



From the  
Minister of State

The Hon Adam Butler MP

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? 25  
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Prinir Amisth

You asked if Shotton  
could be sold to a  
private buyer. This letter  
from Mr Butler shows that  
this is a non-starter.

SHOTTON

Following the meeting at E(EA) on 14 June, you asked  
Tom Trenchard to explore urgently whether there was any  
chance of a private buyer being found for Shotton. I am  
replying since steel comes within my responsibilities.

This Department have kept in touch with proposals in the  
private sector for strip mill plants, including the Alpha  
Steel plant at Newport, which came into operation a year  
or two ago, and the project by the GSK Group for a fully  
integrated small steel plant making strip products. However,  
we are not aware of any private sector interest in buying all  
or part of Shotton. Nor is BISPAs, the very knowledgeable  
private steel sector trade association, whom we have  
consulted in confidence.

We gathered from your officials that your query arose from  
a discussion with Mr Stephen Gray, who is of course a member  
of GSK. The Department's officials have therefore explored  
the issue with him.

Mr Gray confirmed that Shotton was in no way suitable for  
the GSK project since the latter looks to quite a different  
process route which does not overlap with any of the process  
route which does not overlap with any of the process stages  
at Shotton.

/ ... Also, Mr Gray



Also, Mr Gray believed that none of the private sector interests who had been approached, without much success, by GSK, including Vickers and the Dutch firm, Estel, would be interested in buying some or all of the present Shotton installations. This confirms our view.

As we understand it, Mr Gray's idea is that the whole of Shotton, including the very modern cold rolling mill and coatings complex, should be hived-off from BSC and run as an independent but still state-owned organisation. He believed that Shotton could then become viable, and obtain a useful share of the market now supplied by imports, provided however that there was a good deal of new capital investment. In particular, the following major items would be needed:

- a) new port facilities at Birkenhead capable of handling 80,000 tonne ore carriers, as against the present 25,000 tonne limit;
- b) a new basic oxygen steelmaking plant and
- c) associated continuous castings.

The open hearth steelmaking furnaces, the slabbing mill and perhaps some of the sinter lines could then be shut: this, with other modernisation, would still involve about 3,000 redundancies at Shotton.

He agreed that (a), (b) and (c) would require new public investment of at least £100 million (in our view, very considerably more in total). Mr Gray saw no hope of any significant proportion of this being put up by private capital. His main point was that, if a public sector company were set up to run Shotton independently of BSC, if the necessary new capital investment were then undertaken, and if (as, to be fair, he confidently expects) the operation then proved a success, at that stage, private sector investors might well be prepared to buy an interest in the business.

As you will note, there are several 'ifs' above. Meanwhile as matters stand, like Mr Gray, I cannot see any chance of finding a private buyer for Shotton. It is right to consider very carefully any alternative proposals for Shotton, and we have done so in this instance. However there seems to me no case for massive public investment in a new steelmaking plant and associated equipment at Shotton, in the face of the already burdensome excess steel capacity in the country. The main argument for closing Shotton is the new steel capacity for strip now coming into operation at Ravenscraig and the expansion at Llanwern only recently completed.

ADAM BUTLER



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