

Grooms



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PS/ *Secretary of State for Industry*

18 February 1981

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

PA (CFK)

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Dear Tim

PRICE CUTTING ALLEGATIONS AGAINST BSC

I enclose the text of a letter which is being submitted for signature by my Secretary of State this evening, replying to the allegations which Mr Edward Du Cann made at his meeting with the Prime Minister last night of predatory pricing on the part of BSC, which had caused Hadfields to lose an order to supply Fords. I hope the letter is self-explanatory and that it will provide the Prime Minister with any background briefing she may require for her questions on Thursday, 19 February. I should perhaps mention that although my Secretary of State has seen the factual information on which the enclosure is based and has suggested the initial drafting of the letter. He will not in fact be sending the letter to Mr Du Cann until the morning and may then do so in a modified form.

Yours ever

Ian Ellison

I K C ELLISON
Private Secretary



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The Rt Hon Edward Du Cann MP
House of Commons
London SW1A 0AA

COMPETITION BETWEEN BSC AND HADFIELDS

When we met the Prime Minister on the evening of 17 February you alleged that BSC had taken business from Hadfields by under-cutting by £20 a tonne a long-standing contract with Fords for the supply of forgings.

I have made enquiries - and perhaps these may be wrong - but I have it from BSC that their Special Steels Division, which I understand is the Division in direct competition with Hadfields, does not have any significant business with Fords. They therefore reject your allegation.

BSC have said, however, that Hadfields may have lost a contract to provide Fords with forging billets, which is a business which BSC had until the strike last year. If Hadfields have indeed lost this business BSC have tentatively suggested that this may be because Ford UK can import finished forging from Europe more cheaply than they can be produced in the UK. Fords may therefore have ceased buying forging billets for their UK plant.

I am as you know seriously concerned about the allegations that BSC is using taxpayers' money to undercut private sector steel makers. As I explained, I have made arrangements for such allegations to be fully investigated. I am equally concerned, however, by the number of unsubstantiated allegations which are currently being made against BSC. What appears to be happening is that, following the strike last year which allowed continental steel producers to enter the UK market in force, BSC is no longer able to fix its own prices. Imports are now the price setters and European prices tend to be set by German manufacturers quoting in Deutschmarks. The widespread excess capacity, the aggressiveness of German producers and the current very low level of the Deutschmark mean that BS is having to follow continental prices down to very low levels. The private sector suffers in consequence but BSC itself has a clear interest in firmer prices for steel now that Mr Ian MacGregor has been set clear commercial objectives.