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for Jon.



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10 DOWNING STREET

From the Private Secretary

11 September 1980

Dear Garth

I enclose a letter from Peter Morrison, MP, to the Prime Minister about the closure of Bowaters and the consequences for our newsprint imports.

As I have mentioned to you on the phone, the Prime Minister is particularly interested in Bowaters as a test case of pricing policy of nationalised industry suppliers. She is also interested in the arguments contained in a letter from the Principal of Glynllifon College, and I attach a copy of this.

The Prime Minister has separately taken up with the Secretary of State for Energy the issue of fuel costs. She would like to have a word with your Minister, other Forestry Ministers if necessary, and Sir Keith Joseph before she replies to these two letters.

I should be grateful if you could let me have draft replies, prepared in consultation with other Departments concerned. If these can reach me by Thursday 25 September, we shall fix a meeting in the week beginning 29 September after the Prime Minister's return from abroad.

I am sending copies of this letter and its enclosure to Catherine Bell (Department of Industry), John Craig (Welsh Office), Godfrey Robson (Scottish Office) and Julian West (Department of Energy).

Yours ever

Mike Pattison

Garth Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

V.C.

PS

CYNGOR SIR

GWYNEDD

COUNTY COUNCIL

COLEG GLYNLLIFON

(Coleg Amaethyddol a Phreswyl Gwynedd)

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PRIFATHRO

TECWYN ELLIS M.A.
G. L. EDWARDS B.Sc.

DIRECTOR OF EDUCATION
PRINCIPAL

Pob Gohebiaeth I'w Anfon I'r Prifathro
Ein Cyf/Our Ref.

All Correspondence to be addressed to the Principal
Eich Cyf/Your Ref.

5th September 1980

28/9

The Right Honourable Mrs. M. Thatcher,
Prime Minister,
10, Downing Street,
LONDON.

Dear Madam,

Bowater Pulp Mill, Ellesmere Port.

Special Case.

I feel that it is necessary for me to write this letter concerning Bowater's Pulp Mill because I am of the opinion that they are a special case, and should be given particular study.

If what I read is true, particular industries are suffering more than others in the recession, and that Government Policy may be responsible for some of these ills as opposed to any degree of inefficiency in the industry concerned. The four main factors that appear to be affecting Bowater are :-

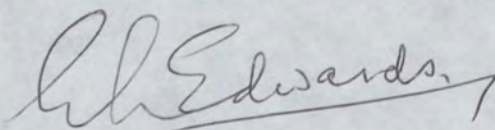
1. High fuel charges - it has been stated that competitors in America and other Overseas countries are able to process pulp with fuel at approximately half the price of fuel in this country. Surely something should be done in view of our supplies of North Sea Oil.
2. The Strength of the Pound (£). I read recently that the increase in the strength of the £ has made as much as 17% difference in the value of the £, so that when competitors are selling timber from outside the U.K. for processing, or selling as pulp in this country, they start with a considerable advantage.
3. High Interest Rates. The high interest of bank rate, and as a consequence the high rate of interest payable on capital, must put additional strain on financial resources, especially at a time when Bowater are producing at a higher cost than competitors, as indicated in the first two points.
4. Bowater's have stated that the cost of timber is higher to them; currently pulp wood is about £22/ton and probably because of the strength of the £ foreign timber may be cheaper, but as a Woodland Producer £22/ton is barely adequate as a return for the Grower.

Many Woodland Owners will have invested up to £300/acre per annum over a period of 20 years, and at thinning time is faced with costs of between £10 -£12/ton for thinning and about £8/ton for transport, which leaves a very small margin after 20 years of investment; in addition one is expected to pay for thinning and transport at the completion of the work, but one may have to wait as much as three of four months for payment, which at current rates add another £1 to our costs, and consequently the margin for productivity is very low.

The reason I state that Bowater is a special case, is, that Woodland Owners are expected to make investments in a product which may not be marketed for many years. Many Woodland Owners invested in this way over 20 years ago, and now find that their main market may disappear. Several Government Reports have indicated the necessity to increase the area of land for timber, and in particular the one from the centre for Agricultural Strategy at the University of Reading, and it would appear to be sound government policy to have an adequate area of land planted with trees. However, if Bowater is allowed to close and the Reed Paper Group also reduces its capacity, there can be no confidence in the future, for Woodland Owners, and Private Woodland Owners would not have been dealt such a severe blow since the Labour Government, some years ago, removed many of the tax incentives which encouraged the planting of trees.

I therefore consider it extremely important that you should re-consider aid for the Bowater Mill at Ellesmere, as this is a special case, involving long term planning. If you are unable to assist I would be pleased to hear what the Government's proposals are for the future of woodland management in the British Isles.

Yours faithfully,



G.L. Edwards.
Principal.

PRIME MINISTER

Here is a letter from the Principal of Gwynedd Agricultural and Residential College, about the closure of Bowater's at Ellesmere Port.

In view of your particular interest in this as something of a test case, do you want to reply personally; or are you content to ask Sir Keith Joseph to reply, in consultation with Peter Walker's office on the woodland management point?

MAP

I have asked for reconsideration of energy costs. I think we

9 September 1980 should have a small meeting

(M.T. K.J. P.W) about

Timber costs. Then I will reply.
ms

FILE

VLB

9 September 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 5 September, about the Bowater Pulp Mill at Ellesmere Port.

Your letter is receiving attention and a full reply will be sent to you as soon as possible.

M A PATTISON

G. L. Edwards, Esq.



10 DOWNING STREET

From the Private Secretary

18 September 1980

Following the Prime Minister's meeting yesterday about the proposed closure of Bowaters, she has written brief personal letters to several of the correspondents who had approached her about this. There is therefore no need for Garth Waters (Ministry of Agriculture, Fisheries and Food) to take any further action on the letter from Peter Morrison, MP, about which I wrote to him on 11 September, nor the earlier letter from the Duke of Buccleuch.

The Prime Minister has also written to SOGAT and the British Paper and Board Industry Federation, offering them a meeting, and suggesting 3 October; a copy of this letter is on its way to you.

There is one outstanding piece of correspondence, the enclosed letter from the Principal of Glynllifon College. The Prime Minister thinks this eloquently sets out the issues which need considering and she would like your Secretary of State, in consultation with Forestry Ministers, to reply on her behalf. I should be grateful for a copy of the reply for our records in due course.

I am sending copies of this letter to Stuart Hampson (Department of Trade), Garth Waters (Ministry of Agriculture, Fisheries and Food), John Craig (Welsh Office), Godfrey Robson (Scottish Office) and Julian West (Department of Energy).

Mrs Catherine Bell,
Department of Industry.