

cc Mr Wolfson
Mr Duguid
Mr Ingham



Prime Minister

Prime Minister

No option!
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Content?

MA 21/6

ROUND OAK STEEL WORKS LIMITED

I am writing to inform you and other colleagues that I have just given consent to BSC to acquire from Tube Investments their 50% shareholding in Round Oak Steel Works Limited. BSC already own the other half. This deal is broadly analogous to that done in the Duport case, ie BSC are acquiring assets with the intention that they should ultimately become part of a joint venture company in the engineering steel sector.

The deal has come about at this point because Round Oak had run through its borrowing limits. TI were not prepared to put in any further funds to this company, which is making losses, and wanted to withdraw from any further involvement in steelmaking. BSC for their part were not prepared to provide further finance for the company unilaterally.

Liquidation was the only alternative, and this would have been costly for BSC, and would also have removed the options of either including Round Oak in Phoenix II or disposing of it at a later stage to a private sector consortium. It would have been improper for BSC (as a 50% owner) to have put Round Oak into receivership and then purchased it from the Receiver, so receivership would have risked this very good works remaining closed or falling into the hands of a foreigner.



A condition of this deal is that the re-rolling operations shall cease, creating 1,000 redundancies in the West Midlands where the company is situated. These redundancies are to be paid for at private sector rates. BSC estimates that thereafter the steelmaking operation with a slimmed down workforce can be brought into profit by the Autumn. We have made it clear to BSC that the financing of this operation must be contained within this year's EFL.

Apart from Phoenix II another interesting possibility has arisen. We have been approached by Glynwed (who are re-rollers of steel, steel stockholders and manufacturers of iron and steel products eg sinks, baths, drainage pipes etc). They and other re-rollers may be interested in acquiring an interest in Round Oak as their local source of steel for subsequent re-rolling. They see this as an attractive alternative to being forced to purchase their steel from BSC/Phoenix II with whom they are all in competition at various stages downstream to both stockholding and final product stages. The idea is so far little more than a gleam in the eye but we are giving it every encouragement. In addition I am exploring every possible way of restoring the engineering steels business to the private sector.

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Copies of this minute go to Geoffrey Howe, Francis Pym, Jim
Prior and John Biffen.

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Department of Industry

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21 May 1981

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