



CC 201

TMP

bcc Wilson

## 10 DOWNING STREET

THE PRIME MINISTER

23 May 1983

Dear Mr. Wilson,

Thank you for your letter of 12 May requesting a meeting to discuss the future of the British Steel Corporation's plant at Ravenscraig.

The Government have now approved BSC's Corporate Plan for 1983/86 on the basis set out in Patrick Jenkin's letter of 19 May to Mr. Ian MacGregor. As you will see from the copy which I enclose, the Plan has been prepared on the basis that steelmaking will continue at the five integrated plants and it contains no proposal from BSC about any possible partnership with an American steel company. It remains the case that, if any such proposal were to be made by BSC in future, the Government would consider it on its merits.

There is nothing which I could add at a meeting to this explanation of the position but I have taken careful note of the points made in your letter.

Yours sincerely

Margaret Thatcher

G. Wilson, Esq.

HLL



Secretary of State for Industry

RESTRICTED

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

*GR PP's ?*  
*CIF*  
*ce NYO*

JU756

26 May 1983

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

*Dear Michael,*

*checked with Mr Younger  
of the (Mr McPherson):  
they are content.*

You wrote to me on 17 May asking for a draft reply from the Prime Minister to the letter she had received from the Scottish Group Branch of the Steel Industry Management Association, requesting a meeting to discuss the future of Ravenscraig.

2 The SIMA letter argues at length that Ravenscraig is an efficient plant which should not be threatened with total or partial closure as a result of BSC's attempts to conclude a slab supply arrangement with the US Steel Corporation. The arguments are those which are being extensively deployed by the manualgrade trade unions at the plant and which were put directly to my Secretary of State when he met the Ravenscraig shop stewards in Glasgow on 12 May.

3 The Government's position on the question is summarised in the letter, published today, from my Secretary of State to Mr MacGregor giving approval for BSC's Corporate Plan. This confirms that the Plan is based on continued steelmaking at BSC's five integrated plants and that the Government have received no proposals from the Corporation about any possible partnership with an American steel company.

4 I suggest that the Prime Minister sends SIMA a copy of the letter and declines a meeting on the grounds that nothing could be added to this statement of the position. I attach a draft reply on this basis.

*Yours ever,*

*Caroline Varley*

CAROLINE VARLEY  
Private Secretary

*pl type*

✓ DRAFT LETTER FROM THE PRIME MINISTER TO:

*bc D Wilson  
20/5*

G Wilson Esq  
Secretary, Scottish Group Branch  
The Steel Industry Management Association  
31 Wellesley Crescent  
East Kilbride  
Glasgow G75 8TS

Thank you for your letter of 12 May requesting a meeting to discuss the future of the British Steel Corporation's plant at Ravenscraig.

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JF3532

*Secretary of State for Industry*

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ASHDOWN HOUSE  
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19 May 1983

I K MacGregor Esq  
British Steel Corporation  
9 Albert Embankment  
LONDON  
SE1 7SN

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

19 MAY 1983

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VCCNO.



Secretary of State for Industry

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ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

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*Handwritten:* ✓ C.B.I.

*Handwritten:* Men (PA)

JU745

18 May 1983

CONFIDENTIAL

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

*Handwritten:* Dear Michael,

BSC CORPORATE PLAN 1983/86

As you know, Bernard Ingham and John Woodrow here have agreed that the most appropriate way of putting the Government statement on the BSC Corporate Plan into the public domain is via a letter from my Secretary of State to the Chairman of the BSC.

... 2 I attach a copy of this letter in final form. I should be grateful if copy recipients would note that it is dated tomorrow, 19 May, and will not be released to the press until about 9.30am tomorrow morning. It should therefore be treated as embargoed until then.

3 This Department has prepared factual question and answer briefing for use by our Press Office in dealing with any follow-up enquiries from the press, and this is being circulated to officials in other interested Departments.

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

*Handwritten:* Yours sincerely,  
Jonathan Spencer

JONATHAN SPENCER  
Private Secretary



JF 3532

*Secretary of State for Industry*

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ASHDOWN HOUSE  
123 VICTORIA STREET  
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(signed) PATRICK JENKIN

Nat Ind BSC Pt 12

118 MAY 1983



COMMUNICATIONS



Mr. G. Wilson

Jul

20/5

10 DOWNING STREET

*From the Private Secretary*

17 May 1983

I attach a copy of a letter the Prime Minister has received from Mr. G. Wilson, Secretary of the Scottish Group Branch of the Steel Industry Management Association. You will see that he requests a meeting with the Prime Minister about the future of the plant at Ravenscraig.

I would be grateful for a draft reply for the Prime Minister's signature by Friday, 20 May.

I am sending a copy of this letter to John Wilson (Scottish Office), and would be grateful if the Scottish Office's views could be taken into account in the draft letter.

M. C. SCHOLAR

Jonathan Spencer,  
Department of Industry.

No ack.

THE STEEL INDUSTRY MANAGEMENT ASSOCIATION  
SCOTTISH GROUP BRANCH  
31 WELLESLEY CRESCENT  
EAST KILBRIDE  
GLASGOW G75 8TS

Telephone: East Kilbride 39685

12 MAY 1983

THE RT. HON. MARGARET S THATCHER PM PC  
(VIA THE R. HON. J P POW)  
10 DOWNING STREET  
LONDON EC3

Madam,

I write to express the continuing anxiety of the Management Staff of the Ravenscraig and Gartcosh Works of the British Steel Corporation, regarding the future of our operations here.

If the Media is to be believed, it would appear that we continue to find ourselves the prime target for closure or partial closure in the forward strategy of our Chairman, Mr Ian MacGregor.

While we recognise the danger of relying on the press as a source of fact, we find that, despite repeated direct advances to Mr MacGregor, we cannot obtain information of any substance from him or anyone else in the Corporation regarding either the forward plan for these Works or, more importantly, the basis of his case against us.

Mr MacGregor did meet us in November of last year and he told us then that his proposals against these works were on economic grounds. However, he declined to detail his argument in any way.

Subsequently we developed a cost case demonstrating that, far from being the poor performer in the Strip Mill trio of Port Talbot, Llanwern and Ravenscraig, our costs could be projected into very favourable comparison against our domestic competition, to the degree that the so-called disadvantage of geography could be more than overtaken.

This case was based on proven performance at both Ravenscraig and Gartcosh given a fair share of the order book.

I am happy to say that since that time, now that the previous 20% preferential loading of the Welsh Mills has been corrected, our forecasts have been more than justified.

Our productivity continues to improve to a record of under 4.0 man hours per tonne and we have reduced our Hot Rolled Coil cost by more than 20% to its lowest level ever, in real terms, to the best in the Corporation. With increased tonnage we have every prospect of further improvement.

TO: THE RT. HON. MARGARET S THATCHER, PM PC

12 MAY 1983

The basis for our performance rests in our ironmaking costs which, it has been shown, can be improved to better than those of Llanwern, with its bigger and 'more efficient' Blast Furnaces and in the fact that we have a very efficient modern steelmaking unit with three Continuous Casting machines.

However, it is not only on the question of our cost performance that we argue the case for our survival.

We believe that we also have sound technical reasons to our advantage in comparison to our domestic competition and we believe that Mr MacGregor is deliberately ignoring these factors when discussion of our situation is made.

Put simply, our total steel output is 100% killed non ageing steel via the Continuous Casting route. Other Mills still make ingot route steels via a slabbing mill. For them to make a killed steel is a very costly deliberate practice, whereas for us it is an inevitable consequence of our plant.

We unavoidably make killed steels in grades ordered and sold as cheaper rimmed steels and this has been recognised by astute steel buyers here and on the Continent and more and more business is being placed here for that reason.

However, price alone is never the sole determinant in the strip steel business where quality is a prime factor as far as the user is concerned.

Here we stand by our proven reputation for consistent quality to the most severe applications whether for surface or ductility demand. We are the highest ranked domestic supplier to the Ford Motor Company and the biggest single supplier to British Leyland for critical autobody panels.

Mr Roderick, Chairman of US Steel recognises the value of our product, which he classes as "matching or exceeding the quality of steel produced anywhere in the World".

If Mr MacGregor is allowed to succeed in his plans to close or partially close these Works, the Domestic market will be robbed of our total tonnage of killed continuously cast steel. This tonnage cannot simply be overtaken by Llanwern who have no continuous casting facilities, or by Port Talbot who have, but could not meet the added demand, even if it was an accepted plant in quality terms, which it has yet to prove.

We contend, therefore, that our closure will have a serious impact on the Domestic market which will be obliged to turn to the Continent for supply and past experience shows that we do not fully recapture lost markets.

Our closure will, in addition, cost the British taxpayer heavily not only in the straight finance of closure, but also in reinvestment to duplicate our proven continuous casting plant and in the expenditure of several hundred million pounds to up-grade inadequate rolling facilities in Port Talbot to replace our Hot and Cold Mills.

All this, plus investment of additional hundreds of millions of British money in private American Companies to enable them to fend off our competition.

TO: THE RT. HON. MARGARET S THATCHER, PM PC

12 MAY 1983

We simply cannot understand this situation. Regretfully we cannot get answers to our questions to help us understand. We, therefore, ask for the privilege of meeting with you in the immediate future so that we may be certain that all of the facts of our case have indeed been fully presented. We feel that this is essential before any irrevocable steps are taken, deciding not only our future and the future of the Steel Industry in Scotland, but also the very economic existence of this Country.

Yours faithfully

*G. Wilson*

G WILSON  
SECRETARY, SCOTTISH GROUP BRANCH