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PRIME MINISTER

I had a telephone call from Mr. Derek Norton, the Chairman of Hadfields, yesterday evening. He said that Hadfields were being crucified by unfair competition from BSC, and that as a consequence, they were now at only 50% of capacity. The Government should insist that BSC should not compete as aggressively with the private sector as they currently were doing, and the Government could ensure this by a faster closure programme for the Corporation. He said that BSC should be put into liquidation.

Norton went on to say that the Department of Industry were afraid of him - in the light of the Hadfields strike last year - and were not prepared to discuss his problems.

I told Norton that you were very much aware of, and concerned about, the private sector steel companies' problems; and also about the unfair competition now being practised by BSC. In reaching a final decision on BSC's corporate plan, Ministers were taking into account this point. But I said that I would pass on to you what he had told me.

I have passed on the gist of this conversation to Sir Keith Joseph's office. They say that Sir Keith has now had a word with MacGregor on the unfair competition point, and BSC and DOI officials are now trying to establish the facts. As regards Norton himself, they say they are not afraid to talk to him; it is more a question of him being a very difficult customer and the fact that, whatever the competition from BSC, Hadfields' prospects are pretty bleak. BSC have not felt able to consider a link-up with Hadfields as they are doing under the so-called Phoenix scheme with GKN in the 'bar and rod' business. On the other hand, Lonhro (of which Hadfields are a subsidiary) may be prepared to keep Hadfields going.

/ It is possible

It is possible that Edward Du Cann will raise this this afternoon. If he does, you could say that you are very much aware of the private sector steel companies' representations on the unfair competition point and that Sir Keith Joseph is taking it up with Mr. MacGregor.

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