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PS/ Secretary of State for Industry

1 May 1980

Nick Sanders Esq  
 Private Secretary to the  
 Prime Minister  
 10 Downing Street  
 London SW1

FOR HOW LONG DOES  
 THIS APPOINTMENT  
 LAST?

Dear Nick,

... I attach a copy of a draft of the statement which my Secretary of State intends to make this afternoon about the BSC chairman.

I am copying this letter to the private secretaries to the Chancellor, the Secretaries of State for Employment, Scotland and Wales, the Chancellor of the Duchy, the Paymaster General, the Chief Whip and the Minister of State, Civil Service Department.

Yours ever,  
 Pete

PETER STREDDER  
 Private Secretary





DRAFT PARLIAMENTARY STATEMENT:  
CHAIRMAN OF BRITISH STEEL CORPORATION

Sir Charles Villiers, whose term of office ends in September, has tackled the difficult task of adapting BSC to changing market conditions with energy and dedication. I am glad to pay tribute to his work and to express our appreciation of it. As his successor I have appointed Mr Ian MacGregor. He will tomorrow join the BSC Board as a part-time Deputy Chairman. Sir Charles Villiers and I are agreed that, now that a successor has been appointed, it would be best if he were to take on the job as Chairman with the minimum of delay. Mr MacGregor will therefore become Chairman on a full-time basis on 1 July.

Mr MacGregor was born in Scotland but has spent most of his working life in America where he has had an outstandingly successful business career. He was Chief Executive of AMAX, the metals and natural resources company, from 1966 to 1977 and remains on that Board. He has many other appointments, including Deputy Chairman of BL, Director of the LTV Corporation, a large steel producer, and a partnership in Lazard Freres and Company, a New York based investment bank.

In Mr MacGregor I believe that we have found a man with the qualities needed to lead BSC out of its present difficulties. Mr MacGregor's personal salary will be paid by BSC at the appropriate rate based on the recommendations of the Review Body on Top Salaries - currently £48,500 a year.

/Mr ...





Mr MacGregor has commitments as a senior partner to Lazard Freres, but they have agreed to release him in return for certain financial conditions. These conditions comprise two elements: the first is a payment to Lazard Freres of £675,000 for the three years of the appointment, two thirds of which will be returnable pro rata if he completes less than three years; the second involves payments, again to Lazard Freres, in the range of nil to £1,150,000, linked to the performance of BSC under Mr MacGregor's Chairmanship. These performance payments would be made in 1984 and 1985 and would be related to certain performance criteria to be agreed between the Department of Industry and Lazards. The level of the performance payments will be assessed by a performance review committee, comprising 2 persons nominated by me, 2 persons by Lazards, with an independent chairman acceptable to both.

During the period of his appointment, Mr MacGregor will cease to be an active partner in Lazard Freres but will become a limited partner with a reduced interest in the firm. On taking the post of Chairman of BSC he will relinquish most of his current directorships, including that of BL, but I have agreed that he should continue his long standing links with AMAX.

I should make it clear that the payments to Lazard Freres which I have described are not for payment, in whole or in part, to Mr MacGregor except insofar as they contribute to Lazard Freres' profits, in which he retains a small share. Their purpose is to compensate Lazard Freres for losing the business services of Mr MacGregor I should also emphasise that they are substantially conditional on his serving for the full three years and achieving results.

/We ...





We have been prepared to secure the release of Mr MacGregor because the willingness of a man of his calibre to be Chairman of BSC reflects our belief that the current problems can be solved, the Corporation restored to profitability as an efficient producer of steel and become a secure employer. For the Government to set financial targets is not enough: We must also seek to appoint people capable of achieving those targets. In appointing Mr MacGregor, that is what I believe that I have done and I am sure that the whole House will wish him success in his difficult task at BSC.