



From the
Minister for Trade

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

R J Bernie Esq OBE
Chief Executive and Town Clerk
Borough Council of Ellesmere
Port and Neston
Municipal Office
4 Civic Way
Ellesmere Port
South Wirral
L65 OBE

B 14/

12 November 1980

Dear Mr. Bernie

Thank you for your letters of 29 and 31 October, in which you suggest a top-level meeting to consider ways of keeping open Bowater's newsprint mill at Ellesmere Port. The Prime Minister and Lord Trenchard have asked me to reply also to your letters to them of the same dates.

I have to say that I do not consider such a meeting would be likely to break any new ground. There has already been a high-level meeting, on 3 October, between the Prime Minister and representatives of Bowater management, the trade unions and the newspaper publishers, at which there was a very full discussion about the proposed closure.

You suggested that a meeting was necessary to clear up misunderstandings, for example about the extent of the assistance offered by the Government. I think that the various parties directly concerned are essentially aware of each other's positions. Discussion of what would inevitably be details would be unlikely to affect fundamental attitudes.

Your second reason for a meeting was to discuss the Council's proposals for a newsprint cost pooling scheme. Such a scheme was not discussed at the Prime Minister's meeting on 3 October. However, my letter of 27 October explained our doubts about whether it could be put into practice. I do not think we would dispute that the administrative complexities of such a scheme could be overcome, or at any rate tolerated, if necessary. The central issue, as you rightly recognise, is whether the newspaper publishers would accept the scheme and, if so, whether this would persuade Bowater to continue newsprint operations. We do not believe the scheme would be practicable on either count, and this is why I did not pursue further the suggestion of a meeting in your letter of 13 October.

Taking the attitude of newspaper publishers first I understand that members of the Newspaper Raw Materials Committee explained their position to you when you met them last month. Certainly, they have



made it quite clear to us that they could not accept the scheme in present circumstances.

On the question of an inducement to Bowater to continue their newsprint operations, you say there can be no doubt that, if the Council's scheme were accepted by the newspaper publishers, it would guarantee a full take-up of UK production. I do not know whether the additional revenue from such a guarantee, plus a higher price, would in fact be sufficient to persuade Bowater to continue production; but I must point out that the scheme does not in our view provide any such guarantee. As paragraph 1.3 of the scheme states, publishers would still be free to purchase newsprint from whatever source they wished. If they purchased imported newsprint, their payments into the pool would spread the burden of the premium price paid by those publishers who were able to use Bowater newsprint and did in fact choose to do so; but as regards direct help to Bowater, the scheme would have a persuasive effect only.

You third reason for a meeting was to explore alternative ways of keeping the mill open, even if that involved a change in ownership. If there were to be a potential bidder for the mill, it would be for him to engage in commercial negotiations with Bowater and I do not think Government involvement in the discussions would be helpful. However, we would do our best to respond quickly to any specific questions about Government responsibilities (eg merger legislation).

For the reasons given above, I do not feel that a further meeting under the auspices of Government would be likely to prove useful. My colleagues and I very much regret that all the hard work by you, your Council and others to find ways of keeping the mill open have proved fruitless. But as we have indicated before, the decision must in the last resort be a commercial one for Bowater to take.

Yours sincerely,

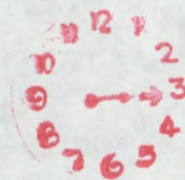
(Private Secretary)

PP. CECIL PARKINSON

Approved by the Minister but signed in his absence abroad

cc to PS / Private Minister
 PS / SOS (CT).
 PS / Lord Penrhyn
 Mr. Gagers CTS
 Mrs Hackey WEG
 Mr. Avery PTM
 Mr. Mansfield CREI
 Mr. Knostead CTS
 - of

75 NOV 1980





CF. Jub
10 DOWNING STREET

From the Private Secretary

10 November 1980

We spoke about the latest letter which Mr. Bernie of the Ellesmere Port Borough Council has sent to Mr. Parkinson, of which the Prime Minister has also received a copy. I enclose the letter of 31 October which Mr. Bernie has written to the Prime Minister.

I have told the Prime Minister that your Department do not think a meeting with the Council would be worthwhile. She would be grateful if Mr. Parkinson could reply on her behalf to Mr. Bernie's latest letter at the same time as replying to the letter which he has written to him.

T. P. LANKESTER

K.M. Long, Esq.,
Department of Trade. lb

Sub

10 November 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 31 October. This is receiving attention and a reply will be sent to you as soon as possible.

J.P. LANKESTER

R.J. Bernie, Esq., O.B.E.

Sub



BOROUGH COUNCIL OF ELLESMERE PORT AND NESTON

Municipal Offices
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Chief Executive and Town Clerk
R.J. Bernie. O.B.E., LL.B(Lond) Solicitor

Tel. 051-355 3665

Your reference

Our reference

Date

CE/JK. IND.4.6.

31st October, 1980.

Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
LONDON

R311

Dear Prime Minister,

BOWATER NEWSPRINT MILL ELLESMERE PORT

I write on behalf of the Council to express my very sincere thanks for the initiative you have taken in asking your colleagues to consider urgently the proposals submitted to you on October 13.

Mr. Cecil Parkinson, Minister for Trade, has now replied on your behalf but it is not clear whether the Department intend to seek the meeting on the lines suggested by my Authority and I have, therefore, written further to Mr. Parkinson.

A copy of that letter is enclosed.

I have the honour to be,
Madam,
Yours faithfully,

Chief Executive and Town Clerk

Encl.



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Chief Executive and Town Clerk
R.J. Bernie. OBE. LL B(Lond) Solicitor

Tel. 051-355 3665

Your reference

Our reference

Date

CE/JK. IND.4.6.

31st October, 1980

Cecil Parkinson, Esq., MP,
Minister for Trade,
Department of Trade,
1 Victoria Street,
LONDON SW1H 0ET

Dear Mr. Parkinson,

BOWATER NEWSPRINT MILL ELLESMERE PORT

Flay A
Thank you for your letter dated October 27 and for the kind remarks which you make about the efforts made by the Council to save the Ellesmere Port mill.

The Council have warmly welcomed the latest initiative taken by the Prime Minister following my submission to her of the Council's scheme for raising extra revenue for Bowater. Members are grateful to the Prime Minister, and, to you personally for the efforts that have been made to try to avert the closure of the mill.

As you know, the Council have suggested that there should be a top level meeting to examine their scheme. Since making the suggestion the Council have said that such a meeting should be broadened to include consideration of any alternative means of keeping the mill open even if that involves a change of ownership. I assume, since the question of such a meeting was not dealt with in your letter, that this matter and the issue of who should attend such a meeting is still under examination, and, I am asked to express the earnest hope that such a meeting will be convened.

It seems to the Council that such a meeting is vitally necessary in order firstly, to clear up the many misunderstandings which patently exist between the various parties. Even the extent of the package offered by the Government seems to be in dispute, and, I believe that in fairness to the Government this needs to be clarified once and for all. Apart from that, I know that there is a willingness on the part of the unions involved to accept a substantial reduction in the labour force but I doubt whether the extent of that reduction has been seriously discussed and its value in terms of reducing revenue losses accurately quantified. There are also wide differences of interpretation about productivity, freight charges and manning levels between Bowater and the Newspaper Raw Materials Committee.

Cecil Parkinson, Esq., MP.

31st October, 1980

The Council believe that as long as each party involved looks at the problems separately, and moreover on the basis of a particular interpretation of what are thought to be the facts, there can be no prospect of achieving a solution. This in itself underlines the need for a joint meeting.

The second reason for the meeting is to discuss the Council's proposals. The difficulties which stand in the way of its adoption are fully appreciated although I must, in fairness, say that the Council are satisfied that none of the problems to which you draw attention is incapable of solution given an acceptance of the scheme by the parties concerned.

Indeed, I must express some disappointment about the doubts raised by your Department on some aspects of the Council's scheme. For example, there can be no doubt that the scheme will guarantee a full take-up of UK production if accepted by the Newspaper Raw Materials Committee. The real question is not whether the scheme is workable - which it clearly is - but whether the Newspaper Raw Materials Committee is prepared to accept it, and if so, whether the extra revenue raised by it would persuade Bowater to continue newsprint operations. Unfortunately, there seems to be mistrust between the Newspaper Raw Materials Committee and Bowater. A meeting and some straight speaking is clearly necessary if any progress is to be made.

The Council's proposal, or some scheme similar to it, seems essential to retaining a viable newsprint industry in the UK since it protects the newsprint manufacturers from the harsh effects of the fluctuating exchange rate. As you know, it was the exchange rate issue that finally caused Consolidated Bathurst to decide against investing in Fort William.

The third reason for a meeting would be to explore fully whether there is any alternative way of keeping the mill open even if that involves a change of ownership.

It is fully appreciated that a meeting on the lines proposed may not succeed but the Council believe that it is now essential as a last initiative to see if there is any hope at all of keeping the mill operational. The consequences of a failure to achieve a solution have such serious national repercussions that my Council think it would be wrong not to pursue to the fullest any proposal which might offer a gleam of hope.

Yours sincerely,

Chief Executive and Town Clerk



From the
Minister for Trade

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R J Bernie Esq
Chief Executive and Town Clerk
Borough Council of Ellesmere Port and Neston
Municipal Offices
4 Civic Way
Ellesmere Port
South Wirral
L65 OBE

RJW

27 October 1980

Dear Mr. Bernie,

Thank you for your letter of 13 October about your Council's newsprint pooling scheme. The Prime Minister and Lord Trenchard have also asked me to reply to your letters to them.

I am pleased that you fully understand the reasons why we were unable to accept your proposals based on a change in the operation of the Community newsprint quota system. As you know, we do not feel that any payment of duty on any imported newsprint which could not be supplied by the home mills would be justified.

Your pooling scheme as detailed in the enclosures accompanying your letters has obviously entailed a great deal of thought on your part. As I understand it, in essence, it would ensure that the costs of supporting the home producers through payment of premium prices for their newsprint would be spread equitably among all users. Whilst, on the face of it, the scheme has undoubted attractions, we are doubtful whether it could be put into practice. It would prove extremely complex to administer and would, as you recognise, require as an essential element the voluntary participation of all newspaper publishers.

I understand that members of the Newspaper Raw Materials Committee pointed out, when you met them recently, that many newspapers were themselves in severe financial difficulty. Despite this, many publishers were paying a premium of £10-11 per tonne for Bowater's lightweight newsprint. To expect a higher premium was unrealistic unless Bowater were prepared to undertake very substantial investment at Ellesmere Port which would make it fully competitive with overseas mills. I gather that they also indicated another advantage enjoyed by Bowater: it did not incur the extra costs - about \$80 per tonne - for stevedoring and freight borne by overseas suppliers. Under the circumstances the publishers were not prepared to accept your scheme. Moreover, as I understand it, Bowater no longer produces the heavier grades of newsprint: well over half the newsprint consumed in the UK is of those grades and it would be unreasonable to expect those publishers using them to participate in the pooling scheme.



If I am interpreting your scheme correctly, it would not appear to guarantee 100% utilisation by the UK publishers of Bowater's newsprint production. This has been one of Bowater's main complaints. The scheme also appears to suggest that Bowater should receive the same price as Reed for its newsprint. Assuming that the publishers agreed to this, but without any guarantee of 100% offtake, the scheme would not appear to offer any greater benefit to Bowater than does the present arrangement whereby some publishers pay a premium for UK production. The scheme would merely spread the burden among all publishers.

My colleagues and I recognise that you and your Council have spared no effort in your attempt to save the Ellesmere Port mill. We appreciate and share your concern at the prospect of closure and are sorry that we are not able to be more encouraging about your scheme. If the mill does finally close that will be a commercial decision for Bowater. It will not be for any lack of action on your part or that of the Government. The package of assistance put together, which included substantial help towards the financing of a new pulp plant and offers of better terms on coal and wood prices, would, we believe, have enabled the mill to return to profitability.

Yours Sincerely,
Neil Parkin

CECIL PARKINSON

PS/Prime Minister
PS/80S (T)
PS/Lord Trenchard
PS/PUSS (T)
Mr Eagers CTS
Ms Lackey W&G
Mr Avery PTM
Mr Mansfield C&S
Mr Linstead ETS
-of

28 OCT 1980





cc O/I

MAFF

HS

10 DOWNING STREET

From the Private Secretary

16 October 1980

We spoke yesterday about the approach to the Prime Minister from the Ellesmere Port and Neston Council, in pursuit of their latest suggestion to prevent Bowaters closing their mill.

I enclose a copy of the Chief Executive's letter, together with a copy of the Prime Minister's acknowledgement. I should be grateful if you could ensure that a Minister replies to Mr. Bernie as soon as possible. I understand that similar letters may have come to Ministers at your Department and at the Department of Industry. I think that a single reply would be appropriate. I should be grateful if we could have a copy of the reply for our records.

I am sending a copy of this letter to Catherine Bell (Department of Industry) and David Jones (Ministry of Agriculture, Fisheries and Food).

M. A. PATTISON

Mrs. Catherine Capon,
Department of Trade.

JK



10 DOWNING STREET

THE PRIME MINISTER

16 October 1980

Dear Mr. Bernie,

Thank you for your letter of 13 October, setting out a scheme which your Council believes could avert the closure of the Bowater Paper Mill.

I know that you have made great efforts to find ways of helping the Company and I have asked my colleagues to consider urgently the proposal you have made. We will be in touch with you as soon as possible to let you know whether there is anything the Government might do to encourage the industry to act along the lines you have suggested.

Yours sincerely
Margaret Thatcher

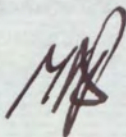
R. J. Bernie, Esq.

PRIME MINISTER

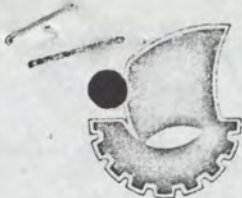
Ellesmere Port Council write asking you to get the Government to consider a new scheme to help keep Bowaters open.

The scheme revolves around an increase in the premium paid to UK newsprint manufacturers by those publishers who buy it, and an arrangement to equalise the cost of that premium fairly among all newsprint users.

Would you like to reply to the Council saying that you have asked John Nott and Keith Joseph to look at this suggestion urgently - I attach a draft.

A handwritten signature in dark ink, appearing to be 'MR' or similar initials, located in the lower right quadrant of the page.

15 October 1980



BOROUGH COUNCIL OF ELLESMERE PORT AND NESTON

RIA/B

~~XXXXXX~~ Municipal Offices,
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Ellesmere Port
South Wirral
~~XXXXXX~~ L65 0BE

Chief Executive and Town Clerk
R. J. Bernie, LL.B. (Lond.), Solicitor

Tel. 051-355 3665

Your reference

Our reference

Date

CE/JK. IND.

13th October, 1980

Dear Prime Minister,

In view of the deep interest which you have personally taken in the imminent closure of the Bowater Paper Mill at Ellesmere Port I have been asked to bring to your notice a scheme which it is believed, could avert that closure if added to the package of assistance already offered by the Government.

Council Members last week submitted their scheme to the Newspaper Raw Materials Committee, and, subsequently talked to Dr. A.I. Lenton, Chairman of Bowater U.K. Ltd. about it. Before doing so they had discussed their proposals with officials of both the EEC's Directorate General for Industrial Affairs and the Department of Trade.

No one has raised any technical objections to the scheme which cannot be overcome. What is now required is a willingness to adopt it in the interest of the newspaper industry as a whole. A further Government initiative at this critical time could achieve this.

The scheme is designed not to call for more Government aid but to enable the UK newsprint producers to increase their charges for home produced newsprint in a way that does not impose an intolerable burden either on the newspaper publishers as a whole, or, on any individual member. The Council's proposal is, in essence, a scheme for slightly increasing the premium which those publishers who buy UK newsprint currently pay to the manufacturers and to equalise that premium in such a way that the cost is shared evenly and fairly by all the newsprint publishers. The scheme includes a stabilizing element for the benefit of the publishers so that although they would be paying an agreed premium on UK newsprint when sterling was high, they would benefit from stabilized prices for home newsprint when sterling fell. In the latter event they would be paying less for home produced than for imported newsprint.

The Council share the view of the Department of Industry that improvement of the Ellesmere Port Mill's facilities in order to achieve cost savings is essential if there is to be a viable long-term future for it, and the Council know of the level of financial assistance offered by the Government to attain that end. Unfortunately, Bowater have rejected that aid as insufficient. But the Council believe that if the Company could, in addition, secure a reasonable increase in the price of newsprint, it should be possible to persuade Bowater to keep the Mill open for some time at least. The breathing space gained would enable the

13th October, 1980

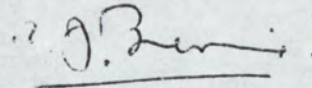
Company to prepare detailed proposals for the modernisation which is essential to put the mill on a sound basis.

Unfortunately, there is now a very real prospect that Bowater will close its Ellesmere Port mill on November 21. This would effectively mean the end of the newsprint manufacturing industry in the UK because the mill produces 57% of all UK newsprint. The consequences of the potential loss of the newsprint industry must be a matter of grave concern not merely for the publishers but for the nation.

In these circumstances, it is vital that every step is taken to preserve a viable UK newsprint industry. The Government have already offered a great deal, but there is now a danger that the mill may close by default. The Council's scheme would help the whole industry - not merely Bowater - by helping to counter the crippling effect which the high value of sterling linked with the special US Dollar arrangement, has on this industry. The scheme offers the home industry both a modest increase in prices and a full take up of home production.

A copy of the scheme is enclosed. Time is now desperately short and these proposals are submitted to you in the hope that you will feel it has sufficient merit to justify a Government Department taking the initiative, and, convening a high level meeting of all the parties concerned to discuss it.

I have the honour to be,
Madam,
Yours faithfully,



Chief Executive and Town Clerk

Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
LONDON W1

Encl.

OUTLINE OF PROPOSALS FOR POOLING PREMIUM COST OF
UK NEWSPRINT

1.

POOLING ARRANGEMENT:

- 1.1. It is assumed for the purposes of this paper that:-
- Home production capacity is 325,000 tonnes.
 - UK newsprint demand is 1.3 million tonnes.
 - Bowater production capacity is 225,000 tonnes.
 - Reed production capacity is 100,000 tonnes.
- 1.2. Since home produced newsprint forms 25% of the UK requirements and of this 17% is manufactured by Bowater and 8% by Reed, each newsprint user would agree to a theoretical take of 25% of the home produced newsprint consisting of 17% from Bowater and 8% from Reed.
- 1.3. The list prices for Reed and Bowater newsprint would be the subject of negotiation between the Companies and the Newspaper Raw Materials Committee.
- 1.4. The newsprint user would be free to buy newsprint from any source. There would be no interference with existing contracts, and if he so wished he could meet his entire requirements from imported newsprint.
- 1.5. Each newsprint user who bought less than 25% home produced newsprint would be required to pay into a pool the difference between the cost of the imported newsprint calculated at the prevailing \$/£ list price, and, the additional cost he would have incurred had he purchased the full 25% of his requirement from UK manufacturers.
- 1.6. Each newsprint user who bought more than 25% of home produced newsprint would be entitled to draw from the pool the difference between the cost of purchasing 25% of home produced newsprint and the cost of the excess tonnage purchased on the basis of the agreed prices.

2.

STABILIZER:

- 2.1. In return, the home producers to agree to undertake to hold the prices of home produced newsprint at an agreed level for a fixed period.
- 2.2. This stabilizer would have the effect of ensuring that when the £ was high the newsprint users would be paying a premium to the home newsprint industry but when the £ was low in relation to the \$, the home newsprint industry would be supplying the newsprint users at rates below the imported rates and thus help to keep the overall cost of newsprint down. Such an arrangement would have been of real advantage to newsprint users during much of 1977/78.

3.

PRICE LEVEL FOR HOME PRODUCED NEWSPRINT:

- 3.1. This would have to be the subject of discussion between the Newspaper Raw Materials Committee and the home producers.
- 3.2. Taking the cost of 45 gsm. newsprint as an example it is thought that the arrangement could produce extra revenue for Bowater if the newsprint users merely agreed to pay Bowater the same 10.25% increase that has recently been made to the Canadians and to Reed. The current list price for 45 gsm. is as follows:-

\$/£	Bowater:	Reed:	Canadian and Scandinavian:
2.39	£273.70	£278.55	£263.40

Although the Canadians and Reed have secured a price rise of 10.25% Bowater have only achieved a rise of 6.4% over their previous cut-off price for 45 gsm. of £257.19.

3.3.

On the basis outlined above the extra cost to a Company importing the whole of its annual newspring requirement of 100,000 tonnes of 45 gsm. would be 1.75%. That percentage increase would be less for a newsprint user who was currently purchasing some home produced newsprint.

3.4.

It is stressed that this section on price level is intended to be illustrative only. Actual prices for the purposes of the scheme would need to be the subject of discussion between the home producers and the Raw Materials Committee.

9th October, 1980.

R.J. Bernie, OBE, LL.B (Lond).
Chief Executive and Town Clerk
Ellesmere Port and Neston Borough Council.