DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
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LONDON SW1P 4QJ

Direct Line 01-211 3290
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THE MINISTER OF STATE
RT HON HAMISH GRAY MP

James Slater Esq
Martin Black Limited
Speedwell Works
Coatbridge
Scotland
ML5 4RS

3rd September 1982

Dear Mr. Slater,

Thank you for your letter of 23 August to the Prime Minister. As the Minister responsible for matters affecting the UK offshore supplies industry I have been asked to reply.

I regret that you were so upset over the article in the Financial Times. I fully appreciate the current difficulties facing many of our companies and my own efforts and those of the Offshore Supplies Office have been unstinting in assisting our offshore supply companies wherever possible. They will continue to be so.

Certainly there is keen international competition for the opportunities arising on the UK Continental Shelf. Nevertheless, overall, our industry has done well taking some 70 per cent of the orders over the past 3 years. Given the fact that there are certain high value sectors in which UK industry lacks capability and does not compete eg. installation and pipelaying, this represents a very creditable performance by our existing suppliers. We see no reason why UK industry should not take a similar share of projects which are now being discussed with the Department.

When I express concern over certain aspects of our performance, I have one thing in mind - the good of the industry. There is no doubt that export orders will have to represent a larger part of the workload of our industry if it is to maximise its long-term potential. Our policy from the beginning, has sought to ensure that UK suppliers are given a full and fair opportunity to compete for and win UKCS orders on a competitiv basis. Only thus would we be able to establish an offshore supplies capability able to compete effectively in world markets. Protectionism at home would lead to reciprocal action in markets abroad and would threaten the future of the industry.

Over the years it has frequently been claimed by suppliers that foreign competitors were receiving Government subsidies. The Offshore Supplies Office in 1978 commissioned international consultants to investigate the accounts of several European companies to determine whether the existence of subsidies could be proved. The consultants were unable to establish such a case. We have therefore sought the help of UK industry in providing evidence of subsidies being given to foreign competitors for UKCS work but as yet no evidence has been provided. If you are able to produce such evidence in the case of wire ropes I would be very interested to examine it.

My remarks in the Financial Times were intended to alert our suppliers to the need for keen competitive prices to meet the competition at home and abroad. They were made in the interests of the industry and I stand by them.

I understand your company has had a long relationship with the Offshore Supplies Office. The Office will be only too ready to give you any assistance it can if you would like to discuss these problems further. The contact is Mr Whiteside 041-221 8777 Extension 446.

The question you raise about the possible dumping of wire rope should be taken up directly with the Department of Trade, to which I am copying this letter. I am also sending a copy to the Prime Minister.

Yours sincerely,

Hamish Gray

THE MINISTER OF STATE
RT HON HAMISH GRAY MP

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23rd August 1982

Dear Mr Slater

Your letter of 22 July to the Prime Minister has been passed to the Department of Energy for reply. The Minister of State is currently abroad and unfortunately is not able to reply at present. I apologise for the delay and hope to let you have a full reply shortly.

Yours sincerely

S. Haddrill

S HADDRILL
Private Secretary

10 DOWNING STREET

3 August 1982

Dear Mr Slater

The Prime Minister has asked me to thank you for your recent letter which is receiving attention.

Yours sincerely

J Slater Esq
Director
Martin-Black Ltd
Speedwell Works
COATBRIDGE
Scotland
ML5 4RS

Our Ref. JS/JD

22nd July, 1982.

The Right Hon. the Prime Minister,
10 Downing Street,
LONDON.

Madam,

It is with a mixture of anger, disgust and sadness that I read the enclosed article in the Financial Times of July 21st.

Anger that while the Government is ready to give a £2 billion go-ahead to North Sea Projects, it would appear to be threatening to allow all of this business to go to foreign companies, or at least to use such foreign competition to falsely reduce the cost of such projects to the detriment of British industry and to the benefit of the already very profitable oil companies.

Disgust at the statement that Ministers and Energy Department Officials are known to be concerned that U.K. suppliers may not be submitting the lowest possible tenders, especially when foreign companies are not included in the bidding list.

Sadness that your Ministers, by encouraging foreign companies to 'buy' business in the North Sea at uneconomical prices (in order to keep their own countries' Steel Mills running and their own workforces employed), cannot see that you are ringing the death toll on British industry.

Our company manufactures steel wire rope, and used to be a leading supplier of steel wire rope to the North Sea. While we still obtain orders for large diameter steel wire ropes, the price has been 'beaten down' by foreign competition from Norway, Holland, Germany and France, such that 3" Anchor Lines in 1976 sold for approximately £700 per tonne now only sell for £600 per tonne in 1982. This reflects itself in our overall results, as in 1976 our company made a profit of £1,269,000 and in 1981 we made a loss of £550,000.

With/...

With regard to small to medium sized diameter steel wire ropes, we can no longer compete because of this foreign competition. To demonstrate this, I give you the following example.

In October 1981 we approached various rope distributors in the Aberdeen area and asked them at what price we needed to supply 16 mm 6 x 19 Filler Galvanised steel wire rope with Fibre Core in order to meet the foreign competition. We were given a target price of 16 pence per foot. We decided to take some volume on this basis in the knowledge that we were not making any profit or any contribution to our Ropery plant overhead as follows:-

| | Cost per foot |
|---|---|
| Rod | 5.3 pence |
| Zinc | 1.2 " |
| Wire Mill labour | 1.0 " |
| Wire Mill overhead | 3.4 " |
| Wire Mill selling & Admin | 0.4 " |
| Fibre Core for rope | 1.8 " |
| Ropery labour | 1.8 " |
| Ropery overhead | 3.0 " |
| Reels | 0.7 " |
| Carriage to Aberdeen | 0.3 " |
| | 18.9 pence |
| Target price | 16.0 pence |

In March/April 1982, after rod increases of 25% imposed upon us by Viscount D'Avingon and the EEC with your Government's approval, we went back to the distributors in the Aberdeen area and we were advised that they could now buy the same rope for 15 pence per foot from the foreign competition!!

I challenge your Ministers and Department of Energy to prove to me that our company became less competitive in these 6 months in the above circumstances, and to prove that the foreign competitors are not in one way or another being subsidised or supported by their parents or Governments who are using this opportunity/...

opportunity to sell STEEL (not steel wire rope) into the North Sea in order to keep their own Steel Mills running. I would further suggest that similar situations are continually being encountered by other UK manufacturers outside the rope industry.

Our workforce, over the last 3 years, has been reduced from 744 in 1979 to 490 in 1982. Our productivity has most certainly increased, but we have not become profitable because the savings in wages have gone to meet the exorbitant increases in costs which directly or indirectly are under the control of your Government i.e. Gas, Electricity, Petrol and Oil, National Insurance, VAT, Telex and Telephone, Rates, Postage and our raw material Steel Rod.

Our workforce accepted wage increases of 8% in 1979/80 and 6% in 1980/81. Your Government is only now trying to settle wages at this level in 1982 when British Industry will be trying to avoid any increase in wages.

Against this background, for the Minister of State for Energy to state 'It is not the job or duty of the Supplies Office to featherbed British companies' is to say the least ironic. British companies sure as hell had no say in whether or not they wanted to 'featherbed Electricity Boards, Oil Companies, Gas Boards, Post Office, Local Authorities and Central Government' who were carrying out your policies.

Within the next three to five years if the dumping of steel wire rope does not cease and if British Industry, generally, is forced to reduce its prices to meet the 'false foreign competition', our company will be forced to stop manufacturing and to start importing steel wire rope from Europe, Korea or Japan, and British Industry as a whole, particularly BSC, will be decimated. In our case, at least 400 of our present workforce will then be unemployed and the 3 million plus unemployment today in the country will have risen to 5-6 million.

Accordingly I would ask your Government to actively promote buying 'British' even 'at what might appear to be a premium' both in the North Sea and throughout the country. If your Ministers' concern (re U.K. manufacturing pricing policy where there is no foreign competition) is correct, your Government will benefit through additional Corporation Tax, National Insurance contributions, PAYE, lower losses at BSC and BL (if everyone was encouraged to buy cars from BL) and less unemployment.

There should be positive incentives to U.K. manufacturing companies and to the man in the street to buy British, either through reduced (or abolition completely) VAT on British manufactured goods, abolition of National Insurance surcharge to genuine/...

genuine manufacturers (i.e. not fabricators of foreign components), steel rebates for products used in the North Sea, and if these or other measures cannot save British Industry, a five year ban on imports, particularly those utilising steel.

I hope that I have been able to communicate to you the concern of one U.K. manufacturer which has met your Government's challenge to become more efficient, but whose efforts have been thwarted through no fault of its own.[2]

I would also hope that this letter will rectify the impression which your Ministers and Department of Energy have with regard to the pricing policies of U.K. industry and of the 'foreign competition'.

Indeed I hope it will move you to action to display the same grit and determination in defence of British Industry and the British working man as you have displayed so recently in defence of the people of the Falklands, albeit that this is an economic war, particularly with regard to the steel industry.

Yours truly,

James Slater.
Director.

# Government ready to give £2bn go-ahead to North Sea projects

BY RAY DAFTER, ENERGY EDITOR

THE GOVERNMENT is to rush through approval of two North Sea development projects to give a £2bn boost to the hard-pressed offshore supplies industry.

Energy Department officials are waiting for formal applications from two consortia for the go-ahead to exploit new offshore fields. The plans, expected within days, will involve the development of:

○ The North Alwyn oil and gas field by two French companies, Total and Elf-Aquitaine, at an estimated cost of more than £1bn. Bids for the first of two platforms could be invited later this year.

○ The Clyde oil field by a consortium of British National Oil Corporation, Shell and Esso, at a cost of about £950m.

The offshore supply industry, hungry for new orders, has been warned by the Government that it will have to be keenly competitive to combat expected bids from overseas contractors. In recent weeks several comparatively small contracts for North Sea work have been placed abroad.

On one occasion, an unsuccessful UK bidder offered to lower his price by about 10 per cent once it was known the contract was likely to be awarded to a foreign competitor.

Ministers and Energy Department officials are known to be concerned that UK suppliers may not be submitting the lowest possible tenders, especially when foreign com-


panies are not included in the bidding list.

The offshore supplies industry countered that it sometimes faced unfair competition from foreign suppliers apparently receiving financial assistance from governments or parent companies.

Mr Ronnie Custis, director of the Energy Industries Council—a leading trade association in the oil and process industries—said: "The evidence suggests British suppliers are competitive in most respects.

"But there are instances of tenders where it would be impossible for some of our foreign competitors to produce at the prices they allege."

Mr Hamish Gray, Minister of State for Energy, said the Government's Offshore Supplies Office ensured UK companies had a full and fair opportunity to bid for all orders. The scheme had been successful in providing the UK industry with a 70 per cent share of contracts.

He pointed out that overseas companies were constantly trying to break into the North Sea market. "It is not the job or duty of the Supplies Office to featherbed British companies."

Mr Gray said that after the cyclical hiatus in North Sea ordering — a dearth of orders now threatening the jobs of hundreds of workers in the supplies industry — offshore development was about to receive a boost.

Several field development schemes were on the cards, he said. They included Clyde, North Alwyn, Marathon's Brae B development, and Sun's Balmoral field.

North Alwyn is expected to be the first project submitted for approval. Total and Elf are thought to have finalised most of the details.

The field's gas is to be transported ashore to St Fergus in Scotland via the Grigg Line and sold to British Gas Corporation at well above 20p a therm. The field's oil will be transported through the Ninian pipeline to Shetland. It is also thought that Texaco has agreed to sell its tiny stake in the field to Total and Elf.

Initial orders for the North Alwyn development should help push the value of UK offshore contracts this year to about £3bn, slightly up on last year.

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