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The statements to have to be much shorter and its projects eliminated.

I suspect you will want another meeting of E to discuss Sir Keith's statement - we can arrange this for Monday afternoon instead of the 4.30 meeting on Govt. information services. 12.6/2

Ref. A04217

MR. WHITMORE

Some more work must be done on performance criteria. Alternatively, we will have a more meeting with KJ and Peter Hbs.

British Steel Corporation: Corporate Plan

The Secretary of State for Industry has now, as requested by the Cabinet, circulated to members of the Ministerial Committee on Economic Strategy his draft of the statement which he is to make on the BSC Corporate Plan on Wednesday, 11th February.

2. The draft statement describes the Plan's provision for a manned capacity of 14.4 million tonnes of liquid steel a year. It gives the loss before interest for 1980/81 of £480 million, and the target loss of £225 million for 1981/82 as accepted by the Government. It announces an External Finance Limit (EFL) of £1,121 million for 1980/81 and £730 million for 1981/82. It says that, if Mr. MacGregor's optimism about the future is not justified, his commercial judgment may then lead BSC to seek further closures or redundancies in order to achieve their financial objectives. It says that the Government will monitor events closely and have asked Mr. MacGregor to let them have his assessment of progress in July.

3. In his covering minute, Sir Keith Joseph argues strongly for sticking to the profit criterion; he says that he is prepared, "if colleagues insist", to try to work out wider criteria against which to judge proposals for closure, but would much prefer to stick to the use of the commercial yardstick and deal separately with the social effects.

4. The Ministerial Committee on Economic Strategy last Wednesday asked the Secretary of State for Industry to arrange for his Department to discuss possible performance criteria with the Treasury and the CPRS. This discussion has not yet taken place - no doubt because of the Secretary of State's reluctance - and it would not now be possible to agree performance criteria among the Departments concerned and with Mr. MacGregor in time for a statement on 11th February. The one-clause Bill on the BSC's borrowing limit has to be taken

Fig A

We did not accept £225m

We did insist



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as soon as possible, and it is not possible to defer some sort of statement beyond about the middle of next week. It is difficult to see how any statement can be made convincingly, if it does not include the revised figures of the EFLs for 1980/81 and 1981/82.

5. I think that there are two possible ways to handle this:

*he could  
summarise*

(a) If the Prime Minister thinks - as she well might - that this draft statement suffers from all the shortcomings which she was criticising at the meeting of E, she may think that we ought to have another meeting of E on Monday or Tuesday, to seek to persuade the Secretary of State for Industry either to restrict his statement to those things which absolutely have to be announced for the purpose of the proposed legislation or to strengthen it so as to diminish the impression that Mr. MacGregor has unlimited access to the Exchequer.

(b) If she reluctantly accepts that it is not now going to be possible to agree upon objective performance criteria before Wednesday, and there is unlikely to be any basis for any other figures than those indicated in the draft statement, she could leave the draft to be dealt with in correspondence, herself sending a minute which invites the Secretary of State for Industry to incorporate in the draft a reference to the Government's intention of agreeing performance targets with the BSC as a basis for assessing progress in July.

6. If she follows the second course, the Prime Minister will want to emphasise the need for the Department of Industry, the Treasury and the CPRS to get down as early as possible to discussing both performance criteria and possible closures. It may be that other Ministers do not accept that the profit criterion can be the only criterion for deciding whether to proceed with closures, and that there are some plants which, for wider economic or social reasons, ought to be kept in being even if they are not showing a profit. If this is the view of the Government, the sooner it is worked out and conveyed to the BSC, the better.

*R. Wright*

ROBERT ARMSTRONG

*(drafted by Sr. R. Armstrong and signed on his behalf.)*

6th February, 1981

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