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Harold Homer BEng, CEng, FIMechE  
Executive Director

3 April 1996

Mr J. Bonomy  
Chief Executive & Director of Administration  
Motherwell District Council  
PO Box 14, Civic Centre,  
Motherwell  
ML1 1TW

Dear Mr Bonomy,

British Steel Operations - Motherwell

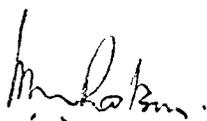
Thank you for your letter of the 8th March which has been passed to me in my capacity as the main Board Member for Businesses which include the Dalzell plate mill.

The position at Dalzell Works was explained by our Chairman at British Steel's Annual General Meeting in July last year in response to a question from a representative of your Council. It remains unchanged, but it may be helpful if I summarise what he said.

British Steel has continued to spend money at Dalzell where necessary and provided that the capital invested could be properly remunerated. Our plates business performance has been encouraging and profitable, but unfortunately plate prices are presently weakening significantly across Europe including in the UK. It remains to be seen to what extent the profitability of our plates business is affected.

Beyond this short term position, Dalzell Works is no different from other works in British Steel in that we cannot guarantee that it - or any other works - will be maintained in operation on an indefinite basis. Other than at the top of the economic cycle, there remains fundamental over-capacity across European plate mills. If, as a consequence, there was an expectation that British Steel's plates business results would deteriorate and remain in loss, then some form of restructuring could not be ruled out.

Yours sincerely,

  
pp H. Homer  
[signed in Mr Homer's absence]

SOUTH LANARKSHIRE COUNCIL DIRECTOR OF ADMINISTRATION		
09 APR 96		
CENTRAL	LEGAL	PERSONNEL