

MR TURNBULL

2 August 1985

IAN MACGREGOR: PERFORMANCE REVIEW AWARD

There are grounds for querying MacGregor's performance in all four of the areas identified.

Trading Profit. If one adds back exceptional items to the trading profit line, then the trading losses reported in the three years from 30 March 1981 are £412m, £760m, £205m (the 1985/85 results are not relevant). The two years prior, 1979/80 and 1980/81, were affected by special features, not least the long strike which Charles Villiers fought.

(MacGregor took over on 1 July 1980). Losses for the years 1977/78 and 1978/79 defined as above were £344m and £163m, whilst 1976/77 was in profit. On this basis MacGregor's performance hardly looks exceptional.

Cost Control and Performance. Steel production was no better during MacGregor's time than in the blighted two years prior to his take-over, and was significantly less than in the 1970s. <sup>121,000 to 64,500</sup> Manpower was substantially reduced on the back of the steel strike but MacGregor cannot take all the credit. <sup>from 14.5 man hours per tonne to 7.0</sup> Productivity did improve greatly but heavy capital investment during the late 1970s must have contributed significantly. Other than 1983/84, cash requirements (excluding interest) were similar to late 1970s levels.

Privatisation. The biggest chunks of 'privatisation' are Phoenix 1 and Phoenix 3. Until these are actually sold they cannot in all honesty be treated as privatisations.

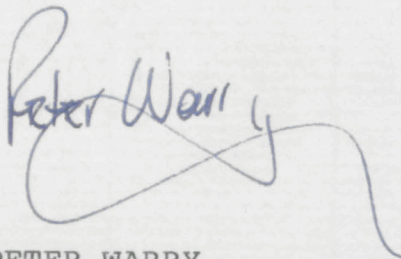
General Well-being of the Corporation. Union attitudes have changed since the steel strike fought through by Charles Villiers, but other improvements are not so obvious.



## PRESENTATION

There do appear to be good grounds for asking the Review Committee to reconsider their award. Asking them to do so, even if they adhere to their original proposal, has strong presentational advantages, particularly following the TSRB announcement. It will be important to stress that the award is not a Government decision but nevertheless in view of the size of the award, that the Government had asked the Committee to double-check the amount.

Linkage with the TSRB award is unavoidable, and therefore whilst a gap of a week or two before announcing will be helpful, there is little to be gained by a long deferral as the TSRB row will merely be reawakened. We disagree with Robert Haslam that it is best to keep this separate from the Alphasteel announcement - surely it is better to get all the bad news over in one go.

A handwritten signature in blue ink, appearing to read "Peter Warry", with a long, sweeping flourish extending from the bottom right.

PETER WARRY





Treasury Chambers, Parliament Street, SW1P 3AG  
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1 August 1985

Andrew Turnbull Esq  
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Dear Andrew

**IAN MACGREGOR: PERFORMANCE REVIEW AWARD**

The Chancellor has seen John Mogg's letter to you of 31 July. As I told you on the 'phone today, the Chancellor feels that the timing of this announcement - so soon after TSRB - is unfortunate. He suggests holding the announcement up for a further week (that is, round about 15 August) so as to leave more clear water between the two announcements, while still having the reports of Mr MacGregor's performance review award made public in the middle of the holiday season.

I am copying this letter to Geoff Dart at the Department of Energy and to John Mogg at the Department of Trade and Industry.

Yours sincerely  
Tony Kuczys

A W KUCZYS  
Private Secretary

P.S. We spoke again later. Officials here think there would be some advantage in postponing the announcement even further — the latest possible date would be 31 August.



