



PRIME MINISTER

*mf*

2 pp's.

Prime Minister (2)

The second point is  
 I think, overtaken by events.  
 You may wish to note (1), for  
Questions on Thursday.

MUS 27/7

INVERGORDON ALUMINIUM SMELTER

I have seen a copy of George Younger's minute of 23 July covering a draft statement, and also your Private Secretary's letter of 26 July giving your comments.

I agree that a statement should now be made to the House, but I have some difficulty with two points in the draft. First, it will cause considerable embarrassment to myself and my Department in our dealings with other large industrial users of energy, particularly Anglesey Aluminium and Alcan Aluminium, if we were to announce publicly the terms we were prepared to offer prospective operators at Invergordon. Ideally, no figure should be quoted. If, however, colleagues feel that it is necessary to quote the £20 million figure, this should not be described as a subsidy on power costs, but rather as a subsidy channelled through the HIDB on grounds of regional policy. This was what we agreed at the meeting you chaired on 26 May.

(1)  
 (2) Second, it would be strange to announce yet another Enterprise



Zone after the Chancellor's announcement on Tuesday. If Invergordon is the area in Scotland in greatest need of an Enterprise Zone, then that envisaged for Scotland within the Chancellor's statement ought to be located there. I am also concerned that only part of the cost of the proposed Enterprise Zone would be accommodated within the £10 million already agreed for the HIDB. If an Enterprise Zone is the most appropriate remedial measure, then the whole of its cost should be borne within the £10 million which we have already agreed is the appropriate response to Invergordon's problems.

I am copying this minute to other members of E Committee, to John Biffen, Michael Jopling, Sir Robert Armstrong and John Sparrow.

PJ

P J

27 July 1982

Department of Industry  
Ashdown House  
123 Victoria Street

STATEMENT

WEDNESDAY 28 JULY 1982

HOUSE OF COMMONS

INVERGORDON

STATEMENT BY THE SECRETARY OF STATE FOR SCOTLAND

(MR GEORGE YOUNGER)

Prime Minister

We will let you have

briefing on the main

points raised in

questions on this

statement.

W/28/1

WITH PERMISSION, MR SPEAKER I WISH TO MAKE A STATEMENT ABOUT THE INVERGORDON SMELTER. THE HOUSE WILL RECALL THAT THE BRITISH ALUMINIUM COMPANY CLOSED ITS INVERGORDON SMELTER LAST DECEMBER. THE SMELTER EMPLOYED SOME 900 PEOPLE. THE CLOSURE TOOK PLACE AFTER INTENSIVE NEGOTIATIONS BETWEEN THE COMPANY AND THE GOVERNMENT. DURING THESE NEGOTIATIONS THE GOVERNMENT HAD BEEN PREPARED TO OFFER THE COMPANY A PACKAGE OF ASSISTANCE WHICH INCLUDED WRITING OFF SOME £47M OF DISPUTED POWER CHARGES AND AN ANNUAL SUBSIDY TOWARDS ITS POWER COSTS OF £16M FOR THREE YEARS. IN MY STATEMENT TO THE HOUSE ON 18 JANUARY I SAID THAT THE COMPANY HAD UNDERTAKEN TO MAINTAIN THE SMELTER IN A USABLE CONDITION FOR SIX MONTHS AND THAT THE SCOTTISH OFFICE, IN CONJUNCTION WITH LOCATE IN SCOTLAND AND THE HIGHLANDS AND ISLANDS DEVELOPMENT BOARD WOULD MAKE EVERY EFFORT TO FIND A NEW OPERATOR. I ALSO SAID THAT THE GOVERNMENT HAD AGREED, IN THE EVENT THAT NO NEW OPERATOR CAME FORWARD, TO PROVIDE A SPECIAL EXTRA ALLOCATION OF FUNDS FOR THE HIDB, AMOUNTING TO UP TO £10M OVER THE NEXT THREE YEARS.

I AM SORRY TO TELL THE HOUSE THAT DESPITE THE EXTENSIVE EFFORTS WHICH HAVE BEEN PUT INTO THE SEARCH AND THE COMPANY'S AGREEMENT TO MAINTAIN THE PLANT FOR A FURTHER MONTH NO NEW OPERATOR IS PREPARED TO TAKE OVER THE SMELTER.

THE DETAILS OF THE GOVERNMENT'S DISCUSSIONS WITH THE PARTIES WHO HAVE EXPRESSED AN INTEREST IN ACQUIRING THE PLANT MUST OBVIOUSLY REMAIN MATTERS OF COMMERCIAL CONFIDENTIALITY. THE HOUSE WILL HOWEVER WISH TO KNOW WHAT LEVEL OF ASSISTANCE THE GOVERNMENT WAS PREPARED TO OFFER TO PROSPECTIVE OPERATORS. AS HON MEMBERS KNOW, THE LEVEL OF POWER COSTS IS CRUCIAL TO THE ECONOMICS OF ALUMINIUM SMELTING. WE THEREFORE OFFERED PROSPECTIVE OPERATORS AN ANNUAL SUBSIDY FOR EACH OF 5 YEARS UP TO £20M AMOUNTING TO £100M IN TOTAL.

THE SCOTTISH OFFICE HAS SEARCHED FAR AND WIDE FOR POSSIBLE OPERATORS AND HAS BEEN IN CONTACT WITH A TOTAL OF 16 COMPANIES. MY HON FRIEND AND I HAVE PERSONALLY MET SEVERAL OF THE COMPANIES WHO HAVE EXPRESSED AN

INTEREST. SOME COMPANIES HAVE VISITED THE PLANT AND HELD DISCUSSIONS WITH THE SCOTTISH ELECTRICITY BOARDS. DESPITE THIS WHOLLY EXCEPTIONAL OFFER OF ASSISTANCE, WHICH WE WERE PREPARED TO MAKE BECAUSE OF THE UNIQUE IMPORTANCE OF THE SMELTER FOR THE LOCAL ECONOMY AND THE REST OF THE HIGHLANDS, NO COMPANY WAS PREPARED TO ACQUIRE AND OPERATE THE SMELTER. EVEN IF WE WERE TO TAKE STEPS TO MAINTAIN THE PLANT IN USABLE CONDITION FOR A FURTHER PERIOD I SEE NO PROSPECT OF A PURCHASER COMING FORWARD.

I VERY MUCH REGRET THAT THE GREAT EFFORTS WHICH HAVE BEEN MADE TO FIND A PURCHASER HAVE NOT BEEN SUCCESSFUL. THE DECIDING FACTOR HAS BEEN THE VERY DEPRESSED STATE OF THE ALUMINIUM INDUSTRY THROUGHOUT THE WORLD. THE PRICE OF ALUMINIUM IS AT VERY LOW LEVELS, IN REAL TERMS WELL BELOW WHAT IT WAS FOURTEEN YEARS AGO WHEN THE SMELTER PROJECT WAS ANNOUNCED. MANY MAJOR COMPANIES ARE MAKING SUBSTANTIAL LOSSES. LAST WEEK ALCAN ANNOUNCED THE DEFERMENT OF A HUGE NEW SMELTER PROJECT IN AUSTRALIA, AND THAT IS ONLY THE MOST RECENT IN A LONG SERIES OF SUCH ANNOUNCEMENTS. IN THESE CIRCUMSTANCES IT IS UNDERSTANDABLE, ALTHOUGH DEEPLY DISAPPOINTING THAT NO COMPANY IS PREPARED TO MAKE THE NECESSARY INVESTMENT AT INVERGORDON.

THE GOVERNMENT WILL OF COURSE NOW MAKE AVAILABLE TO THE HIDB THE ADDITIONAL FUNDS PROMISED IN JANUARY.

THE BOARD AND THE SCOTTISH OFFICE HAVE COMPLETED A JOINT REPORT ON THE IMPACT OF THE CLOSURE AND THE ACTION WHICH MIGHT BE TAKEN TO OFFSET THE EFFECTS ON EMPLOYMENT. THE BOARD HAS ALREADY APPOINTED A LOCAL DEVELOPMENT OFFICER AND OPENED A NEW LOCAL OFFICE TO DEAL WITH DEVELOPMENT ENQUIRIES. IT WILL ALSO BE PROVIDING ADDITIONAL SMALL FACTORY SPACE. LOCATE IN SCOTLAND HAS ALREADY JOINED WITH THE BOARD TO DRAW THE AREA TO THE ATTENTION OF POTENTIAL INVESTORS AND THE SCOTTISH OFFICE WILL DO EVERYTHING POSSIBLE TO BRING NEW DEVELOPMENTS TO THE AREA. IN ADDITION TO THESE EFFORTS I HAVE DECIDED THAT ONE OF THE TWO NEW SCOTTISH ENTERPRISE ZONES WHICH MY RT HON ANDLEARNED FRIEND THE CHANCELLOR OF THE EXCHEQUER ANNOUNCED YESTERDAY SHOULD BE LOCATED IN THE INVERGORDON AREA.

I WILL BE MEETING VERY SHORTLY WITH THE LOCAL AUTHORITIES IN THE INVERGORDON AREA AND REPRESENTATIVES OF THE SMELTER WORKFORCE TO DISCUSS THESE INITIATIVES.

## Aluminium Smelter (Invergordon)

3.52 pm

**The Secretary of State for Scotland (Mr. George Younger):** With permission, Mr. Speaker, I wish to make a statement about the Invergordon smelter. The House will recall that the British Aluminium Company closed its Invergordon smelter last December. The smelter employed some 900 people. The closure took place after intensive negotiations between the company and the Government. During the negotiations, the Government had been prepared to offer the company a package of assistance which included writing off some £47 million of disputed power charges and an annual subsidy towards its power costs of £16 million for three years.

In my statement to the House on 18 January, I said that the company had undertaken to maintain the smelter in a usable condition for six months and that the Scottish Office, in conjunction with Locate in Scotland and the Highlands and Islands Development Board would make every effort to find a new operator. I also said that the Government had agreed, in the event that no new operator came forward, to provide a special extra allocation of funds for the HIDB, amounting up to £10 million during the next three years.

I am sorry to tell the House that, despite the extensive efforts that have been put into the search and the company's agreement to maintain the plant for a further month, no new operator is prepared to take over the smelter. The details of the Government's discussions with the parties who have expressed an interest in acquiring the plant must obviously remain matters of commercial confidentiality. The House will, however, wish to know what level of assistance the Government were prepared to offer to prospective operators. As hon. Members know, the level of power costs is crucial to the economics of aluminium smelting. We therefore offered prospective operators an annual subsidy for each of five years up to £20 million, amounting to £100 million in total.

The Scottish Office has searched far and wide for possible operators and has been in contact with a total of 16 companies. My hon. Friend and I have personally met several of the companies who have expressed an interest. Some companies have visited the plant and held discussions with the Scottish electricity boards. Despite this wholly exceptional offer of assistance, which we were prepared to make because of the unique importance of the smelter for the local economy and the rest of the Highlands, no company was prepared to acquire and operate the smelter. Even if we were to take steps to maintain the plant in usable condition for a further period, I see no prospect of a purchaser coming forward.

I very much regret that the great efforts which have been made to find a purchaser have not been successful. The deciding factor has been the depressed state of the aluminium industry throughout the world. The price of aluminium is at very low levels—in real terms, well below what it was 14 years ago when the smelter project was announced. Many major companies are making substantial losses. Last week Alcoa announced the deferment of a huge new smelter project in Australia. That is only the most recent in a long series of such announcements. In these circumstances, it is understandable, although deeply disappointing, that no company is prepared to make the

necessary investment at Invergordon. The Government will, of course, now make available to the HIDB the additional funds promised in January.

The board and the Scottish Office have completed a joint report on the impact of the closure and the action that might be taken to offset the effects on employment. The board has already appointed a local development officer and opened a new local office to deal with development inquiries. It will also provide additional small factory space. Locate in Scotland has already joined the board in drawing the area to the attention of potential investors. The Scottish Office will do everything possible to bring new developments to the area. In addition to these efforts, I have decided that one of the two new Scottish enterprise zones that my right hon. and learned Friend the Chancellor of the Exchequer announced yesterday shall be located in the Invergordon area.

I will shortly be meeting the local authorities in the Invergordon area and representatives of the smelter work force to discuss these initiatives.

**Mr. Bruce Millan (Glasgow, Craigton):** The Secretary of State has made a tragic statement. The tragedy goes well beyond Invergordon and the surrounding area. The whole of Scotland is affected by its serious implications. What he said confirmed our criticisms at the time of the initial crisis—that the Government's dereliction of duty was to allow the smelter to close in the first place. That error having been made, it is extremely difficult to retrieve the situation.

Not only was the error made, despite a bonus of more than £20 million that was paid to British Aluminium, but the works was not taken over. It is still in private ownership. What is more, the assurances about Falkirk look a little sad when one bears in mind that plant's present difficulties.

Is the Secretary of State aware that the designation of an enterprise zone is a poor substitute, indeed no substitute, for what has happened? Despite what the Secretary of State has just said, we know little about the negotiations with the companies that he mentioned. Is he aware that it has been suggested—I should like the suggestions to be confirmed or contradicted—that no specific offer was made to those 16 companies in the negotiations? It has been suggested that what might be available was discussed but that no specific offers were made. Perhaps the Secretary of State will deal with that point.

Can the Secretary of State make it absolutely clear that what was on offer to the new operator at Invergordon was at least as favourable as what is now being provided at the other two smelters at Anglesey and Lynemouth—a matter to which the Secretary of State said earlier that he attached importance? May we have an absolute assurance about that?

As to what will now happen, has the Secretary of State seen the action group's proposals that a public company might take over the smelter? What does he think about that? At least that would leave the opportunity open for perhaps two or three years to see whether a new operator could come forward, by which time the aluminium market may have improved.

Many people in Scotland, not just hon. Members, felt that the way in which the Secretary of State dealt with the matter was the real test of his credibility as the Minister

[Mr. Bruce Millan]

who looked after Scottish economic and industrial interests. If that is the test, the Secretary of State has failed lamentably.

**Mr. Younger:** I entirely agree with the right hon. Gentleman that it is an extremely serious situation and I regret it every bit as much as he does. I shall try to cover all his questions.

First, the right hon. Gentleman said that it was a gross error to have allowed the smelter to close in the first place. I made it perfectly clear to him and to others at the time that the only option to try to prevent it closing would probably have brought down virtually all the other British Aluminium Company plants. He will recall that it was a case of trying to save them. In any case, the British Aluminium Company had not the slightest intention of continuing to run the smelter at that time. The right hon. Gentleman's criticism is therefore totally misplaced.

I agree that the enterprise zone is a poor substitute for keeping the smelter open, but I should have thought that the right hon. Gentleman would at least have had the grace to welcome it as a useful contribution to help people in the area who will now be extremely worried about their future.

I am not sure what the right hon. Gentleman's point was about no specific offer being made, but the discussions with the many companies that we contacted went into all the details of how much support each company felt that it would need to take on the running of the smelter. In spite of many serious negotiations with companies that were clearly interested, however, not one came remotely near £20 million—itself a truly staggering amount to offer in annual subsidy.

As I think the right hon. Gentleman knows, neither of the other smelters receives Government subsidy. Their power contracts are confidential between the smelters and the fuel suppliers. I received the action group's proposals only yesterday afternoon, but I studied them with great care to see whether they contained anything new. I have replied that, although I greatly welcome the interest and trouble taken by the group, the proposals contain nothing that we have not considered many times in the past few months, so I am afraid that they provide no basis for any continuation.

As for my credibility, I think that on reflection the right hon. Gentleman will agree that to have found, with the full approval of Government colleagues, a scheme to commit no less than £100 million over five years to help the Highlands is about the biggest commitment to the Highlands that any Minister could have made.

**Several Hon. Members** *rose*—

**Mr. Speaker:** Order. I promised on Question No. 1 that if the hon. Member for Dunfermline (Mr. Douglas) would wait he would be called first now.

**Mr. Dick Douglas** (Dunfermline): Thank you, Mr. Speaker. Does the Secretary of State agree that the whole history of this matter is a governmental botch-up and that the great tragedy is that the company in default of its long-term obligations still owns the assets?

**Mr. McQuarrie:** It was the Labour Government in 1967.

**Mr. Douglas:** Does the Secretary of State agree that the assets must be put into public sector hands at break-up value?

Will the Secretary of State also deal with the knock-on effects for the Scottish economy, particularly in the mining industry, as I believe that they will be extremely severe?

Lastly, will the Secretary of State tell us how many companies actually visited the plant? Will he also assure the House that the £100 million over five years is still in his grasp and will be ploughed into the Scottish economy and not vanish back into the Exchequer?

**Mr. Younger:** I am not sure how far back the hon. Gentleman was going in his comments about a Governmental botch-up. Certainly, no one who has been concerned in the whole sad history of the smelter over 15 years or more can regard it as a great success. When I took responsibility for the matter the smelter contract was clearly in great trouble and in danger of causing the company itself to go under. As the hon. Gentleman will recall, law suits were involved. Speaking for the Conservative Government, I can say that we have done all that we conceivably could to retrieve a desperately difficult situation. I think that history will be clear on that.

There are, of course, serious knock-on effects. For instance, a considerable quantity of coal will now have no outlet. That is a very serious matter.

**Mr. Douglas:** We are having no pit closures.

**Mr. Younger:** I presume that the National Coal Board will now seek ways of using that coal or exporting it to some profit if possible.

On the number of companies, we approached every company that we could find that might be interested, as quite a number of them were. In all, we approached 16 companies. I cannot say offhand how many actually visited the plant, but many of them had many discussions both here and on the ground about what might be done, and a surprising amount of interest was shown. The real difficulty was that the gap between the operational costs of the plant and the falling price of aluminium was so large that even the huge sum that the Government were prepared to contribute seems to have been nothing like enough to persuade any company to take on the operation.

**Sir Hector Monro** (Dumfries): Does my right hon. Friend agree that to obtain £100 million for a prospective purchaser was a tremendous achievement and that only the over-capacity of the smelting industry brought failure? Does he further agree that my right hon. Friend the Member for Ross and Cromarty (Mr. Gray), the Minister of State, Department of Energy, did everything possible to help his constituents, as did the community of Invergordon itself and that we are all desperately disappointed at the failure?

**Mr. Younger:** I am grateful to my hon. Friend. My right hon. Friend the Member for Ross and Cromarty (Mr. Gray) has been totally involved at all stages. Without his help, we should not have achieved nearly such a good prospect as we did. I entirely agree that this is a tragedy, but I hope that no one will say that we have not pulled out every possible stop to try to rescue the company.

**Mr. Roy Jenkins** (Glasgow, Hillhead): The right hon. Gentleman has no doubt made strenuous efforts in recent weeks, but how does he explain the contradiction between his dismaying statement today and the fully confident

promise that he gave during the Hillhead by-election campaign that Invergordon would reopen? As the depressed state of the world aluminium market was fully known to him then, was it his judgment or his frankness that was at fault?

**Mr. Younger:** I note the right hon. Gentleman's interest in this matter. I have made it clear at all times that my effort was to find a company that would reopen the smelter. In that, I include everything that I said during the famous Hillhead by-election campaign. At that time, a number of companies were still showing very lively interest. It was literally in the last day or two that the questions of all the interested companies were finally solved. Therefore, I hope that the right hon. Gentleman will acquit me of any suspicion that I have not been absolutely frank about this throughout. I was at all times doing my utmost to find an operator for the smelter. In trying to persuade people to go there, I was certainly not going to go around saying that it was a hopeless task, because it was not.

**Mr. George Foulkes** (South Ayrshire): How does the Secretary of State reconcile his statement that he has done everything possible with reports in the trade press that people in the industry regard his efforts as having been half-hearted and more of a public relations exercise than a genuine attempt to save the plant? Furthermore, how can his hon. Friend the Member for Ross and Cromarty (Mr. Gray) continue as a member of the Government at the Department of Energy after the fiasco at Invergordon?

**Mr. Younger:** I always enjoy the highly intellectual contributions of the hon. Member for South Ayrshire (Mr. Foulkes) on these matters. With regard to his readings in the trade press—

**Mr. Foulkes:** You should read it.

**Mr. Younger:** I am not sure to which section of the trade press the hon. Gentleman refers, but I assure him that the companies with which we have been negotiating were in no doubt whatever that this was a real concrete exercise in seeking an operator to take over the plant. If the hon. Gentleman needs any further evidence of that, I should have thought that persuading the Government—no doubt he would say, this Government in particular—to earmark no less than £20 million per year for five years made nonsense of his claims.

**Mr. Barry Henderson** (Fife, East): Does my right hon. Friend accept that, contrary to the view of the Opposition Front Bench, a great many people will share the view of my hon. Friend the Member for Dumfries (Sir H. Monro) that no one could have expected any Government to do more than has been done? Did not the implications of the public statements of the British Aluminium Company at the time of the closure imply that on the basis on which it was operating it could never possibly have made a profit even if the electricity had been free?

**Mr. Younger:** I am grateful to my hon. Friend. The British Aluminium Company managed to make a profit on operating the plant in some years, but it had difficulty in other years. I think that there is probably agreement between both sides of the House—in more normal times, there would certainly be agreement—that the old power contract, although started with the best of intentions, had become completely inoperable by the time it finished. The

power contract had been rendered out of date by events and had to be superseded by a new one. The Government have certainly been extremely generous in the contribution that they were prepared to make. Tragically, however, due to the falling price of aluminium, the gap was so wide that even that sum was nowhere near enough to persuade any company that it could viably operate the plant.

**Mr. Gavin Strang** (Edinburgh, East): Is the Secretary of State aware of just how black a day this is, not only for the Highlands but for the whole of the Scottish Economy, not least the electricity and coal industries? Is it not monstrous that in his statement he should make no reference to the future of the plant while at the same time he pointed out that the deciding factor was the depressed state of the aluminium industry? Will he use some of that £100 million to acquire and maintain the plant so that this Government or another Government can bring it back into production when conditions improve in the aluminium industry?

**Mr. Younger:** Perhaps the hon. Gentleman will agree that I am in a better position than most people to consider that this is a black day. It is not for nothing that I have spent seven months trying to save the plant for nothing. With regard to the latter part of the hon. Gentleman's question, I have shown by what I have said today that the Government have no intention of turning their back on the Invergordon area and leaving it to get on with it. I am meeting its representatives tomorrow. We have already said that we are prepared to commit money. I have said today that we will create an enterprise zone there and that I shall enter into discussion with them. That is surely a clear commitment from the Government to try to help the area with its serious problems.

**Several Hon. Members** *rose*—

**Mr. Speaker:** Order. I propose to call those hon. Members who have been rising.

**Mr. Grimond:** Will the Secretary of State tell the House, first, how much public money has been lost at Invergordon; secondly, to whom the plant now belongs; thirdly, what his intention is about the future of the plant—whether it is to be mothballed or demolished; and fourthly, whether if enterprise areas are so good, he will extend them throughout the Highlands?

**Mr. Younger:** I shall write to the right hon. Gentleman to give him a total of how much public money has been spent on the plant and I shall try to make a balance sheet to answer the first part of his question. Secondly, the plant is and always has been owned by the British Aluminium Company. Thirdly, the future of the plant is a matter for its owner and no doubt BACO will consider that.

**Mr. Albert McQuarrie** (Aberdeenshire, East): My right hon. Friend has referred to the telex that he received from the Invergordon smelter action group. I am sure the House will welcome the action that the group has taken in an endeavour to maintain the plant. I should like to draw my right hon. Friend's attention to the reference in paragraph 6 of the telex.

"income from goods imported and exported over the Invergordon jetty, from existing leases of land currently in ownership of BACO at Invergordon".

Are those leases to be retained by BACO or are they to be made available for sale? If they are to be sold, will he give serious consideration to the recommendations that have

[Mr. Albert McQuarrie]

been made by the Invergordon smelter action group that there should be a public/private sector company formed with part of the £20 million that is available for the next five years? Will he examine the telex even more carefully as a last-minute endeavour to save the smelter? As has been rightly said, he and my right hon. Friend the Secretary of State for Industry and my right hon. Friend the Minister of State, Department of Energy are justified in making every effort they can to ensure that the smelter is retained, if at all possible.

**Mr. Younger:** I should like to join in the tribute my hon. Friend paid to the way in which the Invergordon smelter action group has conducted itself over the past seven months. In an extremely nasty position, it has been thoroughly helpful and constructive. I pay tribute to the group for that.

My hon. Friend refers to the scheme that was sent to me by telex yesterday. We have studied it carefully and I look forward to discussing it with the group later. He referred to the suggestion in the telex that BACO might be prepared to use some of the facilities remaining at the smelter at commercial rates. It is too early to say whether there are such facilities that BACO would want to use and, if so, whether BACO would be prepared to pay commercial rates and what those rates would be. Those matters would have to be gone into. I can assure my hon. Friend that I am looking forward to meeting all concerned on the ground in the area and discussing the problems with them.

**Mr. Gordon Wilson (Dundee, East):** Does the Secretary of State realise that he has created an industrial cemetery in the area and that we are seeing the second Highland clearances? In those circumstances, bearing in mind that he had offered about £20 million a year to keep the smelter going, would he not consider it to be a worthwhile investment to pay £300,000 a year for continuing maintenance of the smelter so as to have it available as an asset as and when the world market in aluminium picks up?

**Mr. Younger:** While the phrase "industrial cemetery" may be good for a headline, it is not helpful to the people in Invergordon, who will now need every help they can get to attract some other employment to the area. With regard to the £300,000 a year to keep the plant going, I would stress to the hon. Gentleman—perhaps he will think about this—that we have looked all over the world to find firms that are skilled and versed in the running of smelters. Not only have none of them been able and willing to come forward to run the smelter now but none of them has been able to contemplate running it at anything remotely approaching even the huge amount of subsidy that I have mentioned today. Therefore, we must realise that it is not likely to be a viable proposition in the future.

**Mr. Robert MacLennan (Caithness and Sutherland):** It is only 18 weeks since the Secretary of State was quoted as saying in the *Scottish Sunday Express*:

"I am confident that the smelter will reopen."

Was he not aware at that time that there was a vast gap, which he has described, between the money that the Government were prepared to make available and what was necessary to put the smelter back into operation? Does

the Secretary of State realise that his amiability is wearing a little thin and that his competence is now deeply in question?

**Mr. Younger:** I said that at that time because several weighty and worthwhile companies were showing interest in that matter. If that was the case, it was not likely that I would get far by rushing round the country saying, "It is a dead duck; there is no chance of getting its work". That is why I said it, and I stand by it.

**Mr. Ian Lloyd (Havant and Waterloo):** The Secretary of State will be aware that the Select Committee on Energy carefully examined energy costs with regard to Invergordon. Is he aware that we reached very cautious conclusions about that matter and that many of us admire the effort he has made to reach a solution to an immensely complex problem but that some of us would have been dismayed had he announced this afternoon that yet another vast outpouring of the taxpayers' money, virtually in perpetuity, was to be organised to maintain the smelter in existence? Indeed, if the industrial future of Scotland is his main concern, should not sums of this magnitude, if they are to be paid anywhere, be paid to reinforce the enormous success of his Department in reinforcing information technology in Scotland rather than to industries which have no hope of long-term survival?

**Mr. Younger:** I appreciate what my hon. Friend has said and his proper anxiety not to see excessive amounts of public moneys, which are badly needed for all sorts of things, spent unwisely. I was very much prepared to find these huge sums of money to get the plant started again because it seemed to me to be the best and cheapest way of making use of an existing asset. That is why I felt it was worth doing. No one has suggested—I doubt if anyone will—that it would be sensible for any Government to have provided the still larger sums that it is clear would be needed to have any chance to get the plant operated by a new operator.

**Mr. Alex Eadie:** While making his announcement, the right hon. Gentleman informed the House that it had serious consequences for the coal industry and that he presumed that the National Coal Board would have to go into the export market. Since the right hon. Gentleman is the custodian of the Scottish economy, surely he is not informing the House today that that is all he intends to do to save jobs for the people of Scotland.

**Mr. D. N. Campbell-Savours (Workington):** Resign.

**Mr. Younger:** I am not certain how far the hon. Gentleman wishes to take his last few words. I am deeply concerned that a part of the Scottish coal industry has lost a market. However, the hon. Gentleman knows that the coal industry is dependent, like all other industries, on finding good markets for its products. It is most important that it should produce its goods at the cheapest possible price so that it can find more markets. I am certain that the National Coal Board, which is charged with running the coal industry, will be looking for other markets for its coal, and I hope that it finds them.

**Mr. John Home Robertson (Berwick and East Lothian):** The Secretary of State has calmly announced that he has exported 900 jobs from Easter Ross. I am not surprised that the right hon. Member for Ross and Cromarty (Mr. Gray), the Minister of State, Department of Energy, has left the Chamber. The right hon.



Gentleman told my hon. Friend the Member for Dunfermline (Mr. Douglas) that jobs in the energy industry elsewhere in Scotland would also be under threat. If he is proposing to do away with jobs in the coal mining industry or the electricity generating industry elsewhere in Scotland, is he aware that he will stand condemned for the destruction of Scotland's industrial future and that he will have a real fight on his hands?

**Mr. Younger:** I congratulate the hon. Gentleman on fitting about nine headlines into those few, but rather difficult to understand, questions. In framing them, he forgot that we are discussing the end of seven months of dedicated effort by many people in my Department to find a new operator anywhere in the world to take over the smelter. The search was backed by money found by the Government. The hon. Gentleman should know enough about these matters at least to recognise the good effort that has been made.

**Mr. Bruce Millan** (Glasgow, Craigton): Does the right hon. Gentleman recollect that he was optimistic only a few days before the Glasgow, Hillhead by-election and that he happened, by coincidence, to be optimistic a few days before the regional elections? As for the future of the plant, he seems to have given the impression that he turned down the action group's proposals out of hand. Is he aware that if he does not reconsider his response to the group's proposals, the plant will be sold off for scrap? We should try to prevent that.

**Mr. Younger:** I expect to be able to discuss the ideas of the action group and those of others when I meet local authorities and other representatives. It would do no service to anyone in the area—everyone must be extremely worried—to try to conceal the fact that I see nothing in the action group's suggestions that we have not considered already. I cannot accept that it would be sensible to spend a great deal of money to keep the plant in a state of readiness for an operator which we shall not be able to find, wherever we look. I suppose that I could have spent seven months going around Scotland saying, "There is no hope of reopening the smelter." That would not have been very helpful to anyone.

in Scotland and to add to the already appallingly high unemployment as local authorities are forced to reduce staff.

**Mr. Younger:** There is some misunderstanding, because the meeting to be held tomorrow is only a preliminary and courtesy meeting to tell the president of COSLA what was said to the House today. The right hon. Gentleman should have known that this is a genuine negotiation and consultation. None of the figures are firm and final until they are announced, I hope in November. If the right hon. Gentleman believes that it is not genuine consultation, I hope that he will disabuse himself and others of that belief. I have taken note of what COSLA has said to me many times during the past few years and made changes as a result.

The right hon. Gentleman said that he was depressed about the statement. It is depressing that, after three years, we are still trying to attain a reduction in local government spending. Each year more has been spent than the year before.

The right hon. Gentleman's comments about Lothian were most revealing. He supported the previous administration in that region lock, stock and barrel in its deliberate policy of overspending beyond even what he could have stomached had he been Secretary of State. He is now criticising the new administration, which does not even have a majority, for not having reduced the region's spending to the Government's guidelines in about four months. The right hon. Gentleman is becoming difficult to believe.

**Mr. David Steel** (Roxburgh, Selkirk and Peebles): The Secretary of State talks about his expectation of low rate increases next year. What target does he have in mind, given that his expectation for this year was wildly inaccurate? Does he accept that the sledgehammer that he is now using will hit the local authorities that have been prudent in their spending just as badly as those that have been extravagant? When will he implement the Government's election promise about reforming the rating system?

**Mr. Younger:** I do not agree with the right hon. Gentleman's first point. The person who was completely inaccurate in predictions of rate increases this year was the right hon. Member for Glasgow, Craigton (Mr. Millan), who was wildly wrong. I appreciate the right hon. Gentleman's point about prudent authorities, and I hope that when we discuss the details of the general abatement we can ensure that no authority that has spent under the guidelines will suffer a penalty as a result. The Government are considering the alternatives for the reform of the rating system. They liked the Green Paper and hope to produce policy decisions before long.

**Several Hon. Members** *rose*—

**Mr. Speaker:** Order. I propose to call those hon. Members who have already risen and then to move on.

**Mr. Barry Henderson** (Fife, East): Will my right hon. Friend tell us something about the impact of party control on local authorities and their expenditure? Can he not do more to protect from the rapacious demands of high-spending local authorities the authorities that have been consistently careful? Is local authority staffing still higher than it was in 1979?