

Mr Ian McGregor, BSC Chairman, spoke to the Parliamentary Press Gallery at lunchtime today. His main message was that BSC is bankrupt and should be liquidated; that he will this week be asking the Board to contract the business with the closure of "a certain number of plants"; and that if costs did not come down in the first six months of next year he will have to seek "further substantial closures on top of what must be done now". (Club tape attached).

- 2. Other points he made in his speech and in answer to questions were:
 - The essential problem for the UK was how to become efficient again after 20 years in which other industrialised countries had overtaken us. The UK had been concerned about social stability and equality and not about producing wealth. Hence, despite an ability to deliver on educational standards, technical capacity and management skills, we had fallen behind.
 - ii The BSC was a victim of the country's problems. Its customers, and the consumption of its products, had declined (eg the car industry).
 - iii It was possible to start back on the road to being viable by improving efficiency and reducing costs. The aim was to get costs down, salvage the maximum number of jobs, provide security for the remaining workforce and pay them increased wages.
 - on energy costs, he said that American industry was given preferential low "cost of service" tariffs. In the UK increased energy costs were always passed on to industry. He wanted energy suppliers to charge industry "what it costs, including allowing a return on capital and profit".
 - v On sterling, he said the point was now at its "normal" level not at the "depressed" level of the mid-70s. Most of the deterioration in BSC competitiveness in the last year was due to continuing wage inflation rather than the rate of sterling.
 - vi On President-elect Reagan, he said he saw George Schultz in San Francisco last weekend and had no doubt that the new Administration intended "to get the engine going again" to generate wealth.
- 3. You may wish to draw the Prime Minister's attention to some of these points.

NEVILLE GAFFIN

10 December, 1980.

Birtingdile Apap, Supapies, Sas, sas springs mod in an SPECHERTIVE SUPPORT HORIN HELPED PURK MED TOMPKING TO THERDYE 3P. THEL AN HEMAICES SA ENGINE DI 1886. SALE OF MEST OF ITS HOLDING IN UMITED CARRIERS 39 JOFF RI 1189. PROFILS BUT ENCOUREDED BY A CHEERFUL STRIENERY. ELSEWHERE PERLEGIES HETTERSLEY FULL ON 198 TO 130P DESPITE LOWER SHITSFACTORY FIGURES! SP HIGHER AT 1928, ADDRESS AND DROPPED SP TO DESPET BUT MARSON TRUST RESPONDED TO STITE INDUSTRIES TOOK MEED OF THE CHAINMANS DISCOURAGING B. G. M. FOODSE UNCHARGED RE 1639 IN ERRYINGS AND EREE SHORE HEND-OUT FOILED TO STINGLATE! NORTHERN MINDER & 108 PRESIDES OF LO CASE FOLLOWING DIED FIRE GRANTS BUT & ESCULA FISONS SELINGUISHED INF TO 2" OF, AND CEC SE DE MI STYE HENKER 246P ROVENCE) IN A 3RND OF 12 TO 49. WHILE BLECTRICALS PACNO LEADING SHARES I BEECHAR 156P. GLAND 236P. 8819 258 AND OCCUPATORATER AND HES " SEMAN LO MS CHING MESE FIDERSFIA DIRIBIBATED

'MORE STEEL CUTS IF RESCUE PAN FALTERS'

IF BRITISH STEEL'S NEW PLAN TO RESCUE THE INDUSTRY FALLS BEHIND DURING ITS FIRST SIX MONTHS OF OPERATION, THERE WILL BE MAJOR CLOSURES OF STEEL PLANTS IN ADDITION TO THOSE ALREADY SCHEDULED, CHAIRMAN IAN MACGREGOR WARNED TODAY.

HE JUSTIFIED HIS THREAT BY CLAIMING "BY ANY STANDARDS THIS COMPANY IS BANKRUPT AND SHOULD BE LIQUIDATED."

SPEAKING AT A PARLIAMENTARY PRESS GALLERY LUNCHEON, HE SAID:

''IT IS MY DESIRE TO SALVAGE THE MAXIMUM FROM THE ENTERPRISE. BUT

IF IN THE FIRST SIX MONTHS OF NEXT YEAR WE FALL AWAY FROM THE PLAN

WE ARE PLACING IN FRONT OF OUR COLLEAGUES, INCLUDING OUR FRIENDS

IN THE WORKFORCE, THE LABOUR UNIONS, THEN FURTHER SUBSTANTIAL CLOSURES

WILL BE NECESSARY - ON TOP OF WHAT WE HAVE TO DO NOW.''

MR MACGREGOR IS DUE THIS WEEK TO UNVEIL HIS BLUEPRINT FOR THE FUTURE OF BRITISH STEEL. CLOSURES AND CUTBACKS IN THE WORK FORCE ARE CERTAIN. BUT TODAY MR MACGREGOR WOULD NOT DETAIL HOW MANY MEN OR PLANTS NIGHT BE AXED.

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