

CONFIDENTIAL



Prime Minister cc ✓

New paper - came in today.

MES 4/5

Prime Minister

INVERGORDON SMELTER AND THE FIXED CROSS CHANNEL LINK

Since E Committee's consideration of these topics has been put back until today, and I unfortunately have commitments in Belfast in the afternoon, I am forwarding my comments in this note.

2. As regards the future of the Invergordon Smelter, I can fully appreciate the problems George Younger faces. While there are no similar smelter operations in Northern Ireland, lessons I have learned in the Province have made me all too well aware of the very real difficulties which closure of a major employer causes in an area which has high unemployment and whose economic base is fragile. The loss of a major employer in such circumstances has serious social and economic consequences. George's paper makes this abundantly clear.

3. As the study George commissioned reveals, alternative employment prospects are hard to find for areas with difficulties similar to those of Invergordon. Accordingly I support the general thrust of George's proposals that we must make every effort to reopen the existing smelter. Whilst I appreciate the Treasury view that there are precedent dangers, and that there could be EC difficulties to be overcome, I am sure that it is right to make progress along the lines proposed. If we are seen not to have made an effort to respond it will be detrimental to our credibility and cause difficulty for our own supporters.

4. On the proposals for a Fixed Cross Channel Link, I strongly agree with the Secretary of State for Transport that we cannot rely solely on the development of shipping and air services to take the increasing cross-channel traffic. I do have serious doubts, however, about the advisability of relying on rail transport as the sole alternative to the present cross-channel links. I appreciate that, over the years, more work has inevitably been undertaken on the feasibility of bored

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tunnel(s) for rail traffic. But the most effective way to secure choice and competition would be through a composite scheme as proposed in the Euro Route Bridge/Tunnel Scheme. I am not convinced that there need be a serious delay in commencing construction, despite the additional work which could be done once a decision in principle to proceed with a composite scheme had been taken. Nor am I convinced that the rail-only tunnel scheme would be free of environmentally damaging effects, eg presumably sizeable marshalling yards would need to be constructed to facilitate the transfer of containers from road to rail; and if these were situated away from the Dover area, might the potential freight users of the tunnel be deterred by the prospect of the lengthy rail journey on this side of the Channel? For these reasons, of the options put forward by David Howell, I favour Option B although I do not believe that it would be right for a decision to be deferred for as long as he suggests. I am of course influenced by Ian MacGregor, but he is a man of vision and imagination and I think he would argue strongly that the technology is not new.

5. I am copying this note to other members of E, George Younger, Nicholas Edwards, Douglas Hurd and Sir Robert Armstrong.

Joseph

PP

J P

(Signed on behalf of the
Secretary of State in his
absence)

4 May 1982

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PM
FM

Treasury Chambers, Parliament Street, SW1P 3AG

Professor Alan Walters
10 Downing Street
London SW1A 2AL

7 May 1982

Alan Walters

INVERGORDON

I very much appreciated your letter of 6 May 1982 and entirely agree with your thinking on this subject.

I have accordingly instructed Treasury officials who are working out the details of the subsidy with the other departments to insist on the quid pro quo from the workforce that you suggest.

I am sure you are right to say that even if the financial effect of such a quid pro quo is minimal its indirect effect would be of considerable importance.

Leon Brittan

LEON BRITTAN

PERSONAL AND CONFIDENTIAL



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CC JV. PM

Prime Minister (2)

To note

Qa 05910

To: PRIME MINISTER

From: JOHN SPARROW

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ms 5/5

Invergordon

1. Following yesterday's decision to support the continuation of aluminium smelting at Invergordon, there remains the possibility that the assistance which the Government is prepared to offer will fall short of that which is required by the industrial companies concerned. In particular, the limitation of assistance to a five year period may well prove to be a barrier.

2. These possibilities underline the importance of two points which may not have been fully spelled out at the meeting. First, the extent of Government assistance should be clearly defined in advance in order to minimise the risk of pressure being brought to bear for just a little more help. Secondly, any announcement of the Government's attitude should take into account the possibility that talks may fail and should not therefore permit exaggerated expectations to be built up.

3. I am sending a copy of this minute to the members of E Committee, and to Sir Robert Armstrong.

JS.

5 May 1982

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