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ccD/1

10 DOWNING STREET

THE PRIME MINISTER

28 November 1980

Dear Mr. Lench,

Thank you for your letter of 14 November which crossed with my reply to your earlier letters.

I am afraid that the figures that you quote and the presumptions that underlie them take less than full account of the help that was on offer to Bowater or the situation facing the Ellesmere Port operation. Thus your quoted figure for the cost reductions generated is less than their annual value could have been to Bowater as a whole, as you will recall from the explanation which Lord Trenchard gave to you. There was also very considerable investment aid available to the company.

As you know, the concept of Government financial assistance to Bowater was related to the company's own outline plan for new investment to improve the mill's performance as it appeared that, with such investment, and in contrast to the position without it, the mill could have become viable. In considering whether it would be right to offer assistance and the extent and nature of it, the Government took account of the costs that closure would involve. These are affected by, amongst other things, the numbers involved and the personal circumstances of individual employees as well as the rate at which alternative employment is found. In the Government's view the cost, while

/ substantial,

JS

substantial, should be much less than you quote.

Without investment to make the mill viable the prospects were that the mill could only have continued if it were given a permanent operating subsidy. It is not the Government's policy to give operating subsidies nor is this permitted under EEC rules. It was for Bowater to decide whether to take up the investment alternative and, against the cost to them of closing the mill, accommodate the losses until the new investment had effect. The company was not prepared to make the investment and this took away the basis for the assistance.

As you know, I share your own disappointment that this has been the outcome.

Yours sincerely
Raymond Sheldrake

R. French, Esq.



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

From the
Minister of State
PS/Lord Trenchard

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

Prime Minister

I think it would be
a good idea if you

25 November 1980

signed the attached
draft, even though you
have already written.

Dear Tim

Thank you for your letter of 18 November enclosing another letter from the Bowater's Mersey Mill Action Committee. This would have crossed with the Prime Minister's reply to their earlier correspondence and it is doubtful how much more they would expect the Prime Minister to say. The closure of the mill took place on 21 November.

There are many errors and doubts concerning the figures in the Action Committee's letter. The £2.1m of assistance referred to covers the annual value of the coal concession for Ellesmere Port alone and values the wood concession at £0.8m, ie the value before any investment in a new pulp mill. This ignores the benefits of the coal concession which could apply to Bowater's operations in Kent. It also omits all reference to the very considerable aid that could have been available for investment at the mill, investment which offered the prospect of a viable future instead of a continuation of the loss-making situation the mill has experienced over the years.

The estimate of 5,000 people losing their jobs also looks very high considering that the direct job losses are 1,500, the Forestry Commission hopes to save harvesting and transport jobs through export contracts for pulp wood and the NCB also hopes to save jobs in the pit affected. The Department of Employment is, I understand, of the view that the costs of unemployment and other benefits will be much less than £19m quoted, though an actual figure is difficult to assess. Nor would we accept that the taxpayer will face a permanent bill for benefits in respect of half the number becoming unemployed.



The risk of the taxpayer facing a substantial continuing bill looks the greater if the Government were to give an open-ended operating subsidy to Bowater to keep the mill going instead of encouraging necessary investment. The company has not been prepared to make the investment needed to give the mill the chance of a viable future. And, particularly taking account of the closure costs which Bowater otherwise faced, it is hardly unreasonable that the company, not the Government, should bear the commercial risk of losses in the interim.

I attach a draft reply prepared for the Prime Minister's signature but you might consider that, having had one personal reply, it would be more appropriate for a Private Secretary reply this time. In this case the draft can be easily amended.

I am copying this letter and its attachments to Private Secretaries in the Treasury, Employment, Trade and Energy.

Yours sincerely
Peter Mason

PETER MASON
Private Secretary



10 DOWNING STREET

PRIME MINISTER

Yet another letter from the
Bowaters Action Committee - you
wrote to them yourself last week.
I am getting advice from Industry
on how we should deal with this
one.

ST like

MP TL

18 November, 1980.

mg

Trenchard's

Ind Pol.

18 November, 1980.

I enclose a copy of yet another letter from the Bowaters Mersey Mill Action Committee, and should be most grateful for advice on how we should handle this one.

T. P. LANKESTER

Peter Mason, Esq.,
Department of Industry.

18 November, 1980.

I write on behalf of the Prime Minister to acknowledge receipt of your letter of 14 November. A reply will be sent to you as soon as possible.

T. P. LANKESTER

R. French, Esq.



JS

CF

CC D/1

10 DOWNING STREET

THE PRIME MINISTER

14 November 1980

Dear Mr. French,

Thank you for your letters of 28 October and 11 November, the former with its petition about the proposed closure by Bowater of the mill at Ellesmere Port.

Since you wrote, you have, I know, had two meetings with Lord Trenchard. At the first you were accompanied by David Hunt, MP, and Barry Porter, MP. At the second, Dr. Lenton and Mr. Pomeroy from Bowater were present. You have heard, in confidence, from Lord Trenchard about the assistance that could have been available to Bowater for viable new investment at the mill, as an alternative to closure, and about the better terms for coal and wood supplies which the National Coal Board and the Forestry Commission were prepared to offer on a commercial basis. As Lord Trenchard explained, the final decision between investment and closure is for Bowater to take, though the decision to close has been a great disappointment to us all.

I am very sorry that all these efforts have not met with success. I would like to pay tribute to the way your Action Committee has worked responsibly and tirelessly to try to find a solution to this difficult problem.

Yours sincerely
Margaret Thatcher

R. French, Esq.

VCS

2 pp²

~~CF~~
PPS

Bowaters Mersey Mill Action Committee,
C/O Bowaters U.k. Paper Co. Ltd.,
Mersey Mill,
North Road,
Ellesmere Port,
South Wirral L65 1AF

The Prime Minister,
10 Downing Street,
LONDON

14th November, 1980

K15/11

Dear Prime Minister,

Further to our letter of November 11th, 1980, it has been made clear to us the extent of aid made available to Bowaters.

The Department of Industry has pressed the various Government based industries to assist wherever possible and as a result, a total of £2.1M a year has been generated. Set against the Bowaters predicted losses of £7M a year in the present economic climate leaves a shortfall of £4.9M, which Bowaters cannot accept.

We have been advised that the cost to the State in unemployment and social security benefits, for the closure of the Newsprint Mill at Ellesmere Port, including all those outside Bowaters who will lose their jobs, is calculated at £19M a year.

It is appreciated that these figures assume that no re-employment of the 5,000 people involved would take place. A most optimistic assessment of 50% finding alternative employment will burden the tax payer with an annual bill of £9.5M

| | <u>£M</u> |
|--|------------|
| The consequence of this closure, if we discount the social distress, will cost | 9.5 |
| The shortfall in aid required for Bowaters is | <u>4.9</u> |
| Therefore the cost of keeping the "Mill" closed is | 4.6 |

This cost to the tax payer is a permanent one, the alternative bill would progressively diminish as our economic circumstances improve and the technology invested at our mill takes effect.

Cont'd.....

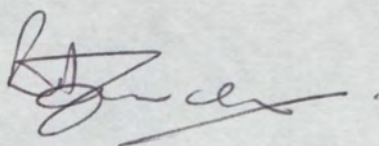
14th November, 1980

This simple solution, is obviously unacceptable, set against the Government's philosophy that British private industry should be able to compete with the sponsored competition from abroad.

An industry will be lost and our foreign competitors are already queuing up to strip the human assets of skill and experience from Ellesmere Port.

Prime Minister, what folly is this?

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'R. Jones', written in a cursive style.

Secretary,
Bowaters Mersey Mill Action Committee
On behalf of the workforce at
Bowaters Mersey Mill, Ellesmere Port



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
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From the
Minister of State
PS/Lord Trenchard

Ann Trenchard

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

MT

R. 12/11

13 November 1980

Dear Tim

In replying to the two letters of 28 October and 11 November from the Bowaters Action Committee the Prime Minister may wish to refer to two meetings which Lord Trenchard has held with them this week. The second of these was in the presence of Dr Lenton and Mr Pomeroy of Bowater and had as a main object to clarify for the Committee the assistance that had been on offer whilst making it clear that the commercial decision whether or not to close is one for the company to take. The Committee did have some hope that a third party such as the NEB might be encouraged to take over the mill. Lord Trenchard discussed with them issues which any prospective new owner would need to consider, pointing out that the heavy closure cost which Bowater would otherwise incur must have made the investment concept relatively more attractive to Bowater. Even so, the company had decided not to make the investment. Third parties would lack that investment incentive. Lord Trenchard pointed out that new owners would need to negotiate their own terms from the suppliers and the size of any Government assistance would have to be considered in the light of the particular proposals that a new owner might put forward. All this could be looked at quickly if new proposals were put forward but it had to be recognised that if Bowater was unwilling to invest at the mill others would be inherently less likely to wish to do so.

At the end of the meeting it seemed that the Committee did realise that the best prospects for saving the mill had already been actively pursued and that they would be unlikely to find anyone willing to take-over the mill.

... I attach a draft reply to the Action Committee.

*Yours sincerely
Peter Mason*

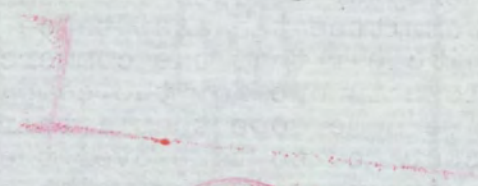
PETER MASON
Private Secretary

DEPARTMENT OF INDUSTRY
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COMMUNICATIONS



1980

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10 DOWNING STREET

From the Private Secretary

11 November 1980

~~BF 17/11~~

I wrote to you yesterday enclosing a telegram from SOGAT about Ellesmere Port. I now enclose a letter from them, and would be grateful if you could take this into account in the advice which you send me.

I also enclose a further letter which we have received from the Bowaters Action Committee. We asked for a draft reply to their earlier letter of 28 October, and I would be grateful for a very early draft reply to both of these letters.

J. P. LANKESTER

Peter Mason, Esq.,
Department of Industry.



10 DOWNING STREET

PRIME MINISTER

A further letter from the Bowaters Action Committee: everyone seems to be asking you to arrange another meeting, but the Department of Industry do not think there is any mileage in this. I will get a reply for you to send.

mb

Duty Clerk

pp R

11 November 1980

Bowaters Action Committee
Bowaters
Mersey Mill
Ellesmere Port

11 November 1980

The Rt Hon Margaret Thatcher MP
10 Downing Street
Whitehall
London SW1

Dear Prime Minister

On behalf of the Bowaters Action Committee we wish to express our thanks for your interest in the problem facing us at Ellesmere Port.

We know you have been personally involved in 'opening doors' for us so that we could make representation at the highest level.

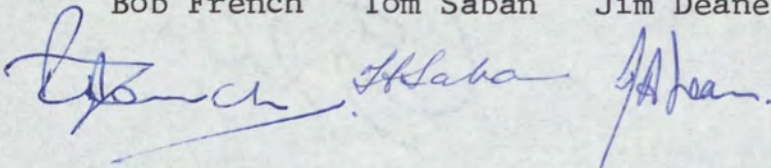
We may not succeed but we have certainly been given every opportunity by Government to find a solution, and wish that Bowaters's Board had shown your willingness.

We have tried throughout our campaign to demonstrate the good sense of the people at Mersey Mill, as our production figures throughout this bleak period have shown.

If the reasoned and intelligent approach should fail, what will the rest of industry make of our example?

Yours sincerely

Bob French Tom Saban Jim Deane



Tim
H/1/80

file

HK

B/F 13/11

3 November 1980

I am enclosing a copy of a letter the Prime Minister has received from the Bowaters Mersey Mill Action Committee.

As the Prime Minister will wish to reply to this letter personally, I should be grateful if you could let me have a draft reply for her to send, to reach us by Thursday 13 November.

T P LANKESTER

P.E. Mason, Esq.
Lord Trenchard's Office,
Department of Industry

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file

BK

3 November 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 28 October.

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

T P LANKESTER.

R.A. Duncan, Esq.



10 DOWNING STREET

PRIME MINISTER

A further letter from the
Bowaters Mersey Mill Action
Committee with a 9,000
signature petition. I think
that you ~~would~~^{will} want to reply,
and I will get a draft. *Yes*

Bowaters have not yet taken
a "final" decision but
Lord Trenchard thinks there is
little chance that they will keep
the mill open - in spite of all
our efforts.

30 October 1980

12

Bowaters Mersey Mill Action Committee,
C/O Bowaters U.K. Paper Co. Ltd.,
Mersey Mill,
North Road,
Ellesmere Port,
South Wirral. L65 1AF

Prime Minister,
10 Downing Street,
Westminster,
LONDON.

28th October, 1980

R29/10

Dear Prime Minister,

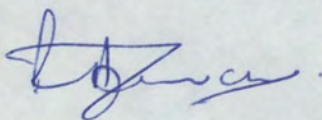
Further to our letter to you on the 15th September, we are now at Day 68 of our campaign and time is very short.

We appreciate that which has been done on our behalf and there is, as we petitioned you, a will to maintain a U.K. newsprint operation. The finality of Bowaters Chairman, Lord Errol's statement asking for what 'we' cannot in reality expect urges us in a last attempt to seek your help.

Our Member of Parliament is seeking the will of the House and an opportunity to speak to you on our behalf.

The folly of closure, the loss of an industry and the dissipation of human skills so close to a possible solution is a shame we must all bear but the load will be most heavy on the shoulders of Ellesmere Port.

Yours sincerely,



Secretary
Bowaters Mersey Mill Action Committee

CF
Yes. I think

PETITION TO THE PRIME MINISTER

Approx
9000 signatures

As the last representation of the United Kingdom newsprint industry 'Bowaters Mersey Mill' we petition you most urgently to consider their desperate situation.

All that you have asked of the working people when you took office has been carried out by the people at Mersey Mill, but now forces beyond their control threaten their jobs, town and the future of their children.

We know the external forces are many and no individual pressure would in itself have forced the closure. It is because we believe their salvation can be obtained without dramatic change in Government policy the representation is a realistic one.

We ask for your "will" on their behalf before it is too late.

| NAME | ADDRESS |
|-----------------|-------------------------------------|
| Judith Whelan | 31 Browning Drive, Ellesmere Port. |
| Lillian Morris | 38 Warwick Court Ellesmere Port. |
| Clifford Morris | 58 Warwick Court Ellesmere Port. |
| Jane Roberts | 25, Harbeck Court Ellesmere Port. |
| Charles Whelan | 31. Browning Drive, Ellesmere Port. |
| Gillian Whelan | |
| John T. Woodall | 4. WHITE MERSE CT Ellesmere Port |
| Leona Phip | 417 chester Rd. |
| Joan Mason | 58 Pines Road E/Port. |
| Betty Foxall | 4. Woodson Drive, Whitby |
| Sue Richardson | 1 Alaulant view |
| Cecilia Morgan | Edin. |
| Jenny Bailey | 39 NORTHBOY RD. |
| Lynn Bills | 6 Stannery Lane Little Stannery |
| Joan Bowker | chester. |
| Gill Southern | 170 Parklands Little Sutton |
| Pat Caser | 18 Ashfield Road. |
| Netta Cordiner | 32 Rochester Drive |
| Julie Ferguson | 6 Barnston Avenue |
| Mark Chapman | 52. Armthorpe Drive Little Sutton |
| | 11 Hyde close great Sutton. |
| | Sue Sillit |
| | 52. ENFIELD RD |
| | 438 SUTTON WAY GREAT SUTTON E. PORT |

file

D59

16 September 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 15 September about Bowaters.

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

M. A. PATTISON

R. A. French, Esq.



10 DOWNING STREET

PRIME MINISTER

The Bowaters Action Committee asked you to receive a deputation during the Party Conference in Brighton.

I see from the list of people they have already seen that they have not met an Industry Minister. Would you like to ask Keith Joseph to arrange a meeting for them, either at the Department or during the Party Conference in Brighton?

MJP

16 September 1980

c: Press Office
Mr. Gow.

*Please let
them we are
going to see the
Paper leaders by
Ch. No. 10.*

MERSEY MILL ACTION COMMITTEE,
C/O BOWATERS U.K. PAPER CO. LTD.,
MERSEY MILL,
NORTH ROAD,
ELLESMERE PORT,
SOUTH WIRRAL, CHESHIRE, L65 1AF

The Prime Minister,
10 Downing Street,
Westminster,
LONDON W1

15TH SEPTEMBER, 1980

Dear Prime Minister, *ea 11/6/80*

I have been directed by my colleagues on the Bowater Action Committee to ask you most urgently to spare a few minutes of your time which we appreciate is burdened by affairs of greater moment.

We are facing Day 26 of an 90 day execution sentence and are fighting most desperately for our survival and the life of the U.K. newsprint industry.

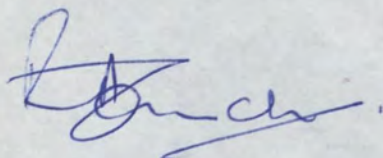
Can you find the time to meet with us or a small representation within the very near future. We will be only too happy to meet wherever your convenience allows and ask that we may represent ourselves at the Brighton Conference.

We have already been received most courteously by the Minister for Trade, Mr. Cecil Parkenson, our local Members of Parliament, Mr. Peter Morrison, Mrs. Lynda Chalker, Mr. David Hunt and Mr. Barry Porter, also our European Member, Mr. Andrew Pearce.

The Liberal leader, Mr. David Steel, also received us and we are hoping to meet the Leader of the Opposition, Mr. James Callaghan, in the near future.

We are aware that whatever may eventually decide our fate could not come from such a meeting but we are pledged to our colleagues to go wherever help may be found or an opportunity be given to present our case.

Yours faithfully,



R.A. FRENCH
Secretary
Bowaters Action Committee