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HMT
DOI
Mr Wolfson
Mr Duguid
Mr Hoskyns

10 DOWNING STREET

From the Private Secretary

MR IBBSBSC - Report of Enquiry Team into 1981/82 Cash Requirement

The Prime Minister had a word with you this morning about the Report which you submitted to Sir Keith Joseph on 16 February. She said that she was disappointed that the Report did not cover the question of the overlap between BSC operations and the private sector and the damage which was being done to the private sector by BSC's aggressive marketing.

You explained that this had not been part of the enquiry team's remit. You went on to say that it was a necessary consequence of BSC's struggle to return to profitability to market aggressively, and this inevitably meant difficulties for the private sector. The private sector were also under greater threat than they had been before the steel strike from imported steel, which was now being offered at more competitive prices. If BSC were to hold back on their effort to regain market share, their plant loading would be reduced and their losses and cash requirements would be even greater than their estimates already showed. The only other alternative would be for BSC to reduce their capacity by more than they were currently planning; but this would not reduce their estimated cash outflow in 1981/82 - because of the additional closure costs.

The Prime Minister said that even though the cash outflow would be no lower, it might still be desirable to ask BSC to cut out capacity (or even possibly to accept reduced plant loading) in order to give the private sector a greater opportunity. She asked if you would be good enough to prepare a further note by the weekend, so that it can be taken into account in the E Committee discussion on Monday morning, indicating the areas of overlap between BSC and the private sector and the case for and against cutting back BSC capacity and/or production in those areas.

I am sending a copy of this minute to John Wiggins (HM Treasury), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

T. P. LANKESTER

19 February 1981

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