



Nat Ind

10 DOWNING STREET

THE PRIME MINISTER

2 March 1981

Dear Mr. Sayers

Thank you for your letter of 17 February.

I was very glad subsequently to hear that BSC have been able to reach an accommodation with the Midland Bank over the purchase of London Works, Flather Bright Bar and Nationwide Steel Stockholders, on terms that have enabled Duport Limited to continue trading.

I am naturally extremely sorry that it was not possible to save Llanelli. I read with concern what you said about subsidised competition from BSC; but it seems to us that this was not the main cause of Llanelli's difficulties. There is substantial overcapacity in low alloy steelmaking and, as you will know, BSC has had to include in its Corporate Plan the closure of two thirds of its Templeborough plant to meet this drop in demand. Against this background, I do not believe it would have been right for the Government to have tried to persuade BSC that a place could be found for the Llanelli capacity in a new joint public/private sector company.

Finally, let me say how deeply concerned we have been about the difficulties being faced by the private steel companies.

/Unfortunately,

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Unfortunately, there seems no alternative in current trading conditions to reducing capacity in both BSC and in the private sector.

Yours sincerely

MT

E. J. Sayers, Esq