



JF 3532

Secretary of State for Industry

DEPARTMENT OF INDUSTRY
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I K MacGregor Esq
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Dear Mr MacGregor

BSC CORPORATE PLAN 1983/86

The Government have completed their assessment of the BSC Corporate Plan for 1983/86 which you presented to me in mid-February and I am now writing to let you know our conclusions.

You have of course drawn up the Plan on the basis which I announced to the House of Commons on 20 December last and which still remains our policy - namely, that steelmaking would continue at all five major integrated sites - and with the objective of the Corporation reaching break-even before interest in 1984/85. I am glad to see that the Plan is designed to continue BSC's progress towards viability by increasing efficiency, quality and customer service. Financial support from the Government will continue to be reduced as break-even and profitability are achieved.

I am pleased to be able to tell you that, against this background, the Government have now approved the Plan. We have set an External Financing Limit for 1983/84 of £325 million. This is consistent with the Corporation's operating plan for the year, but includes a smaller margin for contingencies than you had proposed.

The Plan put forward proposals for capital investment amounting to £665 million over the three year period 1983/84 to 1985/86. £256 million-worth of major schemes are due to start in 1983/84 including:



	<u>Total cost</u> <u>£ million</u>
(a) Modernisation of the Port Talbot hot strip mill	171
(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

The Government have approved the general capital expenditure programme for 1983/84 and have specifically approved the major project at Port Talbot on the basis that, as we agreed, it should at this stage include one new reheat furnace. Subject to the necessary formal consent by the European Commission, you are therefore now able to proceed with the schemes due to start in the current year.

I recognise that the steel market remains difficult and that - as I made clear to the House on 20 December last - the future of any particular plant or works will continue to depend on the way in which markets for their products develop and on the costs and efficiency of their operation.

As you know, the Corporate Plan which the Government have now approved contains no proposal from BSC about any possible partnership with an American steel company. If any such proposal were to be made by BSC in future, the Government would consider it on its merits.

In view of the public's interest in your plan, I propose to issue the text of this letter to the Press.

(signed) PATRICK JENKIN

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