B) which ought perhaps to be qualified a little.

Howell Harris Hughes

HOWELL HARRIS HUGHES

BRITISH STEEL

Statements regarding Ravenscraig set out in the Prospectus, November 1988.

14. Plant configuration

On 3 December 1987, the Chairman of British Steel made the following statement on plant configuration in the period after August 1988, the expiry date of the previous assurance given by HM Government in 1985 that steelmaking would be continued at all five of British Steel's integrated works:

'Presently the Corporation does not envisage that there need be any significant changes in configuration in the period immediately following the expiry of the present strategy in August 1988. Indeed, subject to market conditions, it expects that there will continue to be a commercial requirement for steelmaking and continuous casting at the Corporation's five integrated plants for at least the next seven years. The Corporation also expects that, again subject to commercial considerations, there will be a similar requirement for plate rolling at Dalzell. There is, however, surplus hot strip mill capacity in the Corporation but, having reviewed the position thoroughly, the Corporation has decided that all their present mills, including the Ravenscraig mill, will continue to operate at least until 1989.'

The chairman's statement

A Parliamentary statement on the same day by the Secretary of State noted that:

'The Corporation has also indicated that, even if it should wish at some stage, because of market conditions, to close its steelmaking facilities in Ravenscraig it would consider, on a commercial basis, any wholly private sector offer for those facilities as an alternative to closure.'

The Minister's statement.

B

BRITISH STEEL

Prime Minister's Questions . February 1990 : Extract from Hansard.

22 FEBRUARY 1990

Oral Answers

1062

Mr. Bruce: Does the Prime Minister accept that there is growing anger and dismay in Scotland at the way in which the Scottish steel industry is being run down by British Steel? Does she accept that, on the ground of competition alone, the time is right for British Steel's monopoly to be ended and for an independent steel industry to be established, based in Scotland? Would that not best serve the interests of competition and of the Scottish steel industry? Has not the Secretary of State for Scotland already suggested that that may be a course to be considered? My party has been advocating it for the past two or three years and it has growing support within Scotland.

The Prime Minister: The best guarantee of a successful steel industry has been privatisation. Before it was privatised, it was losing about £3 million a day; it is now making more than £500 million profit a year. On Ravenscraig, the hon. Gentleman knows that the British Steel prospectus stated that, subject to market conditions, there would continue to be a need for production at Ravenscraig until 1994. The chairman of British Steel has recently reaffirmed that. British Steel also gave the assurance that if it did not need Ravenscraig at some future date it would be prepared to sell it to another buyer. That assurance stands and I wish Ravenscraig well.

14th May, 1990

Prime Minister

STRICTLY PRIVATE AND PERSONAL

Mr. Howell Harris Hughes,
Policy Unit,
10 Downing Street,
LONDON SW1A 2AA

'X' overleaf amounts to
the closure of the strip mill at
Rensselaer. The slab mill will
remain in operation: but 'Y' would
suggest it is unlikely to survive beyond
1994.

BHP
14/5

Dear Mr. Hughes,

I am attaching herewith the Statement agreed by the British Steel Board this morning, and which will not be released until 1000 hours Wednesday, 16th May. By which time we will have discussed it informally with the Secretary of State for Scotland and Department of Trade and Industry officials, though copies will not be left in their possession.

You should be aware that as far as our overall strategy is concerned, no decision has been made by the Board in respect of a projected new plate mill, however various possibilities have been presented to the Board.

In respect of the Scottish sensitivities, the question of Clydesdale may arise in the days ahead and all that can be said, at this stage, is that it is losing us money, about £12m. per year, in a situation in which worldwide excess capacity does not justify reinvestment in the rolling mills. We are not, however, proposing to announce closure at this stage.

Yours sincerely,

Chairman



British Steel plc
9 Albert Embankment
London
SE1 7SN

Telephone: (071) 735 7654
Telex: 916061
Telefax: (071) 587 1142

BRITISH STEEL - FURTHER CHANGES TO SECURE COMPETITIVE FUTURE.

British Steel has decided to install a continuous casting machine at Llanwern Works at a cost of £83m. The machine will become operational towards the end of 1993 and will release the constraint on steelmaking production at the works and, hence, further improve its cost base. This development, together with a similar investment currently under construction at Port Talbot Works, will enable the company's Strip Products Division to take full advantage of the competitive facilities in its South Wales works.

X
As a result of the recent easing in demand and increasing competitive pressures, the modern and cost effective hot strip mills at Port Talbot and Llanwern have been and will be preferentially loaded with the consequential impact on the hot strip mill at Ravenscraig. The commissioning of the continuous casting machine at Port Talbot at the beginning of 1991, together with the transfer of slabs from Ravenscraig, will facilitate increased utilisation of the more efficient hot strip mills in South Wales with the result that the hot strip mill in Ravenscraig will close during the first half of 1991, some two years beyond the commitment made in December 1987. Seven hundred and seventy employees at Ravenscraig are associated with the mill operations and related services. As in the past, the company will take positive steps through British Steel (Industry) Limited to assist in the creation of new jobs in Motherwell.

Y
The impact of the continuous casting investments at Port Talbot and Llanwern will, in due course, also affect steel production at Ravenscraig so that production of steel at that works beyond 1994 will be dependent upon the economic and commercial scene and the demand for steel slabs.

It is imperative that the company takes the ongoing actions necessary to maintain long term international competitiveness in its steel business and the decisions now made will help secure that end.

Editors Note:

The Chairman said on 3rd December 1987 that although there was surplus hot strip mill capacity in British Steel the company had decided that all its present mills, including the Ravenscraig mill, would continue to operate at least until 1989.

CONFIDENTIAL



CP

n.b. P.M. at this stage.

BHP

1/5

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley MP
 Secretary of State for Trade and Industry
 Department of Trade and Industry
 1 - 19 Victoria Street
 London
 SW1H 0ET

30th April 1990

Dear Secretary of State,

IRON AND STEEL EMPLOYEES READAPTATION BENEFITS SCHEME (ISERBS)

Thank you for your letter of 23 January. I have also seen Peter Walker's letter of 31 January and Malcolm Rifkind's letter of 12 February.

2. Particularly in the current difficult public expenditure climate I find it difficult to accept that there is a strong case in favour of continuing with this outdated scheme. This is the only long term sector-specific, Government funded scheme of redundancy benefits in UK manufacturing industry. Prospective steel redundancies are modest compared to past levels. Changes in ECSC funding arrangements will mean that the Government will have to fund around 80 per cent rather than 60 per cent of gross expenditure. Moreover I understand that ISERBS, which has cost the Government £253 million (net) and is forecast to cost a further £44 million (net) in 1990-97, has not been particularly effective in assisting former steelworkers obtain new employment.

3. The case for closure therefore appears to be overwhelming even though public expenditure savings would only feed through gradually.

4. I note your and Malcolm's concerns about unemployment in Lanarkshire (although I understand that the Clydesdale Tube Works would not be eligible anyway for ISERBS). But the Government's position is that closure decisions would be a matter for British Steel in the light of world market conditions. We should not allow the future of this UK scheme to be determined by possible redundancies in one area.

5. There is a good case for closing the scheme this year. However I recognise your concerns and I would be prepared to agree to the scheme running to the end of 1991 (rather than 1990). As you imply, the presentation and timing of an announcement would need careful consideration.

6. I am copying this letter to the Prime Minister, Douglas Hurd, Peter Walker, Malcolm Rifkind, John Wakeham, Michael Howard and to Sir Robin Butler.

Yours sincerely
Norman Lamont
 NORMAN LAMONT
 Approved by the Chief Secretary

NAT ind: steel Pt 16





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CC PLA

CONFIDENTIAL

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1P 3AG

NBLM

ALG
ML

12 February 1990

Dear Norman,

IRON & STEEL EMPLOYEES RE-ADAPTATION BENEFITS SCHEME
(ISERBS)

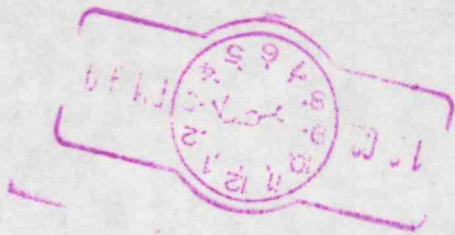
I have seen copies of Nicholas Ridley's letter of 23 January and Peter Walker's letter of 31 January.

In view of the uncertain future facing British Steel's Scottish plants, to which Nicholas alludes in his letter, I would view with considerable concern any suggestion that this scheme should not continue. I therefore welcome and support Nicholas' conclusion that the scheme should be maintained for the time being.

I am copying this letter to the Prime Minister, Nicholas Ridley, Douglas Hurd, Peter Walker, John Wakeham, Michael Howard and to Sir Robin Butler.

MALCOLM RIFKIND

NAT. IND. Steel Park 14



CONFIDENTIAL

copy



Y GWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
01-270 0538 (Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Peter Walker MBE MP From The Secretary of State for Wales

CT/12039/90

31 January 1990

NBLM

REC 6

21/1

As...

IRON AND STEEL EMPLOYEES READAPTION BENEFITS SCHEME (ISERBS)

I have seen a copy of Nicholas Ridley's letter of 23 January to you. *stop*

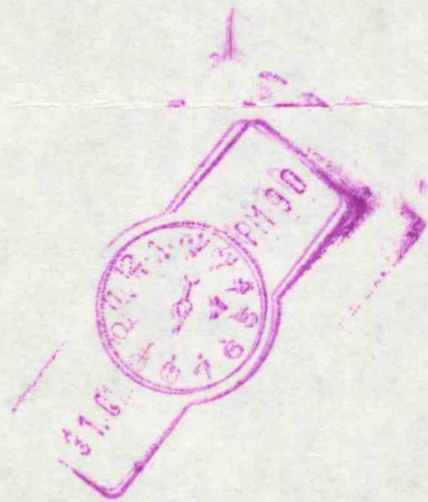
The steel industry in Wales currently employs around 19,400 and I welcome and support Nicholas' proposal that this scheme be maintained for the foreseeable future.

/ I am copying this letter to the Prime Minister, Nicholas Ridley, Douglas Hurd, Malcolm Rifkind, John Wakeham, Michael Howard and to Sir Robin Butler.

[Large handwritten signature]

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

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STEEL



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the department for Enterprise

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The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

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Direct line 215 5422
Our ref PE4AJP
Your ref
Date 23 January 1990

Dear Norman

IRON AND STEEL EMPLOYEES READAPTATION BENEFITS SCHEME (ISERBS)

As your officials will be aware, I have recently been considering the future of this scheme of benefits for redundant steelworkers. You will wish to know of my conclusions.

Since the scheme's inception in 1974, some 109,000 individuals have received benefits under ISERBS. The scheme's attractiveness greatly contributed to the smooth restructuring of the UK industry which has taken place since the 1980 strike. This period of change is not yet complete. After two years of relative stability, there are now clear indications that the forecast downturn in the UK steel market has begun. UK steel production in October and November last year was some 11.4% lower than in the same months in 1988. Future job losses, whilst unlikely to be on the same scale as in the early 1980s, are still likely to be significant. Over the next four to five years some 5,500 further job losses qualifying for ISERBS may take place. Moreover, all of these are likely to occur in areas of higher than average unemployment.

I am particularly concerned about the effects of job losses in Scotland. As Malcolm Rifkind noted in his minute to the Prime Minister of 30 November, there is a particular threat to employment in the Scottish steel industry. Job losses are expected at the Clydesdale Tube Works in Lanarkshire and the future of the 2,700 jobs at Ravenscraig is in considerable doubt.



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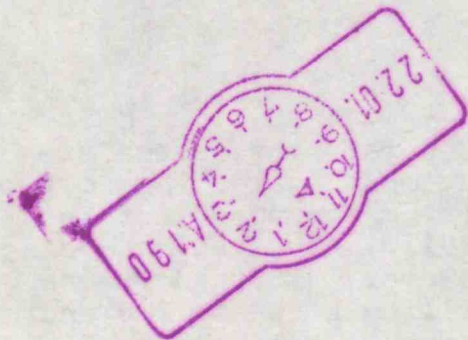
The precise costs of continuing to operate the scheme are difficult to estimate. EC contributions towards the cost of ISERBS benefits are being reduced (from around 40% of the gross cost of benefits to 20% by 1991). Assuming an average cost of £10,000 per beneficiary, however, 5,500 additional redundancies would cost some £55 million between 1990 and perhaps 1997, of which we would expect to recoup some £11 million from the ECSC. We already have provision for our expected requirements over the PES period.

I have therefore concluded that taking all these factors - and especially the situation in Scotland - into account, it would not be politically possible to announce the termination of ISERBS at this juncture.

I am copying this letter to the Prime Minister, Douglas Hurd, Peter Walker, Malcolm Rifkind, John Wakeham, Michael Howard and to Sir Robin Butler.

John Major
Andrew

NAT IND! Steel PT16



ecpl



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Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

13 December 1989

Dear Secretary of State,

BRITISH STEEL

I have seen your minute to the Prime Minister of 30 November. I have also seen Peter Walker's minute of 4 December, and Paul Gray's reply to your Private Secretary of the same date.

2 I of course appreciate your concern at the prospect of major job losses in the Scottish steel industry and I hope that any job losses will be minimised and phased over time. However, it is important to acknowledge, as Peter does, that any job losses here or in Wales would be the result of commercial decisions by a private sector company responding to world market conditions.

3 It is not yet clear whether any special remedial measures to which you refer would be justified on top of existing public sector activity and retraining for steelworkers in the areas concerned. I am pleased that Peter is content to operate within his existing regional aid programme. However I would expect that if any Scottish measures were justified on value for money grounds, they should both be consistent with our wider policies - for example, the presumption against further Enterprise Zones - and would be funded within existing overall Scottish Office provision, by reordering your priorities if necessary.

4 I am copying this letter to the Prime Minister, members of E(A) and to Sir Robin Butler.

Yours sincerely

Aileen Campbell

NORMAN LAMONT

*Approved by the Chief Secretary
and signed in his absence.*

flay

NAF End 1000 PT 16



CONFIDENTIAL

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 December 1989

Dear Stephen,

BRITISH STEEL

The Prime Minister has seen your Secretary of State's minute of 4 December which she has noted without comment.

I am copying this letter to the Private Secretaries to members of E(A) and to Trevor Woolley (Cabinet Office).

*Y
Pd*

(PAUL GRAY)

Stephen Williams, Esq.,
Welsh Office.

CONFIDENTIAL

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Prime Minister ²



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CONFIDENTIAL

PRIME MINISTER

WITH P2?

Further to Malcolm Rifkind's minute to you of 30 November, I think you should know that British Steel have informed us that they will be reducing their labour force in Wales in their tinsplate business with a loss of 524 jobs. These will be located at Ebbw Vale and Trostre (near Llanelli).

We naturally regret this loss but I am sure it is correct that British Steel should take these decisions in order to safeguard remaining jobs. Under nationalisation, they always lumbered on with colossal losses. If they are to continue their high investment programmes, I am sure that they must make staff adjustments to fit in with the improvements in productivity that those investment programmes bring and also to meet the temporary depressions in the market for their goods.

We will be able to cope with these losses under our existing regional aid programmes and indeed the two areas involved, which have suffered other redundancies and mine and factory closures over the last period, are subject to a concerted effort on our part.

I am copying this minute to members of E(A) and to Sir Robin Butler.

Butler

4 December 1989

PW



10 DOWNING STREET
LONDON SW1A 2AA

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From the Private Secretary

4 December 1989

Dear Jim,

BRITISH STEEL

The Prime Minister was grateful for your Secretary of State's minute of 30 November which she has noted without comment.

I am copying this letter to the Private Secretaries of the members of E(A) and to Trevor Woolley (Cabinet Office).

*Man.
P.G.*

Paul Gray

Jim Gallagher, Esq.,
Scottish Office.

EW

copy



Prime Minister²

No action is called for; Mr.

Prime Minister

*Ribbick is simply putting down another marker
about his concerns for the future of steel in
Scotland.*

Rec 6 1/12

MT

BRITISH STEEL

You will wish to be aware that the future of steel making in Scotland is in considerable doubt. While British Steel has made no formal announcements, well informed speculation is at a high level and the company's refusal to give any public assurances is fuelling public and media concern.

I met Sir Robert Scholey last month to discuss the position. British Steel are currently reviewing their strategy for both seamless tube and plate production and while the company has yet to reach agreement on a proposed joint venture with a French steel company, it now seems probable that decisions which would mean the loss of at least 1,000 jobs at the Clydesdale tube works in Lanarkshire will be taken in the next few months. The review of plate making capacity is not yet complete, but the likely outcome will be a decision to build a new plate mill elsewhere and to close the Dalzell plate works at Motherwell by 1995 at the latest, with the loss of a further 670 jobs. An announcement on Dalzell is expected early next year. In the case of Ravenscraig, British Steel have made it clear that the plant will receive no major investment in future and that in view of the present downturn in demand, that production is to be diverted to the company's other plants which have spare capacity. The plan is to begin running down production in the hot strip mill early next year.

The recent announcement that Ravenscraig is to be shut down for 2½ weeks over the Christmas and New Year period, in contrast with Port Talbot and Llanwern, which are to remain open, together with the cancellation of some £10m of investment previously planned for this year, has exacerbated public concern and reinforced the belief that the company is moving towards the closure of Ravenscraig with the loss of all its 2,700 jobs. In fact the rundown of the hot strip mill which takes about

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three-quarters of Ravenscraig's present steel output would mean the loss of a very significant proportion of these jobs even without overall closure.

There is no doubt that as British Steel's plans unfold, the Government will be subject to increasing criticism and pressure to intervene. In a statement in December 1987 Sir Robert Scholey made it clear that, subject to market conditions, there would be a continuing commercial requirement for steel making at all 5 integrated steel works for at least 7 years from that date. It was suggested there would be a requirement for a similar length of time for plate from Dalzell. The company anticipated that the hot strip mill at Ravenscraig would continue to operate until at least 1989.

In a Parliamentary statement on the same day (3 December 1987) the then Secretary of State for Industry noted that the Corporation had indicated that if it should decide to close its steel making facilities at Ravenscraig it would be prepared to consider an offer to purchase these facilities as an alternative to closure. If it appears likely that British Steel does intend to consider the closure of Ravenscraig then I should of course wish to see the option of sale to a domestic or foreign buyer pursued vigorously.

It is becoming clear that British Steel are on the verge of a number of decisions on the rationalisation of plant configuration which are likely to mean a steady run down of the Scottish steel industry between now and the end of 1994. Even without any formal announcements to this effect, the operational decisions required to set this in train will make their medium term plan increasingly clear in the near future.

My purpose in writing is to alert you to this development and the political criticism which we are likely to attract; to emphasise the extreme importance of British Steel keeping to their 7 year commitment and to register my concern about the likelihood of very major job losses taking place over a short period and concentrated in a small area where the alternative prospects for employment are limited. I shall be asking my officials to assess in more detail the likely local consequences of this and may well wish to make a case for the allocation of additional resources for remedial measures in the area.

CONFIDENTIAL AND COMMERCIAL - IN CONFIDENCE

In the meantime I am keeping in close touch with developments with a view to ensuring that we are given advance notice of any significant announcements by British Steel.

I am copying this letter to the members of 'E(A)' and to Sir Robin Butler.

MR

M R

30 November 1989



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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

2 December 1988

Dear Peter,

For what it is worth I report a conversation this morning with Sir Jeffrey Sterling, Chairman of P&O, who had just returned from a visit to the USA where he had seen the Chairman of Morgan Stanley.

The Chairman had told him that the British Steel flotation would be the last privatisation issue in which they would wish to be involved. Morgan Stanley believed that other Wall Street houses, like Merrill Lynch and Goldman Sachs, were taking the same view. They believed that the risks of handling such issues were too great. According to Jeffrey Sterling US security rules stop the US houses like Morgan Stanley from sub-underwriting issues. The rules also prevented security houses from turning over, within a defined period, any stock which might be left with them. Morgan Stanley, who are P&O's bankers, are sending Jeffrey Sterling a note of their views.

I am sending a copy of this letter to John Footman (Bank of England).

Yours truly

Nigel

N. L. WICKS

Sir Peter Middleton, K.C.B.

RA

PRIME MINISTER

BRITISH STEEL FLOTATION

The Steel offer has proved a far greater success than we could reasonably have hoped a fortnight ago. Arguably, a better balance has been achieved between the opposing dangers of "staggering" and a flop than in any of the earlier major privatisations.

DTI and the Merchant Bank advisers are still finalising the details. But the broad picture is:

- in aggregate the offer was 2½ times over-subscribed;
- this will trigger both clawbacks, and increase the proportion of the offer available to the UK general public to some 40 per cent. (The clawback from overseas investors is triggered by 1¾ over-subscription; and that from the institutions at 2¼ times;)
- details of the scaling-down of applications will be finalised over the weekend. The objective is to implement this on a degressive basis in order to favour smaller investors. But it will not be heavily loaded against the institutions, who came in heavily at the last minute with large applications, so guaranteeing the success of the offer. It probably will be necessary somewhat to scale-down applications for the minimum 400 shares.

Recd.

PAUL GRAY

2 December 1988

PM3AFC

PART 15 ends:-

DTT to HMT 23.11.88

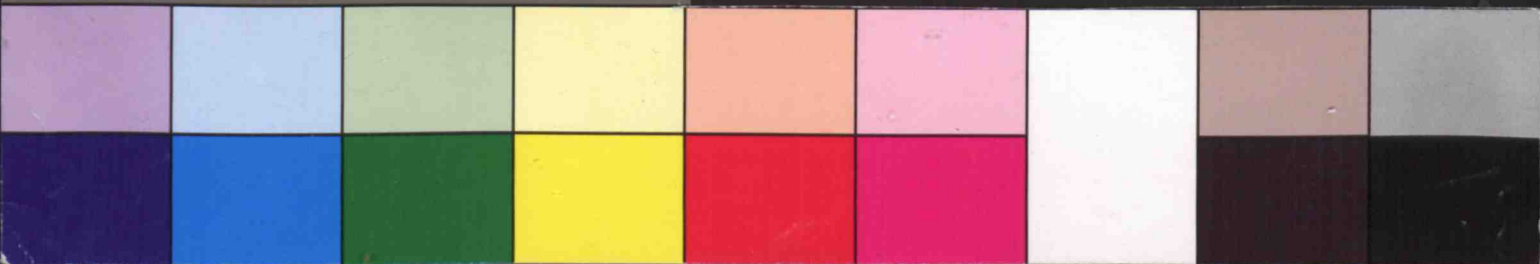
PART 16 begins:-

Pt to PM 2.12.88

Inches 1 2 3
Centimetres 1 2 3 4 5 6 7 8

Colour Chart #13

Blue Cyan Green Yellow



Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

