



Secretary of State for Industry

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

Dear Tim,

FINANCIAL TIMES ARTICLE ABOUT BSC AND CONSETT ENGINEERING LTD (CEL)

1 You asked for guidance on the allegation in today's Financial Times that BSC was hampering CEL's efforts to create new jobs in Consett.

2 CEL is a prospective company which a Consett resident, Mr G M Murray, hopes to form using facilities on the Consett site belonging to Redpath Dorman Long (RDL), the engineering subsidiary of BSC. CEL recently attempted to buy certain equipment (heavy rolls) belonging to RDL but RDL refused to sell because the rolls could be moved and used at another plant. As a result, CEL approached Mr Tebbit (through the Consett MP, David Watkins) asking him to intervene; Mr Tebbit replied that this was a matter to be settled between BSC and CEL. Mr Murray met Mr Ian MacGregor on 3 March and reportedly accepted the Chairman's suggestion that BSC (Industry) should assist CEL to find similar equipment elsewhere.

3 CEL now claim that Mr MacGregor promised them priority in securing a set of rolls and they argue that this means that RDL - who have since installed the Consett rolls at Stockton - should return them to Consett for CEL's benefit. BSC have in fact found another set of suitable rolls, at a Scunthorpe company which is now in the hands of a receiver, and have suggested that CEL should buy them at a cost of £300,000. But CEL, who stick to their claim for priority, say that BSC should take the Scunthorpe rolls and return the original Consett rolls to Consett.

4 BSC deny that Mr MacGregor gave CEL any promise of priority. He simply agreed that the Corporation would help CEL to find a set of rolls: he certainly did not lead them to expect that they would end up with the Consett rolls which they had been seeking. The Managing Director of RDL has added the following points:

- a the rolls moved from Consett to Stockton have physically been installed there and are urgently needed to fulfil an important order;

/b ...



- b the rolls located in Scunthorpe are not immediately available - the receiver will only sell them separately if attempts fail at disposing of the company as a going concern - so they are no use to RDL;
- c. Mr Murray has so far made no attempt to get in touch with RDL (as the Financial Times article claims) about the rolls. CEL has, however, put in a bid of £50,000 for the RDL building at Consett which BSC value at £225,000.*

5 The Financial Times article is no doubt inspired by CEL as a means of putting pressure on RDL. But there is no reason to suppose that BSC are acting unreasonably or being deliberately obstructive. They have a genuine commercial need for the rolls and have gone to the trouble and expense of installing them elsewhere. Against that background, BSC have gone out of their way to help CEL secure an alternative, which is more than most businesses would do. The claim about priority treatment is not borne out by any independent evidence and is not really credible; if Mr MacGregor had meant CEL to have the Consett rolls there would have been no point in his offer of help to CEL to secure an alternative.

* The BSC valuation of £225,000 is based on an independent valuation.

Yours ever
Ian

I K C ELLISON
Private Secretary