

PS/Secretary of State

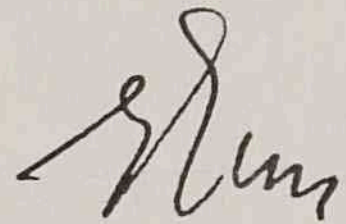
cc PS/Mr Butler  
 PS/Mr Marshall  
 PS/Sir Peter Carey  
 Mr Ridley Dep Sec  
 Mr Woodrow Inf  
 Mr Nieduszyński PT  
 Mrs Cohen IS1  
 Mr Monck Tsy

BSC: THE BREAKEVEN TARGET

In referring to the breakeven target for 1980/81, which the Secretary of State set BSC last July, I suggest we place more emphasis now on the statutory duty placed on the Corporation by the Iron and Steel Act 1975 (passed by the previous Labour Government as a consolidation Act, but repeating an earlier Labour Government's statutory requirement). Section 14(1) says "Subject as provided in sub section (6) below [which is not relevant since no required rate of return on assets is present specified] it shall be the duty of the Corporation so to exercise and perform their functions under this Act as to secure that the combined revenues of the Corporation and all the publicly-owned companies taken together are not less than sufficient to meet their combined charges properly chargeable to revenue account, taking one year with another." This means that "taking one year with another", it is the statutory duty of the Corporation to break even.

2 Given that the Corporation have made losses in each of the 5 successive years since the 1975 Act was passed, "taking one year with another" can reasonably be held not to extend to losses in a sixth year, ie 1980/81. So we can argue that the breakeven target is not simply the Secretary of State's policy but what the law, as imposed by the Labour Government, requires as a "duty of the Corporation".

3 This is a fairly sensitive point for other Nationalised Industries, since the NCB, Electricity, Gas and BAA (but not British Shipbuilders) also have an obligation to break even. However, three of these four do make profits; NCB declare a profit but this is after heavy grants under the Coal Industry Act.



S J GROSS  
 Hd IS Division  
 816 Ashdown House  
 212 8705  
 25 February 1980



25 FEB 1980



Iron & Steel Division

DEPARTMENT OF INDUSTRY

Ashdown House

123 Victoria Street

London SW1E 6RB

Tel: 01 212 8705

Switchboard 01 212 7676

*Mr Laurencester*

*No 10.*

*With the Compliments of*

S J Gross