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MR TURNBULL

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BRITISH STEEL CORPORATION

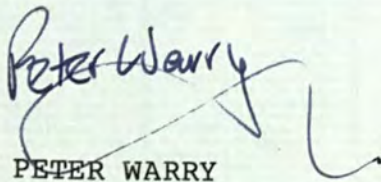
The DTI note unknowingly highlights the BSC paradox—whilst they are working genuinely hard towards privatisation through the formation of joint venture companies; these very same joint ventures actually increase the amount of British industry in quasi-public ownership until they are sold: and they are not for sale!

BSC believe they must not only retain the core steelmaking businesses but also control of the 'long legs' through which the basic product is processed for sale to the ultimate customer. Thus whilst DTI praise the formation of the now profitable and saleable Allied Steel and Wire (Phoenix 1), BSC will resist its sale. And with DTI support the familiar ritual of "don't sell it this year because it will fetch more in a few years time" is about to start.

The same 'not for sale' applies to most of the other joint ventures the note enumerates and will also apply to the Phoenix 2 quasi-nationalisation of GKNs special steels operation (at a cost of £81 million) if it succeeds.

Sheffield Forgemasters has clearly demonstrated that this sort of joint venture 'privatisation' only removes them from the public books, not the public trough.

The policy issues remain (1) what to do about the big strip mills - the arguments for keeping Llanwern open rather than Ravenscraig are not overwhelming, particularly if the effective coal strike were to continue in South Wales long after Scotland. And (2) true privatisation of the peripheral businesses including the long legs. We ought to have a timetable for this.


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