

SUBJECT

JW nat Ind
DA

Bf → Joan Porter
Dealing



bc JMV,

cf Master
J. Porter

10 DOWNING STREET

From the Private Secretary

31 January 1983

Dear Jonathan,

The Prime Minister had a discussion with Sir Alistair Frame this afternoon. Your Secretary of State was also present.

The Prime Minister said that she very much hoped that Sir Alistair would be able to take up the Chairmanship of the British Steel Corporation as soon as possible after July of this year. Sir Alistair said that he thought he would be able to do so in September or October. He regretted that he could not do so earlier. But there was much to do at RTZ to prepare for his departure. The Prime Minister said she was very grateful for his reaction. If he could begin in September rather than October that would be so much the better. She thought that it would be entirely proper for him to continue with RTZ, on a part-time basis perhaps in an advisory capacity, for a while after taking up the new appointment. She certainly did not wish to cause anyone to say that Sir Alistair had let RTZ down. Sir Alistair commented that there should be no conflict of interest in such a situation, except insofar as RTZ supplied iron ore to a large number of steel-makers, including BSC; but this was done on the basis of a long-term contract, in which he had not been involved.

In general discussion, Sir Alistair said that he had been concerned at the impression that the Government's resolution in running the industry had slackened somewhat; he was thinking of the Ravenscraig decision. The Prime Minister explained the economic and political reasons which had led the Government to this decision, and reiterated her view that the ideal situation would be if it were not open to governments to take such decisions, one way or the other. Sir Alistair commented that there would be much to be said for privatising BSC so that it was taken up by a conglomerate, or some company not wholly occupied in steel-making. Sir Alistair confirmed that he was not looking for a contract of the kind which Mr. Macgregor had secured. He was very concerned about the present structure of the BSC Board, in particular about the existence of worker-directors. Your Secretary of State said that he had already set in train action to change this. In discussion of the St. John-Stevas Bill, Sir Alistair Frame said that if this became an Act of Parliament he would not be able to continue as Chairman of BSC. This led to a discussion of the ways of handling the Parliamentary demand for greater accountability by nationalised industries.

/Finally,

Finally, Sir Alistair confirmed that it would be helpful if the Prime Minister were to write to Sir Anthony Tuke about his departure from RTZ. I would be grateful for a draft letter by 8 February.

I am sending copies of this letter to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

Jonathan Spencer, Esq.,
Department of Industry.

nat Prod

STEEL

1. Statement in the House before Christmas. No hasty decisions on the five major plans based only on short-term considerations. Want sound steel industry in UK.
2. Have to face fact that world capacity is now 1,000 million tonnes while worldwide demand will fall below 700 million tonnes this year. Even in Japan, production this year is expected to be the lowest since 1972.
3. Nonsense to think we can maintain production of steel which no-one wants. Already in a situation where BSC is producing 10 million tonnes with 21 million tonnes capacity. It takes 1½-2% growth in industrial production merely for steel production to remain constant. Some capacity reductions are inevitable, and we cannot hold up cost-saving measures which do not involve the closure of any of the five major plants.
4. The RHG opposite knows the realities. He had to explain them to his constituents in 1975. 40,000 jobs in British Steel disappeared under the Government of which he was a member.
5. The best defence against imports and closures is to increase the steel industry's competitiveness. In 1979 the German steel industry produced twice as much steel as we did with a workforce only 50% greater than ours, and France produced more steel even though our workforce was 20% larger. It was in 1980, the year BSC went on strike, that imports from the Community jumped from about 12% to 22% of our market.
6. But the RHG opposite knows we do take a tough line on steel imports. The Community will be negotiating a new Voluntary Restraint Arrangement to reduce third country imports next year to 12½% below the 1980 level. We have quotas on imports from the GDR, the USSR, Bulgaria and Czechoslovakia; and anti-dumping duties on some imports from Brazil and Spain; and we have arranged anti-dumping investigations against Canada, Brazil, Argentina and Venezuela.
7. Imports account for under 27 per cent of our steel market, for France the figure is 43 per cent, and in Germany it is 35 per cent.

neck, examining them ruthlessly to test their credibility and thus establishing whether any genuine progress can be made?

The Prime Minister: As my hon. Friend points out, I shall be discussing these matters with Vice-President Bush, I hope tomorrow. We shall be discussing the proposals that are on the table and available for the Soviet Union to pick up if it wishes. We both feel that the way is open for genuine disarmament and that the only thing stopping it is the refusal of the Soviet Union to agree to negotiate genuinely towards the zero option.

Mr. Foot: On the right hon. Lady's latter answer, we shall be happy to have a debate on that subject as soon as the Government are prepared to arrange it.

On her first answer, is the right hon. Lady really trying to tell the House and the country that Mr. Ian MacGregor's rule over the coal industry—[HON. MEMBERS: "Steel"]—has been a success story? Does she regard it as successful for the steel industry that the number of people employed in it should be cut in half, that the amount of steel we produce should be almost cut in half and that we should have the fastest shrinking steel industry in the world? Is she proud of that?

The Prime Minister: The right hon. Gentleman will know, or should know, that there is vast overproduction of steel and overcapacity the world over. The world's capacity to produce steel is about 1,000 million tonnes and present consumption is only about 700 million tonnes. I believe that Mr. MacGregor has done a superb job in streamlining our industry and in securing a reasonable proportion of the world's trade and of our home market in Britain.

Mr. Foot: Why does the right hon. Lady not take the trouble to compare what has happened in the steel industry in this country with what has happened in other countries? When she took office in May 1979 Britain was the seventh largest steel producer in the world. We have now sunk to fifteenth place, producing less steel than is produced in Poland. Is that what she calls a superb job?

The Prime Minister: The right hon. Gentleman has neglected to say that our steel industry was both overmanned and overpriced. He has also neglected to mention that the Government of whom he was a member had to close down the Ebbw Vale steelworks. That Government ducked many of the difficult decisions that we eventually had to take. The closure of some of our steel plants and the reduction in the number of jobs came later than in some other countries in Europe. I believe that on the whole Mr. MacGregor has done a superlative job and that that is widely recognised.

Mr. Foot: Can the right hon. Lady name any country in the world where steel production is declining faster than in Britain?

The Prime Minister: Can the right hon. Gentleman quote any steel industry in the world that was more overmanned than the one that we took over?

Not Incl



10 DOWNING STREET

Caroline D. 10¹¹

Re MCS note of

23 December

DoI will be writing
to take up the offer
of a meeting with
Sir Austair Frame after
24 January (when the SFS
returns from the Far East).

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