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Secretary of State for Industry

DEPARTMENT OF INDUSTRY
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28 July 1982

Prime Minister (2)

After Invergordon -----

MUS 28/7

The Rt Hon Nigel Lawson MP
Secretary of State for Energy
Department of Energy
Thames House South
LONDON
SW1

Dear Nigel,

ALCAN ALUMINIUM (UK) LTD

I saw John Peyton, a Director, and George Russell, Managing Director, Alcan Aluminium (UK) Ltd this afternoon at their request, and they impressed on me the difficulties which the Group as a whole is facing. The financial position is very weak and losses so far this year are running at about the same level as in 1981 when they reached some £26m.

2 There are two major problem areas - the Lynemouth smelter and the Rogerstone rolling mill. The company claim that both are major contributors to the losses. The Canadian parent company is likely to be unable to continue to sustain the Group's losses and will have to take a decision soon on remedial action including the possible closure of the whole of the UK operation.

3 The crux of the matter appears to be the interdependence of Rogerstone and Lynemouth. The company argue that if Lynemouth closes, Rogerstone will for technical reasons also have to close because the necessary quality and shape of aluminium for rolling operations could not be obtained at an economic price from other sources. As you know, Lynemouth faces the prospect of losing at the end of 1983 half of its present cheap coal supplies under its contract with the NCB, and the remainder in 1986. So far the company and the NCB have been unable to reach any agreement on a price acceptable to both sides for continuation of coal supplies.



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4 As with BACO last autumn, we are now approaching the time when the Government must take stock of Alcan's situation, and decide what should be done. I would therefore suggest that we ask officials to undertake an urgent study of the problems facing Alcan, to identify the costs of the various options open to the company, the NCB and the Government, including closures. I will ask Mr Binning of my Department to take the lead with a view to producing a preliminary assessment for colleagues to consider ⁱⁿ September.

very early

5 I am copying this letter to the Prime Minister, other members of E Committee, the Secretaries of State for Scotland and Wales, Sir Robert Armstrong and John Sparrow.

Yours
Patel

~~WJ~~
2/88

01-217 2492

Mr. John Patrick Gorman M.P.
Secretary of State for Industry
Department of Industry
Ashdown House
125 Victoria Street
London SW1

JH August 1982

Dear Secretary of State

ALCAN ALUMINIUM (UK) LIMITED

Thank you for your letter of 28 July.

I agree that the time has come to take stock of the decisions and problems for Government arising from Alcan's situation. I therefore welcome your proposal of a study. No doubt Mr Binning will contact my officials in due course.

I am copying this letter to recipients of yours.

Yours sincerely
E. H. H. H.

Approved by the Secretary of State
and signed in his absence



SCOTTISH OFFICE
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Wm
7/8

Jonathon Spencer Esq
Private Secretary to The Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

August 1982

Dear Jonathon

ALCAN ALUMINIUM (UK) LTD

My Secretary of State has seen the letter of 28 July from Mr Jenkin to the Secretary of State for Energy. Mr Younger, who is now on leave, has asked that in view of the parallels with the British Aluminium closure at Invergordon, his officials in the Scottish Economic Planning Department should be fully involved in any proposed study of Alcan's problems. It may not be necessary for them to attend all the meetings of the proposed working group but he suggests that they should see any papers prepared for the group and be able to contribute or attend as necessary.

I am copying this letter to the Private Secretary to the Prime Minister, to the Private Secretaries of the other members of E Committee and of the Secretary of State for Wales, to Sir Robert Armstrong and to Mr John Sparrow.

A Muir Russell
A Muir Russell
Private Secretary



19 AUG 1982

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Prime Minister (2) *Juddel*
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Ms 30/7

Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP *From The Secretary of State for Wales*

Nigel

28th July 1982

[Signature]

ALCAN ALUMINIUM (UK) LTD

I have seen a copy of Patrick Jenkin's letter of 28 July to you following his meeting with John Peyton and George Russell of Alcan Aluminium (UK) Ltd. I saw them 24 hours earlier and I was left with a considerable feeling of concern about the future of Alcan's operations in the UK in general and of the plant at Rogerstone in Gwent (which employs 1750) in particular. I confess that I had not previously fully appreciated the degree of interdependence between Lynemouth and Rogerstone.

attached

I asked George Russell to let me have a detailed paper setting out the full facts of the situation as he sees it. This might well serve as a basis for the study by officials which Patrick has suggested and which I fully agree with. Because of the considerable implications for Wales in this matter I would certainly wish my Department to participate in the study.

I am copying this to the recipients of Patrick's letter.

[Signature]
Nigel

Rt Hon Nigel Lawson MP
Secretary of State for Energy
Department of Energy
Thames House South
LONDON SW1

30 JUL 1982

