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NOTE
Thank you
AGJ 20/10

10 DOWNING STREET

THE PRIME MINISTER

20 October 1980

Dear Mr. Pearce

Thank you for your letter of 1 October about the plight of Bowater's mill at Ellesmere Port. The Government is very conscious of the consequences of closure and we have, as I explained to the delegation from the paper industry when we met on 3 October, done everything possible to help find a solution to Bowater's problems.

At the meeting I made it clear that Bowater had been offered substantial assistance towards the financing of a new pulp plant. The National Coal Board and the Forestry Commission have also offered major discounts on the price of coal and wood respectively. Bowater has also been advised to press the local Electricity Board for a discount on the electricity price.

Your letter mentioned the possibility of the EEC duty-free tariff quota being operated in such a way as to impose duty on newsprint imports above a certain level. You and other members of the Action Committee put proposals to Cecil Parkinson when you met him in September. As I understand them, these would result in the payment of duty on a large proportion of the UK's newsprint imports. Many of the newspaper publishers are themselves in severe financial difficulties. They are dependent on imports for some three-quarters of their newsprint requirements. We have considered your proposals very carefully, but have concluded that a change in the operation of the quota

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system, which would result in the payment of duty on any newsprint supplies which could not be met by home production, would not be justified.

You also suggested in your letter that the producers and publishers could co-operate to ensure that a price for home-produced newsprint higher than the import price could be spread among all users. My information is that many publishers are already voluntarily paying a premium for UK-produced newsprint which varies with the exchange rate of the £ against the US \$. Figures supplied by the publishers indicate that for lightweight newsprint Bowater receives about £11 more than do the Scandinavian and Canadian suppliers at an exchange rate of £1 = \$2.40. A voluntary equalisation scheme such as you are suggesting could prove extremely complicated to administer and in any event could fall foul of restrictive trade practices law. There must also be some doubt as to whether the publishers would be prepared to accept such a scheme.

I fully understand how concerned you and everyone involved must be at the prospect of closure. My colleagues and I share that concern. Although, after careful consideration, we are not able to assist through tariff protection, we do feel that a substantial package of assistance has been put on offer. If the mill does finally close, that will be Bowater's commercial decision and will not be for lack of effort on the part of Government. I doubt whether there is anything further we can do without appearing to be totally unfair to other industries in difficulty and without undermining the Government's financial strategy.

Yours sincerely

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Andrew Pearce, Esq., M.E.P.

*hd Bol*

From the Secretary of State

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

16 October 1980

Dear Tim

Your letter of 1 October 1980 to Ian Ellison at the Department of Industry attaching a copy of a letter from Andrew Pearce MEP about the closure of Bowater's paper mill at Ellesmere Port has been passed to me for reply. As requested I am enclosing a draft reply for the Prime Minister to send Mr Pearce.

The Department has carefully considered the possibility of assistance by means of the EEC duty-free tariff quota for newsprint, but has concluded that this is not possible. Mr Pearce and other members of the Bowater Action Committee met the Minister for Trade on 11 September to discuss this. A Department official has since visited Ellesmere Port to explain the reasons why we were unable to agree with the proposals put forward by the Action Committee. The draft reply briefly indicates the reasons for the decision.

Many publishers already pay a premium for Bowater's UK newsprint. This varies with the exchange rate. As the £ strengthens against the US \$ the premium increases and conversely as the £ weakens the premium decreases. At £1 = \$2.40 the premium for Bowater lightweight newsprint is about £11. An equalisation scheme as suggested by Mr Pearce would be extremely complex to administer. The publishers have indicated in confidence that such a scheme would be unacceptable, although they have not told the Action Committee this. In any event it could fall foul of our restrictive trade practices legislation.

The draft reply also draws on material in the Prime Minister's letter to Barry Porter MP, which she sent following her meeting with paper industry representatives on 3 October.

Yours sincerely

Catherine Capon

CATHERINE CAPON

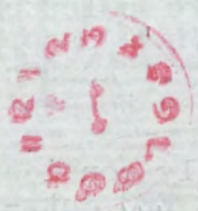


Memorandum for the Secretary of State

Reference is made to the letter from the Secretary of State for the Colonies dated 15th October 1980.

The Department has considered the letter from the Secretary of State for the Colonies dated 15th October 1980 and is pleased to note that the Secretary of State has agreed to the proposals set out in the letter from the Secretary of State for the Colonies dated 15th October 1980.

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DRAFT LETTER FOR THE PRIME MINISTER TO SEND

Andrew Pearce Esq MEP
30 Grange Road
West Kirby
Wirral
Merseyside
L48 4HA

Thank you for your letter of 1 October about the plight of Bowater's mill at Ellesmere Port. The Government is very conscious of the consequences of closure and we have, as I explained to the delegation from the paper industry when we met on 3 October, done everything possible to ^{help} find a solution to Bowater's problems.

At the meeting I made it clear that Bowater had been offered substantial assistance towards the financing of a new pulp plant. The National Coal Board and the Forestry Commission have also offered major discounts on the price of coal and wood respectively. Bowater has also been advised to press the local Electricity Board for a discount on the electricity price.

Your letter mentioned the possibility of the EEC duty-free tariff quota being operated in such a way as to impose duty on newsprint imports above a certain level. ~~As I understand them, the proposals~~ ^{proposals} which you and other members of the Action Committee put to Cecil Parkinson when you met him in September, ~~would result in~~ ^{As I understand them, these} the payment of duty on a large proportion of the UK's newsprint imports. ~~As you know~~ ^{Many of} the newspaper publishers, ~~many of whom~~ ^{They} are themselves in severe financial difficulties, are dependent on imports for some $\frac{3}{4}$ of their newsprint requirements. We have considered your proposals very carefully, but have concluded that a change in the operation of the quota system, which would result in the payment of duty on any newsprint supplies which could not be met by home production, would not be justified.

You also suggested in your letter that the producers and publishers could co-operate to ensure that a price for home-produced newsprint higher than the import price could be spread among all users. My information is that many publishers are already voluntarily paying a premium for UK-produced newsprint which varies with the exchange rate of the £ against the US \$. Figures supplied by the publishers indicate that for lightweight newsprint Bowater receives about £11 more than do the Scandinavian and Canadian suppliers at an exchange rate of £1 = \$2.40. A voluntary equalisation scheme such as you are suggesting could prove extremely complicated to administer and in any event could fall foul of restrictive trade practices law. There must also be some doubt as to whether the publishers would be prepared to accept such a scheme.

I fully understand how concerned you and everyone involved must be at the prospect of closure. My colleagues and I share that concern. Although, after careful consideration, we are not able to assist through tariff protection, we do feel that a substantial package of assistance has been put on offer. If the mill does finally close, that will be Bowater's commercial decision and will not be for lack of effort on the part of Government. I doubt whether there is anything further we can do without appearing to be totally unfair to other industries in difficulty and without undermining the Government's financial strategy.



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PS/ *Secretary of State for Industry*

6. October 1980

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

Dear Tim .

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Thank you for your letter of 1 October 1980,
enclosing a letter from Andrew Pearce, MEP
about Bowaters papermill at Ellesmere Port.

The papers have been transferred to the Department
of Trade, who have agreed to prepare a draft
reply for the Prime Minister.

KIM BENSON
Private Secretary



Andrew PEARCE

MEMBER FOR CHESHIRE WEST



EUROPEAN PARLIAMENT

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AP/AJH

1st October 1980

RT. HON. THE PRIME MINISTER

Dear Prime Minister,

Bowaters Newsprint Mill

I understand that you are having a meeting on Friday about the threatened closure of Bowaters Paper Mill at Ellesmere Port.

You may be interested to know that two detailed discussions on aspects of this problem have been held between EEC Commission officials, Bowater staff, local Council representatives and myself, with the full knowledge of the Department of Trade and UKREP. The following points emerged:

1. The EEC Commission is fully aware of the gravity of the situation facing the United Kingdom and other Member States' newsprint industries and is prepared to do whatever it can, with the backing of Member States, to find a practical solution to the problem.

Prime Minister

*The General brief at
3 dismisses this
suggestion for a
quota - mainly because
it would add to
the losses of the publishers*

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continued/.....

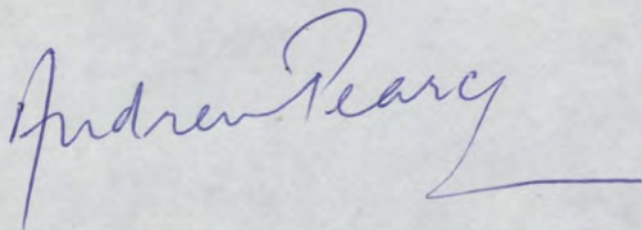
1st October 1980

RT. HON. PRIME MINISTER

2. The existing, but never used, EEC provision for imposing a customs duty on newsprint imports above a certain level could, in all probability, be used if the political will to do so was there in Member States. This would enable Bowaters to raise their prices. (Bowaters Action Committee say that this would increase the cost of a newspaper by 0.1 p and that such a rise might be supportable since newsprint prices have not risen significantly since 1977).
3. Alternatively, some kind of cooperative measure between United Kingdom newsprint producers and the publishers could be used to spread a United Kingdom newsprint price that was higher than the import price among all users. The French apparently do this.

Not only Bowaters and their suppliers of energy and wood would lose from the closure of this mill but also the newspaper publishers because they would be more exposed to international pressures on their prices and would no longer have the round-the-corner facility for emergencies and re-pulping. All the interested parties therefore have an interest in contributing to a solution. If the tariff quota measure and/or the cooperative purchasing ideas mentioned above can offer sufficient short-term relief to Bowaters to persuade them to keep the mill open, a breathing space will have been obtained in which to find longer-term answers.

Yours sincerely



Andrew Pearce
Member of the European Parliament
for Cheshire West

1st October 1980

THE HON. THE ATTORNEY GENERAL

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1 OCT 1980

The Minister, but even less, the Minister for
in certain respects may be somewhat limited. There
a certain level, and, in all probability, he will
in the political field to do so. There is
to be stated. This would enable Ministers to
raise their prices. (Ministers' Pricing Committee
and the fact that Ministers have not
recovered by 0.1% and that a rise in the
supportable since certain prices have not risen
significantly since 1977).

Alternatively, some kind of co-ordinated measure
between United Kingdom newspaper publishers and the
publishers could be used to spread a United Kingdom
newspaper price that is higher than the current
price among all users. The French government has
this.

Not only Ministers and their supporters of energy and work
lose from the change of 0.1% but also the newspaper
publishers because they would be more exposed to international
pressures on their prices and would no longer have the
sound-the-earner facility for expenditure and retaining. All
the interested parties therefore have an interest in
co-ordinating for a solution. It is a matter of course and on
the cooperative purchasing ideas mentioned above can offer
additional short-term relief to Ministers to persuade them to
keep the will open, a further step will have been obtained
in which the United Kingdom newspaper.

Yours sincerely

Andrew Dawson
Member of the European Parliament
for Gloucestershire



10 DOWNING STREET

From the Private Secretary

1 October 1980

I attach a copy of a letter the Prime Minister has received from Andrew Pearce, M.E.P. about Bowaters Paper Mill at Ellesmere Port. I should be grateful if you could provide a draft reply for the Prime Minister to send to Mr. Pearce after Friday's meeting.

I am sending a copy of this letter and enclosure to Stuart Hampson (Department of Trade).

I. P. LANKESTER

Ian Ellison, Esq.,
Department of Industry.

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1 October 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of today's date.

This is receiving attention and a reply will be sent to you as soon as possible.

T P LANKESTER

Andrew Pearce, Esq., M.E.P.

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1 October 1980

I am writing on behalf of the Prime Minister to acknowledge your letter of today's date about Bowater's mill at Ellesmere Port. I will draw this to the Prime Minister's attention in advance of the meeting she is having with the industry's representatives on Friday, and a reply will be sent to you as soon as possible.

TPL

Andrew Pearce, Esq., M.E.P.

