



JH 788

PS/ Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
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2 February 1984

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*Mr Teltott*  
*Mr Teltott*  
*reported on this*  
*at Cabinet*

*Dear Andrew,*

SHEERNESS STEEL

Callum McCarthy wrote to you on 30 January about developments concerning Sheerness Steel.

2 I am pleased to report that, following further discussions by Sheerness and DTI officials with the Commission, the quota fines problem has been satisfactorily resolved. The agreements with Brockhouse and F H Lloyd were completed in the early hours of this morning and the restructuring and rights issue are being announced later today.

*DF 3/2*

*Yours ever,*  
*Ruth*

RUTH THOMPSON  
Private Secretary



Nat Ind. PT 13<sup>th</sup>

Steel.





10 DOWNING STREET

From the Private Secretary

Prime Minister

This came up about a year ago. You commented that this case would influence Britain's view of the EC and asked that Viscount Darnley be told of your personal interest.

A year later, Sheerness's restructuring proposals are in jeopardy because the Community threat has not been lifted.

Agree I express your dissatisfaction with this?

AT 1/2

Yes - very much so my

Note This has been resolved. Fine set at ECU 300,000; restructuring to go ahead. Announced at Cabinet 2/2 by Mr. Tebbit in reporting a Steel Council AT 2/2





JH 734

PS/ Secretary of State for Trade and Industry

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30 January 1984

Andrew Turnbull Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*Dear Andrew,*

#### SHEERNESS STEEL

I am writing to bring you up to date on developments concerning Sheerness Steel, in which the Prime Minister has expressed a continuing interest.

2 The company have proposed a major restructuring of their light steel sections side of their business, involving £14.7 million incremental capital expenditure and the closure of three mills in the West Midlands (Brockhouse District and two F H Lloyd subsidiaries, John Bagnall and Lloyds Dudley) with the consequential loss of around 500 jobs. The shareholders and financial institutions (including Investors in Industry) have agreed, provided the restructuring goes ahead, to raise £2.5 million additional equity and to reschedule the company's £24 million debt. The Department proposes to offer £5 million under the Private Sector Steel Scheme towards the closure and restructuring costs.

3 The restructuring is, however, conditional on a satisfactory resolution of the long-standing threat of Commission fines (estimated at more than £5 million) on Sheerness for alleged past transgressions of ECSC production quota. Vice President Davignon has repeatedly confirmed the Commission's political will to help Sheerness, most recently when my Secretary of State met him in Brussels on 26 January. Nevertheless, major technical obstacles still remain. At present there is a real risk that no sufficiently secure assurance on fines will be forthcoming for the Commission to enable the company to issue the prospectus for the additional equity subscription as planned on 1 February. This could place the whole rationalisation package in jeopardy. Without the restructuring, Sheerness' future is insecure, and despite recent improvements in performance - which have enabled the company to make some overdue repayments of loan capital -





bankruptcy could ensue within the next two years. If the fines were imposed, liquidation would probably follow.

4 Officials and the company remain in close contact with the Commission. I shall advise you of developments later this week.

*Yours ever,*

*Callum*

M C McCARTHY  
Private Secretary



NAT IND

Steel

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4.

31 JAN 1984

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