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cc Master.

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10 DOWNING STREET

13 June 1985

From the Private Secretary

ALPHASTEEL

The Prime Minister discussed this afternoon with your Secretary of State and the Chancellor BSC's proposal to buy and close Alphasteel. Your Secretary of State said he would shortly be discussing with the Commission the basis on which BSC's plans would be drawn up. If Alphaasteel were not acquired he doubted if he could reach agreement with the Commission on capacity without entering into a clear undertaking to close Ravenscraig. He felt the decision could be justified publicly and defended to the PAC. Alfasteel employed about 400 people, some of whom would be taken on by BSC. The Chancellor argued that Alfasteel should be acquired only if, in practice, it enabled an agreement on capacity to be reached with the Commission.

Summing up this part of the discussion, the Prime Minister said it was agreed that BSC should enter into negotiations with Alfasteel. They should seek to negotiate a price below £150 million and should not be authorised to exceed it. The increase in the EFL in 1985/86 should not exceed £45 million.

The Prime Minister said the Mexicans were not proceeding with the further stage of the Sicartsa steel project. She wondered whether this would create export opportunities for the British steel industry and, if so, whether a deal could be reached under which loans to Mexico would be written down in return for an undertaking to buy steel from BSC. Your Secretary of State agreed to investigate this.

I am copying this letter to Rachel Lomax (H M Treasury).

Andrew Turnbull

John Mogg, Esq.,
Department of Trade and Industry

88