



JFF789

PS/ Secretary of State for Industry

Prime Minister (2)

To see Mrs 4/6

DEPARTMENT OF INDUSTRY
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3 June 1982

Willie Rickett Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Willie

DUPORT STEELS LTD

You may recall that the Prime Minister took a close interest in the arrangements between Duport Ltd and BSC in the early part of 1981 for the transfer to BSC of some of Duport's steel making activities. This involved also the closure of the Duport Steelworks at Llannelli. One of our concerns was that this rationalisation of steel making capacity should not bring down in its train the rump of the Duport Group.

2 There have been some recent developments that you should be aware of. They have already attracted some press attention and more can be expected.

3 Closure of the Llannelli steelworks rendered Duport Steels Ltd liable to repay to the Department some of the regional development grants it had received and to the Welsh Office some railways freight facilities grant. The total claims are around £3.5m. Duport has resisted all of our attempts to negotiate sensible terms for repayment by instalments. My Secretary of State and the Secretary of State for Wales therefore decided that there was no alternative to commencing legal proceedings and writs have been issued.

4 They have also concluded that they would petition for the compulsory winding up of Duport Steels to ensure that a further £2m which is due to be paid over by BSC shortly was not dissipated. This may not in fact be necessary, since Duport's directors have now indicated that they intend to put Duport Steels into voluntary liquidation. Either way



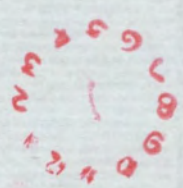
the Departments will have to see what if anything becomes available in the liquidation after meeting secured creditors, but the chances are that it may be little or nothing.

5 I should emphasise that Duport Steels Ltd has no continuing activities, so its liquidation does not threaten further jobs. Nor is the rest of the Duport group likely to be affected since the claims are against Duport Steels only.

6 This letter is copied for information to Adam Peat (Welsh Office) and Terry Mathews (Treasury).

Yours ever
David Saunders

DAVID SAUNDERS
Private Secretary



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