

ER
SUBJECT

cc master

RECORD OF A MEETING HELD AT 10 DOWNING STREET AT 1715 ON MONDAY,
15 MARCH 1982

THE INVERGORDON ALUMINIUM SMELTER

PRESENT

Prime Minister	Mr. Hamish Gray, M.P.
Mr. Alex Fletcher - Parliamentary Under Secretary of State for Scotland	<u>Highland Regional Council</u> Mr. Ian S. Campbell, Convenor
Mr. Donald Harrison - Scottish Office	Mr. John C. Robertson, Vice- Convenor
Mr. Michael Scholar - No. 10	Mrs. I. C. Rhind, Invergordon
Ms E. Drummond - No. 10	Mr. R. Mardon, Alness Mr. R. H. Stevenson, Chief Executive

Ross and Cromarty District Council

Mr. G. D. Finlayson, Convenor
 Mr. J. C. Stuart, Vice-Convenor
 Mr. A. McCreevy, Tarbat, Fearn
 Mr. R. Ruddle, Invergordon
 Mr. W. A. Cuthbertson, Chief
 Executive

Invergordon Smelter Workforce

Mr. N. Cook
 Mr. Gormanley
 Mr. M. Moran
 Mr. G. Brown

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The Prime Minister welcomed the deputation. She recalled that she had visited Invergordon as Leader of the Opposition in 1977, and had seen the smelter and the surrounding area.

Mr. Campbell said that the deputation recognised that it was most unusual for the Prime Minister to see such a group. They much appreciated her readiness to do so. The economy of the Highland Region had lost its two sheet anchors - the Corpach Pulpmill and the Invergordon Smelter. The area had been plunged into gloom and despondency. There had been little benefit to the area from North Sea oil and its spin-off. They were looking for long term employment in the region. They much hoped that they would be able to take a message back to those they represented which would give them hope.

/If the Prime Minister

If the Prime Minister agreed, they would each make a short presentation so as to cover the five important topics of which they wished to make her aware. The Prime Minister agreed: what was needed was long term employment; this was not easy to assure.

Impact of Closure

Mrs. Rhind said that Scotland, and the Highlands in particular, would never forget the events of 29 December 1981. They had made a paramount sacrifice for the benefit of an individual company. The Secretary of State for Scotland had told them that he regarded the closure of Invergordon as the most significant closure in Scotland, not excepting those at Linwood and Bathgate. This was no more than the truth. There was no alternative employment at Invergordon. They much appreciated the Government's commitment, through the Highlands and Islands Development Board (HIDB) and through other channels, to the Highlands. But the removal of Invergordon from the industrial scene was the removal of its very heart; and the massive job losses would be a continuing haemorrhage. The job losses ranged from small businesses in the service sector, to shops, and businesses in manufacturing. The stability of the social fabric was threatened. Mrs. Rhind concluded by saying that the cost to the nation of countenancing the continued closure of the smelter would be far greater than the cost of reopening the plant. It was shameful that so little had been done so late. The Prime Minister commented that the British Aluminium Company (BACO) had not warned the Government of the difficulties which faced Invergordon until October 1981. The earlier warnings by the HIDB had been to the effect that BACO's future was precarious; but this was also true of the aluminium smelter industry all over the world.

Mr. Brown recalled that people had been encouraged to come from all over Britain to Invergordon when it had been set up. Only 15 per cent of the workforce had come from the immediate area. They had been led to believe that their employment there would be for life. The company had shown great lack of consideration in the manner of its closure. The impact would be particularly marked on the children of the workforce, especially the school-leavers.

/Mr. Mardon recalled

Mr. Mardon recalled the Prime Minister's visit to Invergordon in 1977. She had been warmly welcomed and had stayed three hours. The Community had much appreciated her interest. She had then spoken of Invergordon as the reversal of the de-population of the Highlands, and as offering a future also for the children and grandchildren of the workforce. Since the announcement on 29 December, the community had united as never before with the single aim of re-opening the smelter. Those whom the deputation represented were placing a great measure of hope in the present meeting. Prayers had been said in churches up and down the region. Mr. Mardon described the knock-on effect of the closure on many small companies and said that the company's operations had generated spending power of over £1 million a month in the area. Many individuals stood to lose a great deal of their own money if the smelter were not reopened. All these problems could be solved very easily, if a power contract for the smelter were established on the right terms. This would be a triumph for the community spirit, which was so strong in the area. The Prime Minister would be warmly welcomed at the re-opening ceremony.

Power Contract

Mr. Finlayson said that 150,000 people had left the Highlands over the last century. The purpose of the creation of the Scottish Hydro-electric Board had been, in large part, to regenerate the Highlands' economy. The Highlands were rich in resources, but were not getting their due return. They produced a substantial quantity of electricity in excess of their own requirements and exported it to other regions. The power cost to the Invergordon Smelter should be related to the cost of producing hydro electricity - 0.79p per unit. This was about one-third of the cost of electricity derived from alternative energy sources.

Hydro-electricity would not meet the Highland region's total electricity requirements, but would go a long way to that end. He recognised that the consequence of this solution would be to pass higher electricity costs on to other consumers. He did not himself believe that this would be intolerable. It would amount to no more than about £5 per annum per consumer (around 2 per cent of their present costs). There was a precedent for this in the proposals in the Budget whereby heavy industrial users of electricity were being /assisted;

assisted; this, too, would load extra costs on the other consumers. This solution offered the prospect of permanent employment at Invergordon since the hydro plant had a lifetime of 100-200 years. Hydro-electricity had been a great gift to the Highlands region. The time had come to make good use of it. An answer to the problem of a suitable power contract for Invergordon must be found. He believed that, if the will was there, it would be found.

Mr. Stuart said that they understood that the other smelters in the United Kingdom had paid less for electricity than Invergordon had. This seemed immensely unfair, since all had access to the same national grid, and since line losses, at only about 1 per cent per 100 miles were a negligible factor. They were not looking for subsidies, but for the earmarking of one of the prime resources of the Highlands to the Highlands' prime need. The uniqueness of the Highlands hydro resource should go far to making this solution an acceptable one in United Kingdom terms. The Prime Minister noted the force of these points.

Smelter - basis for availability

Mr. McCreevy said that it was regrettable that BACO had not made over their plant to the Government at the end of December. He hoped that the Government would negotiate with BACO to make the plant available. It might be that BACO would procrastinate, and that a potential purchaser might be inhibited on this score. The Government would need to be on the look out for action of this kind. There was a case for a study of the possibilities of "downstream" development at Invergordon and also for port development to permit shipping direct to Europe.

Smelter - Potential

Mr. Cook said that the efficiency of the smelter had been at its greatest during the last months of operation. There had been a high degree of co-operation between the workforce and management. It had been the most efficient smelter in the United Kingdom, and probably in Europe. New techniques had been introduced recently, involving a micro-processor control unit and other new technology, to increase the efficiency of the plant. They had reduced the plant's use
/of energy,

of energy, improved the purity of the product, and also the collection of emissions from the plant.

Mr. Moran stressed the quality of the product of the smelter. No-one had been able to equal the quality of Invergordon aluminium.

The Workforce

Mr. Gormanley said that the workforce at Invergordon had followed the Government's often repeated precepts: they had increased their productivity, accepted new technology and reduced their manpower.

Mr. Ruddle spoke of the excellent industrial relations which had prevailed. Invergordon was an example for the rest of British industry. The workforce was highly experienced, and would achieve a start-up in record time.

Summary

Summing up, Mr. Robertson said that they all hoped that better times were coming now to the United Kingdom. They were not coming to the Highlands on present form. The future of the smelter was the key element. It had been brought down by high electricity prices. Other smelters had enjoyed cheaper power; yet Scotland had the natural resources which should have given it the cheapest power of all. They looked to the Government to take the necessary steps, and stressed the importance of moving fast. BACO were maintaining the plant on a care and maintenance basis for six months only.

The Prime Minister said that she was most grateful to the deputation for their clear and helpful exposition of the problem. The most hopeful avenue to explore was the possibility of relating the power contract to the costs of hydro-electricity. The Government was already pursuing this urgently, and would press ahead. A solution on these lines would probably require legislation (Mr. Finlayson interjected that the Hydro Boards had increased the cost of electricity to the Islands without legislation).

/ The Prime Minister

[REDACTED] The Prime Minister said that the Deputation would understand that she could not give them the Government's decision on the matter at this meeting. But they had made an impressive case, and the Government would carry forward its consideration of the matter with all speed.

15 March 1982

Mr. Campbell.

1. Long-term employment in the region.

2. The Rhaid - Ruppel letter
- Apperthi field
- 9 empty shops.

Welcomed the Smelter.

Early 1970's - 1982.

3. 15% + 20% Subs, Mr. Brown.

Encouraged to go to Inverjordan

Lack of consideration.

Young workforce

4. Mr. Pender.

£1 1/2 m
in wages.

£20 m
£ -

~~Cost of energy.~~

H.O.D.B.

Smelter not viable

New renaissance

5. Mr. Finlayson. - Hydro electric.

Coal - nuclear.

Apperthi by

→ ~~£1000~~
£1000

Hydro generation

7 Mr. Stewart,

Concept Swellie higher than others

Not coming in for subsidies

8 Mr. Lawrence

B.A. Co. - Price?

- Revenue function
- Cost function

10

9 Mr. Cook. Man hours per production

10 Mr. Garvan.

11 Mr. Gormley.

Productivity. - 42,000 \rightarrow 35,000.

Concretedoes. -

12 Mr. Ruddle

Very high energy costs.

Scholar

p. 9

Invergordon

My notes show only a few discrepancies with yours;
Only a couple of ~~points on your note~~ ^{discrepancies with yours}

1) Page 2. (following Mrs Rhind) P.M. ~~did say~~ ^{said} government didn't know until September 81. Fletcher corrected this, saying the company's letter was dated 6 October.

2) page 4. (Mr Finlayson) The extra cost would be to Scottish consumers (£5 pa)

3) page 4. (Mr Stuart) BARD's residual interest in the non-smelter functions at the plant could inhibit potential buyers.

4) page 5. (Mr Moran) The unequalled product from Invergordon was the high quality wire bare used in a continuous extrusion product for aluminium wire.

5) p 5 (Mr Ruddie) Add: the workforce would disperse if the re-opening did not happen soon and their experience would be lost.

Liz D.



PM
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

NBPM

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

17 March 1982

Dear Michael

INVERGORDON

Following the Prime Minister's meeting with the local authority deputation on Monday there are two points which I should draw to your attention for clarification. Firstly at the pre-meeting with Mr Alex Fletcher and Mr Hamish Gray, the Prime Minister asked when the Scottish Office was informed in writing about the problems of Invergordon by HIDB. Mr Fletcher said that this was in September 1981 and I can confirm that the acting-Chairman Rear Admiral Dunbar-Nasmith wrote to the Secretary of State on 4 September, this was the only written notification we received from HIDB.

Secondly, during the meeting there was some confusion over the amount of hydro-power available in the North of Scotland Hydro-Electric Board area and the requirements for the Invergordon smelter. The facts are that, the average annual output of all of the Board's conventional hydro-electric schemes is approximately 3,000 million kिलowatt hours and the requirement of the smelter at a capacity of 100,000 tonnes of aluminium is 1,750 million kिलowatt hours.

Yours sincerely

John Wilson

JOHN S WILSON
Private Secretary

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION



17 MAR 1982



PRIME MINISTERInvergordon smelter

The Secretary of State for Defence is not able to be present, but has asked for the following message to be given to you, for transmission to the Committee if you will.

There is no direct Ministry of Defence interest in the matter. But the Secretary of State is concerned about the high degree of subsidisation involved in what is proposed, which would be contrasted with the firmness with which the unemployment consequences of closing the dockyard at Chatham are being handled. It would not look even-handed.

RJA

8.iii.82

Could we

- dedicate the output of a hydro-electric station to Invergordon
- enable the North of Scotland Hydro Board to write off the capital cost of their station, so that
- the cost to Invergordon would be only the current production cost.

From: HAMISH GRAY, M.P.
Ross & Cromarty



HOUSE OF COMMONS
LONDON SW1A 0AA

✓
Pl copy urgently
to Scottish Private
office + BT
MCS 11/3

11th March, 1982

Dear Prime Minister,

Thank you for your letter of 8th March confirming our meeting with representatives of Highland Regional Council, Ross & Cromarty District Council and the Invergordon Smelter Action Committee on Monday, 15th March at 17.15 hours at No.10 Downing Street.

I have now received the names of the representatives which I enclose as promised. For your information I have put my own comments as appropriate.

~~Yours sincerely,~~

Yours ever

Hamish

The Rt. Hon. Mrs. Margaret Thatcher,
Prime Minister,
10 Downing Street,
London SW1.

HIGHLAND REGIONAL COUNCIL

Mr. Ian S. Campbell, Convener *(Conservative but slightly wet)*
Mr. John C. Robertson, Vice-Convener *(Lib - Very bright + not unhelpful)*
Mrs. I.C. Rhind, Invergordon *(Sympathetic to us but not political) to us.*
Mr. R. Mardon, Alness *Represents the Smelter Area.*
(SNP. + Conservative of the Sixties. Represents Alness where many Smelter Workers live.)

ROSS & CROMARTY DISTRICT COUNCIL

Mr. G.D. Finlayson, Convener *LAB (Moderate + highly respected locally)*
Mr. J.C. Stuart, Vice-Convener *SNP*
Mr. A. McCreevy, Tarbat, Fearn *LAB - Moderate Shop Steward at Smelter.*
Mr. R. Ruddle, Invergordon *LAB - also as above.*

INVERGORDON SMELTER WORKFORCE

Mr. N. Cook
Mr. W. Gormanley
Mr. M. Moran
Mr. G. Brown } *Four of the Smelter Committee who have behaved with great restraint and responsibility.*

Also attending:

Mr. R.H. Stevenson, Chief Executive,
Highland Regional Council;
Mr. W.A. Cuthbertson, Chief Executive,
Ross & Cromarty District Council



10 DOWNING STREET

From the Private Secretary

8 March 1982

BF

The Prime Minister has asked me to arrange with you a convenient time for the meeting which she has agreed to have with a deputation from the Highland Regional Council and the Ross and Cromarty District Council along with representatives of the Invergordon Smelter Action Committee. May I suggest 1715 on Monday 15 March at 10 Downing Street? It would be most helpful to us here if you would, as you have indicated you will do, let us have a list of the names of the people who will be attending.

M. C. SCHOLAR

Hamish Gray, Esq., M.P.