



Secretary of State for Industry

CONFIDENTIAL

DEPARTMENT OF INDUSTRY
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JU709

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

16 May 1983

Prime Minister ~~see~~ NO

Agree his statement?

Dear Michael,

MUS 17/5

Yes
ms

BSC CORPORATE PLAN 1983/86

As you know, it has now been agreed that the Government's response to the BSC Corporate Plan will be made known next week, probably in a statement from this Department. Our present intention is to make the announcement on Thursday, 19 May. I ... attach a first draft, approved by my Secretary of State. I should be grateful for any comments you and other recipients may have by 10.00 am on Wednesday 18 May.

2 Copies of this letter go to the Private Secretaries to members of E(NI), the Foreign and Commonwealth Secretary, the Secretaries of State for Scotland and Wales, the Lord President, Sir Robert Armstrong, John Sparrow, and to Bernard Ingham.

Yours sincerely,

Jonathan Spencer

JONATHAN SPENCER
Private Secretary



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DRAFT

BRITISH STEEL CORPORATION: GOVERNMENT APPROVAL FOR THE 1983/86
CORPORATE PLAN

The Government have now completed their assessment of the BSC Corporate Plan for 1983/86 which was submitted to them in mid-February.

As the Secretary of State for Industry announced to the House of Commons on 20 December last year, the Corporation were asked to prepare their Plan on the basis that steelmaking would continue at all five major integrated sites and with the objective of reaching break-even before interest in 1984/85. The Plan has been drawn up on this basis and is designed to continue BSC's progress towards viability by increasing efficiency, quality and service to customers.

Financial support from the Government will continue to reduce as break-even and profitability are achieved. The Government have approved the Plan and have set an External Financing Limit (EFL) for 1983/84 of £325 million. This is consistent with BSC's operating plan for the year, but with a smaller margin for contingencies than the Corporation had proposed.

The Plan provides for investment of £665 million over the three year period 1983/4 to 1985/6, for the first year of which, 1983/84, the Government has now given the necessary approval. £265 million worth of major schemes are due to start in 1983/84 including



	Total cost £ million
(a) Modernisation of the Port Talbot hot strip mill	180
(b) Provision of continuously cast feedstock for medium range seamless tubes at Clydesdale	36
(c) Modernisation of the large-diameter seamless tube plant at Bromford	13
(d) New slab reheat furnace at the Lackenby beam mill	13

Subject to necessary formal consent by the European Commission, the Corporation are now able to proceed with the schemes due to start in the current year.

As was made clear in the Secretary of State for Industry's statement on 20 December 1982, the future of any particular plant or works will continue to depend on the way markets for their products develop, and on the costs and efficiency of their operation.

As regards any proposal from BSC about a possible partnership with an American Steel company, this forms no part of the Corporate Plan which the Government have now approved, and no such proposal is currently before Ministers. If any such proposal were to be made in future, the Government would consider it on its merits.

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FILE

RM

S/c: Blingham

10 DOWNING STREET

From the Private Secretary

18 May, 1983

BSC CORPORATE PLAN 1983/86

Thank you for your letter of 16 May to which you attached a draft statement of the Government's response to the BSC Corporate Plan.

The Prime Minister has seen this draft, and is content that you should issue a statement on these lines.

I am sending a copy of this letter to the Private Secretaries to members of E(NI), Brian Fall (FCO), David Heyhoe (Lord President's Office), Muir Russell (Scottish Office), Adam Peat (Welsh Office) and to Richard Hatfield and Gerry Spence (Cabinet Office).

M. C. SCHOLAR

J. Spencer, Esq.,
Department of Industry

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CC ✓/NO

Foreign and Commonwealth Office

London SW1A 2AH

18 May 1983

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British Steel Corporation

Mr Pym has seen a copy of Mr Jenkins's minute to the Prime Minister of 10 May about BSC's Corporate Plan, and your letter of 16 May with a draft statement on the Government's response to the Plan.

with MS?

He agrees with Mr Jenkin's analysis of the prospects for the negotiations with the Commission and with the proposed line. As the papers attached to Mr Jenkin's minute clearly bring out, the negotiations are going to be very difficult, and there will need to be careful coordination in Whitehall on the handling and tactics. Mr Pym has also commented that considerable damage would be caused by any comment by the Commission on the Plan or on our aid notification, particularly during the next few weeks. It will be important to ensure that the Commission understand the need for absolute discretion.

We are content with the draft statement on the Plan and have no comments to offer.

I am copying this letter to the other recipients of yours.

*Yours
R B Bone*

(R B Bone)
Private Secretary

Jonathan Spencer Esq
Private Secretary to the
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
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18 MAY 1985

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

5888 YAM 1 M



17 May 1983

Dear Jonathan

BSC CORPORATE PLAN 1983/86

with MCS?

Thank you for sending me a copy of your letter of ~~16~~ 17 May to Michael Scholar about the announcement to be made on Thursday 19 May.

My Secretary of State is content with the terms of the announcement and, following your earlier discussion with Judy Roberts, proposes to refer to the approval of the Port Talbot project at a press conference on Thursday, 19 May at 9.30 am. You agreed that you would be issuing a press notice, probably in the form of the text of a letter to the Chairman of the BSC, on Thursday morning. My Secretary of State's remarks will accord with the outline agreed with your Secretary of State and the Secretary of State for Scotland when they met last week.

/ Copies of this letter go to recipients of yours.

Yours ever
Colin

C L JONES

Jonathan Spencer Esq
Private Secretary to
The Secretary of State for Industry

11.7 MAY 1983



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Prime Minister

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I will resubmit

this to you with advice

tomorrow.

ms 10/5

PRIME MINISTER

BRITISH STEEL CORPORATION

[Handwritten squiggle]

We were due to consider BSC's Corporate Plan in E(NI) next week; decisions are needed on approving the Plan itself, the External Financing Limit for 1983/84, and the hot strip mill investment at Port Talbot. We will be pressed to state our position on these issues during the election campaign: I also need a basis for the notification of aid to BSC up to 1985 which I have undertaken to make to Brussels by the end of May at the latest, since the Commission are required by the Steel Aids Decision to approve all state aids by the end of June. Since the E(NI) meeting will not now take place, I am seeking approval by correspondence, and I believe we should decide this week so that our campaign can properly reflect our decision.

... 2 I attach the paper which I would have put to E(NI), and detailed papers by officials on the Corporate Plan and Port Talbot hot strip mill project. In my paper I invite colleagues:

- to approve BSC's Corporate Plan subject to a reduction in external financing proposed for 1983/84;
- to set the EFL for 1983/84 at £325 million, an effective reduction of £100 million on BSC's proposals



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on the understanding that we would be prepared to take a further look if the market turns against BSC;

- to approve the Port Talbot Hot Strip Mill (HSM) investment project;
- X - to take note of BSC's discussions with US Steel but not to take a decision at this point;
- to take note of the prospects for the State Aids negotiation with the Commission.

3 The EFL figure has been agreed with Leon Brittan on the basis that the Port Talbot project is approved (if it were not, the EFL would be reduced to £265m). Since the figure represents a very substantial cut in BSC's allowance for contingencies we need to be prepared to look at it again later in the year if BSC's market turns sharply down. I would also propose to include a higher allowance for contingencies in the aid notification to the Commission, since there will be no opportunity to reconsider that figure once the Commission has taken its decisions in June.

4 Besides the Port Talbot project, the Corporate Plan includes a £36 million continuous casting project at Clydesdale; this would be covered by overall approval of the Corporate Plan and does not require a separate decision.



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... 5 I also attach a suggested form of words on BSC issues which we can use on the campaign, which I have agreed with George Younger and Nick Edwards.

6 I very much hope that colleagues will be able to let me know by noon on Friday, 13 May whether they accept my proposals.

7 I am copying this minute and the enclosed papers to members of E(NI), to the Foreign and Commonwealth Secretary, the Secretaries of State for Scotland and Wales, the Lord President, Sir Robert Armstrong and John Sparrow.

PJ

P J

10 May 1983

Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

Encl



DRAFT CAMPAIGN SPEAKING NOTE

Steel

BSC

(i) We will continue BSC's progress towards viability, by increasing efficiency, quality and service to customers. Financial support by HMG will continue to reduce as break-even and profitability are achieved.

(ii) The proposal to modernise the Hot Strip Mill at Port Talbot has been approved and will proceed, subject to formal consent by the European Commission. This is essential to improve quality, but will not increase overall strip capacity.

(iii) All this is entirely consistent with the Secretary of State for Industry's Statement on 20 December. As regards any future proposal involving a possible partnership with an American Steel company, the Government will consider that on its own merits.