

Prime Minister



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Secretary of State for Industry

DEPARTMENT OF INDUSTRY
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You can say to Mr Culver that
there ought to be room for
agreement between Alcan
and NCB: no-one would

Tim Flesher Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

sell Alcan coal at £15 a tonne (and if we
subsidised to that price there'd be a long queue
of people also wanting subsidy); and the NCB ^{would} get benefit

Dear Tim

from selling Alcan coal at the export price (which happens
to be about* mid-way between £25 and £15). NCB can

PRIME MINISTER'S MEETING WITH MR DAVID CULVER: 13 APRIL

Your office told me yesterday that the Prime Minister has agreed
to meet Mr David Culver, the President and Chief Executive of
Alcan (Canada). He will probably be accompanied by Mr John
Peyton MP (a non-executive director of British Alcan) and Mr
George Russell, the UK Managing Director.

justify this

price,

and avoid

2 The principal topic for discussion is likely to be the re-
negotiation of the coal contract for supplying the Lynemouth
smelter. British Alcan, and Mr Peyton in particular, have been
pressing Government to intervene. Ministers regard this as
primarily a matter for the company and the NCB, and the Secretary
of State for Energy has encouraged the NCB to negotiate flexibly
within their commercial judgment. The company should now
undertake further negotiations urgently.

an

awkward

... 3 The attached brief also covers British Alcan's rationalisation
plans in general terms. These are linked with the coal contract
negotiations and are unlikely to be raised in any detail.

Yours etc

STEPHEN NICKLEN
Private Secretary

* depending on
exchange rate and

Mr Siddal's success in
negotiating with Alcan

precedent by

reference to the
unique Lynemouth
contract.

MLS 12/4



BRITISH ALCAN: MEETING WITH DAVID CULVER, 13 APRIL

BRIEF

Mr David Culver is the President and Chief Executive of Alcan (Canada). He is seeing Mr Baker, Minister of State, and Sir Peter Carey, Permanent Secretary at the Department of Industry on the morning of 13 April.

2 There are 2 likely topics for discussion:

i The coal contract for supplying the Lynemouth smelter

The NCB have given notice for the termination of half the supply of coal for the smelter from the 1 January 1984 under contractual powers which British Alcan contest. British Alcan have been pressing the Government to intervene in their negotiations about a revised price. British Alcan claimed that £15 per tonne was the highest price they could afford and the NCB said that £25 per tonne was their minimum price. Ministers decided in October 1982 not to intervene in the negotiations. Since then the only 2 vertically integrated aluminium companies in the UK, BACO and Alcan (UK) have merged and the merged company, British Alcan, have warned of the serious consequences for the whole of their UK operations, involving some 15,000 jobs, if agreement cannot be reached and the smelter is forced to close.

After correspondence between the Secretary of States for Industry and Energy, the Secretary of State for Energy has now written to Mr Norman Siddall, the Chairman of the NCB, encouraging him to negotiate flexibly with British Alcan within his commercial judgment.

ii British Alcan's rationalisation plans

British Alcan have already announced details of their first rationalisation proposals which are designed to make their downstream operations efficient and profitable. There will be a number of plant closures involving some 1350 jobs. We expect more cutbacks to be announced during the course of this year as duplicated activities and excess capacity are trimmed in the merged company.

British Alcan will be seeking Government assistance for their restructuring and reinvestment plans. They are already in discussion with officials of the Department of Industry to see what may be available under existing Government aid schemes. In the past the downstream

/activities ...



activities have been subsidised by profits generated at the Lynemouth smelter. The rationalisation plans are therefore linked closely to the future profitability of the smelter which depends largely on the future price of coal.

LINE TO TAKE

3 Explain that the Secretary of State for Energy has encouraged the NCB to negotiate flexibly with British Alcan within their commercial judgment and encourage them to begin negotiations urgently.

4 Encourage British Alcan to proceed with their rationalisation and reinvestment proposals so as to make their downstream facilities profitable and efficient.

Minerals & Metals Division 3
Department of Industry

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