

B/MP

Prime Minister<sup>2</sup>

MS 11/4

01 211 6402

CONFIDENTIAL

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London  
SW1

7 April 1983

Dear Secretary of State

BRITISH ALCAN: LYNEMOUTH

Thank you for your letter of <sup>21</sup>15 March.

I am glad that you regard my proposals as helpful. I shall ask NCB to negotiate on those lines with British Alcan. I shall ask Norman Siddall to consider your point about the existing price for supplies under Stage II of the contract, although the reality of the situation is clearly that they cannot be excluded from renegotiation. I must, however, make it clear that NCB have already had protracted negotiations with Alcan and gone as far as they believe commercially justified. If they are going further, it is at our instigation. While, therefore, there may be room for some flexibility around my proposals, I am sure that we shall need to be involved in the final decision.

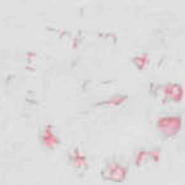
I am sending copies of this letter to the Prime Minister, Geoffrey Howe, George Younger and Nicholas Edwards.

Yours sincerely

NIGEL LAWSON  
(Approved by the Secretary of State  
and signed in his absence)

1nd POT July 82 Alcan

1st POT





Ind. Pol. *gnc*



Y SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)  
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)  
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

N. B. P. R.

31<sup>st</sup> March 1983

A.P.C. <sup>5</sup>/<sub>24</sub>

h.a.

*De Nigel*

I have seen your letter of 15 March to Patrick Jenkin about proposals for re-negotiating British Alcan's contract with the NCB for coal supplies to the Lynemouth smelter. I have also seen Patrick Jenkin's letter of 21 March and George Younger's of 24 March.

I agree that the NCB should be asked to make a further attempt to reach an agreement with British Alcan on the price of coal for Lynemouth. The proposals set out in your letter would be a reasonable basis for getting negotiations going between the two parties. However I share Patrick's hope that Norman Siddall will be allowed sufficient latitude to enable him to negotiate flexibly with the company. I am anxious that British Alcan's plants in Wales should have a secure and viable future; and in view of their dependence on the Lynemouth smelter I do hope that a way can be found of providing coal for the smelter at prices which are acceptable to both the company and the NCB.

I am copying this letter to the Prime Minister, Geoffrey Howe, Patrick Jenkin and George Younger.

*J*  
*Nigel*

The Rt Hon Nigel Lawson MP

Ind Pd,  
July 82,  
July Alcar

1 2 3 4 5 6 7 8 9 10 11 12  
13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

31 MAR 1988





Prime Minister 2  
ce NO  
Jnd Al

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Mus 24/3

CONFIDENTIAL

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy  
Department of Energy  
Thames House South  
LONDON  
SW1P 4AQ

M

24 March 1983

Dear Nigel,

with MCS?

I have seen your letter of 15 March to Patrick Jenkin about a proposal to help Alcan at Lynemouth. Though I have no direct involvement in a settlement of the Lynemouth problem, I am very much interested that British Alcan's operations in Scotland should, if possible, remain intact and commercially viable. I am, however, also concerned about possible damaging comparisons with the Government's efforts to save the Invergordon smelter.

I would not object to a settlement on the lines you suggest, ie coal at £20 per tonne for a period of three years providing we are clear that it can be defended as a commercial decision by the NCB. If that is the case then I do hope that the NCB and British Alcan will apply a commercial-in-confidence classification to the terms of any settlement between the two parties which would be purely a renegotiation of an existing contract. You will recall that Alcan were one of the Companies with whom we had discussions about taking over Invergordon after BACo closed their smelter and it is known that a coal based arrangement, similar to what you are now proposing was one of the options we examined in our attempt to get the smelter restarted. What makes it worse is that NCB were insisting that the very minimum price they could contemplate was £26 per tonne and colleagues absolutely refused to countenance the principle of such an arrangement. Although I appreciate that the situation is not precisely the same, you will readily understand that Ministerial speeches about the successful "saving" of Lynemouth would be very embarrassing politically to us in Scotland.

I do hope therefore that I can be assured that if anything like this is arranged, the details will be kept very confidential indeed.

I am copying this letter to the Prime Minister, Geoffrey Howe, Patrick Jenkin and Nicholas Edwards.

Yours sincerely,  
George







Secretary of State for Industry

Prime Minister <sup>2</sup> *CO/NO*  
 Mrs 22/3  
 DEPARTMENT OF INDUSTRY  
 ASHDOWN HOUSE  
 123 VICTORIA STREET  
 LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

21 March 1983

The Rt Hon Nigel Lawson MP  
 Secretary of State for Energy  
 Thames House South  
 Millbank  
 London SW1

Dear Nigel,

BRITISH ALCAN - LYNEMOUTH

Thank you for your letter of 15 March. *with mcs?*

2 I take it, of course, that the £20 per tonne applies to the part of the supply of coal which the NCB has given notice it will terminate from 1 January 1984, and that the rest will be treated under the terms of the existing contract. Otherwise, the offer is less attractive during the three years than the offer already made to British Alcan.

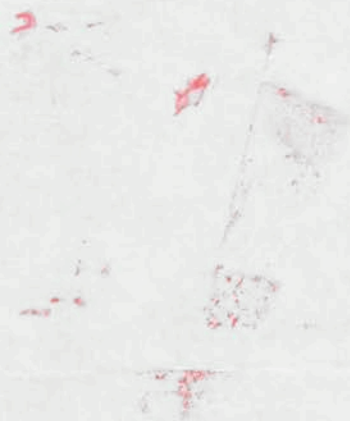
3 On this basis, your proposals seem to me a helpful first step to get British Alcan and the NCB to start real negotiations. I am convinced that it is they who must negotiate in detail and that we cannot do it on their behalf. But I think British Alcan will insist on an understanding about the cost of future supplies of coal after the three years; you will remember that the offer of a much larger sum for 5 years failed to find a taker for Invergordon. While it is for them to argue their case, I hope you will give Norman Siddall latitude for reasonable negotiations.

4 I am copying this letter to the Prime Minister, Geoffrey Howe, George Younger and Nicholas Edwards.

*Yours  
 Peter*



Incl Pol,  
July '82,  
Algeria



22.11.82  
L A B O R A T O I R E  
D E  
M E T E O R O L O G I E  
D E  
A L G E R I E



Hatched

John PEYTON, MP. 21/3

Key  
Do you have the Peyton  
letter please

Prime Minister

Chased J/Ind, 21/3  
Chased again 23/3  
10/16/3  
01-211-6402

We are awaiting  
a ~~ref~~ draft reply for  
you.

MUS 15/3

The Rt Hon Patrick Jenkin MP  
Secretary of State for Industry  
Department of Industry  
Ashdown House  
123 Victoria Street  
London  
SW1E 6RB

15th March 1983

Patrick Jenkin

I have seen, as you have, a copy of the latest note which John Peyton sent to the Prime Minister on 1 March. There is little new in it. In particular, the price which he reports that Alcan is now ready to offer for NCB coal appears to be only about £1 a tonne better than the figure of £15 a tonne that has been under discussion between Alcan and the Coal Board for the past 12 months, and the points which he makes about the legal position under the contract are familiar.

Nevertheless, I have been considering what I can do to help Alcan, and have come up with the following proposal:

- The NCB and Alcan should agree a variation of their existing disputed coal contract, which runs to 1999, in full and final settlement of all claims under that contract;
- the variation should consist of the NCB undertaking to supply Alcan with coal for Lynemouth for a period of three years at a price equivalent to NCB's lowest export realisations - viz £20 a tonne, which is well below the price Alcan would have to pay for imported coal.

An offer along these lines would secure for the Coal Board a customer which otherwise they might conceivably lose, at a time when they need all the customers they can get, and it would give Alcan a breathing space in which to sort out their strategy in the UK. It would require no extra call on the PSBR, since the NCB could accommodate it within their EFL and deficit grant limits so far as they have been set at present.

Subject to your views I propose to ask Norman Siddall to negotiate with Alcan with a view to a solution along these lines.

I am copying this letter to the Prime Minister, Geoffrey Howe, George Younger and Nicholas Edwards.

John  
Nigel



5

John ...

19 MAR 1983

...

...

...

...

