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NOTE FOR THE RECORD OF A MEETING HELD IN CAXTON HOUSE ON 2 OCTOBER 1980 TO DISCUSS THE FUTURE OF BOWATERS MERSEY MILL ELLESMERE PORT

Those present:

Jim Lester MP	Mr French EEPTU
Mr Cottingham DE	Mr Dean SOGAT
Mr Rees RMSD North West	Mr Saben EEPTU
Mr White DE	Mrs Daly Central Office
	Mr Dowling Central Office (North West)

1. Mr French explained that he and his colleagues had come to see Mr Lester to see whether he could in any way assist them in their fight to keep Bowaters Mersey Mill running. 1540 employees were under notices of redundancy which would expire on 21 November. The actual number of those who would lose their jobs as a result of a closure of the Mill would, however, be nearer to 5,000. The unemployment position in Ellesmere Port and surrounding areas was already dangerously high and it was most unlikely that new employment could be found in the area. The workforce was a skilled workforce and the skills would not be recovered if the Mill closed.

2. Since the threat of closure the Bowaters Mersey Mill Action Committee, which represented all the trade unions in the plant, had been taking a hard look at the position of the company. They were convinced the Mill was viable and that a rescue package could be found. The main ingredients of the package would be investment in a new pulp mill and action taken to reduce the losses of the Mersey Mill until the new pulp mill came into operation.

3. The current losses of the Mill were, they stressed, due to factors beyond the Mills' control. The main problem was that, because newsprint prices were fixed in dollars, the high exchange rate meant that they were selling their newsprint at the same price as in 1977 whilst their costs, notably energy costs, had soared. The Mill itself was no "lame duck". There was no lack of will for success. The Mill had good labour relations. The workforce had accepted a reasonable pay settlement last year (13%) and had increased productivity by 17% in the last twelve months. Even under notice of redundancy the Mill was working well. Capital investment was no problem. Over £2m had been spent on new machinery this year. The Mill was making better and more profitable

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products and there was a full order book. In these circumstances it was hard to see why the Mill should go to the wall.

4. Mr Lester said that he fully accepted the seriousness of the unemployment position in Merseyside and what had been said about the record of the Mill. To a very great extent, however, the matter was in the hands of Bowaters. Colleagues had been involved in detailed discussions with the company and had offered what he thought was a very generous package to them. Under that offer a considerable porportion of the capital cost of a new pulp mill would be paid for by the Government.

5. The representatives of the Action Committee acknowledged that the Government had made substantial offers of capital. However the problem was not, they felt, one of a lack of investment but one of revenue losses. Bowaters were primarily reluctant to accept the envisaged operating losses of up to £6m per year for the four years before the new pulp mill came into operation.

6. Mr Lester said that it would not be in the Government's power to subsidize the running costs of Bowaters Mersey Mill. Besides, Bowaters International were making a significant profit in other markets and it was only right that they should bear some of the costs. It was a question of balance. The offer that was made would have put Bowaters UK in profit in 1984. It was accepted, however, that it might be difficult to persuade Bowaters to contribute. They might believe that if they did pull out of the UK they could supply the UK market at a greater profit from abroad. Furthermore, although if the Mill closed they probably stood to lose some £10m in plant that could not be sold or written off, this compared favourably with the continuing costs of running the Mersey Mill until the new Pulp mill came into operation.

7. The Action Committee said that they were not envisaging a direct Government subsidy for the running of the Mill and accepted that Bowaters would have to contribute. They felt, however, that it would be reasonable for a package to involve a reduction in energy costs for the Mill. They were confident, and could cite examples, that our European competitors had forms of protection for their newsprint industries because of their strategic importance. There were other arguments too for cheaper raw materials. The closure of the Mill would have adverse effects on their major supplies of raw materials. For a few years the timber suppliers

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could sell to the Scandinavians (who would sell the newsprint back at a profit) but once new Russian forests came of age the UK timber suppliers would have no markets. The Mill used poor quality coal from the Newstead colliery (it was 1/3 of the product of that colliery) for which there would be no other market. They thought that these factors might persuade the suppliers of the Mill to lower their raw material prices.

8. They argued that there were more general strategic reasons for keeping the Mill in operation. The Mersey Mill effectively represented the last of the UK newsprint industry. It would be a great mistake to be dependant on foreign newsprint which, without UK competition, would be more expensive and would make our supply of newsprint vulnerable. It would be sensible for the Newspaper Publishers Association to pay more for their newsprint from a UK firm now than from a foreign firm later.

9. They stressed that they were not seeking immediate decisions but a breathing space. They believed that a solution could be found. There was goodwill and there were hopeful signs. The Company was seeking to preserve the workforce during the period of notice. They were aware, also, that the next day the Prime Minister was meeting senior officials of Bowaters UK, representatives of the Newspapers Publishers Association, the Paper and Board Industries Federation as well as trade union leaders. They very much hoped that emerging out of this meeting might be the lifting of the redundancy notices for a while. This would allow more time for an acceptable package to be put together.

10. In conclusion, Mr Lester thanked them for putting their case to him. He had sympathy with much of what they had said and hoped very much that an acceptable solution could be found. He assured them that he would pass their views on to colleagues. It was agreed that, dependant on the results of forthcoming meetings, Mr Rees would meet them again in the North West to see what further the Department could do to assist.

cc Mr Dykes
Mr Fraser
Mr Waring
Mr Shepherd
Mr Derx

Mr Brand
Mr West
Mr Cottingham
Mr Rees RMSD North West

K C G WHITE
3 October 1980



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Dear Mr Lankester

BOWATERS - ELLESMERE PORT

Last evening, Mr Lester met representatives of the Bowaters work force from Ellesmere Port. They were introduced through the CTU organisation at Central Office. They were very worried about the proposed closure of the mill which is due to take place on 21 November. They asked Mr Lester if he would emphasise to the Prime Minister prior to her meeting about Bowaters the serious results which would flow from the closure.

I enclose a note of the meeting but for ease of reference the main points made by the delegation were:-

1. The closure of the mill would result in the loss of 1540 jobs in an area where the unemployment rate is already over 14%. Also, most of those skilled in the papermaking trade whose skills were not transferable would become unemployed unskilled workers whose prospects of finding a job would be very poor indeed.
2. The closure would also lead to the loss of jobs in industries supplying the mill - and would put up to 3000 more jobs at risk.
3. The mill was efficient and its productivity had risen significantly during the past year. Labour relations had been good. Its products were of high quality and it had a full order book. Its problems were entirely beyond the control of the workforce.
4. It was likely that with more time and goodwill on the part of Bowaters, their customers and suppliers together with such help as the Department of Industry could provide that a solution could be found which would keep the mill open and ensure an efficient UK newsprint industry.

Mr Lester told the delegation that he was sure that the Prime Minister was fully briefed on all the issues involved. He would nevertheless draw her attention to the points they had made and emphasise the serious consequence which would follow the closure.

I am copying this to Peter Mason in Lord Trenchard's office and Keith Long in Cecil Parkinson's office.

*Yours sincerely
K C G White*

K C G WHITE
Private Secretary