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From the Private Secretary

22 February 1983

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Thank you for your letter of 18 February to Caroline Stephens and for the briefing for the Prime Minister's meeting with Mr. Doug Hoyle, M.P., and Mr. John Evans, M.P., about the closure of the Thames Board Mill at Warrington. This meeting took place at 1545 this afternoon in the Prime Minister's room at the House of Commons. Your Minister was present.

Mr. Hoyle explained that the unemployment rate in Warrington was currently over 14 per cent; the closure of the Thames Board Mill would create almost 800 redundancies and might cause a further 200 redundancies indirectly; that would take the unemployment rate to over 15 per cent, more than three times the rate when the Government took office. The problem facing the Thames Board Mill was not bad labour relations, it was the very high import penetration in the paper and board market. Import penetration had now reached almost 60 per cent by volume. An over-valued currency, high interest rates, and high energy costs had all caused problems for Thames Board Limited. A thousand redundancies would add £5m. to public expenditure on unemployment and supplementary benefit, and Mr. Hoyle argued that there was a strong case for the Government to provide subsidies to Thames Board Limited, in the same way that its foreign competitors were subsidised. Bowaters had been offered grants for new investment and subsidies on energy prices when the closure of their mill was threatened; although Bowaters had turned down these offers, they had been taken up by Consolidated Bathurst of Canada. There was therefore a precedent for subsidising Thames Board Limited. The Warrington plant was the only source of supply for certain UK companies; as much as 40,000 tonnes of paper board might have to be imported to meet their needs if the Warrington mill was closed. The new plant at

/Workington

Workington was losing more money than the one at Warrington, and this would make it hard for his constituents to understand why they were being made redundant. He agreed that Thames Board could not run a three machine mill at Warrington, but he felt that a two machine mill would be economic. A Government grant of about £5m. this year would probably avoid any redundancy in a town which looked to Unilever as its main employer.

Mr. Evans said that his constituents were now becoming suspicious that their work was being exported to the Workington plant although they had received assurances that it was not. He felt that the Government's industrial policy put too much emphasis on attracting new jobs with Government assistance. More should be done to maintain jobs in existence during economic recession. It would be very difficult to resuscitate the Warrington plant when the economy picked up.

In discussion, the Prime Minister said that the Warrington plant had made a loss every year since 1974 despite efforts to achieve profitability, including the closure of one machine in 1978 and 220 redundancies at the end of 1980. Thames Board would still remain a major producer even if the plant were closed. The capacity of the plant at Workington had been trebled to 150,000 tonnes per year, creating over 500 jobs. Given this investment in Workington, it was unlikely that Thames Board would wish to maintain the plant in Warrington, even with Government assistance. Energy prices were not really a problem since successive price freezes for gas supplied to the industry had kept Warrington's energy costs competitive, and because Thames Board generated their own electricity. The Prime Minister suggested that it might be worth exploring whether the management of the Warrington plant would be interested in a management buy-out. Thames Board would after all be unlikely to have much use for the site and machinery, and might have to pay rates on an empty property. She could not hold out any hopes that the company would accept a proposal for a management buy-out. She suggested that Mr. Hoyle and Mr. Evans should pursue this possibility with Mr. Baker.

At the end of the meeting, your Minister invited Mr. Hoyle and Mr. Evans to get in touch with him, as the Prime Minister had suggested. I should be grateful if you could let us know the outcome of these investigations, and could let us have copies of any correspondence between your Minister and Mr. Hoyle and Mr. Evans.

W. P. S. RICKETT

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