

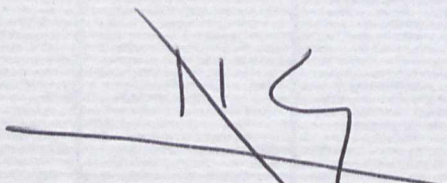
MR LANKESTER

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:

- i 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.
- iv 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.

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 MIGHT BE AXED.

**'MORE STEEL CUTS IF RESCUE PLAN FALTERS'**

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