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COMMERCIAL IN CONFIDENCE

Treasury Chambers
Parliament Street
London SW1P 3AG

Telephone 01-930 1234 ext 883

See
Missed
This came in
during my absence in leave.

106
14/10
8 October 1974

W Ivan Woods Esq
Department of Finance
Northern Ireland
Stormont
BELFAST
BT4 3SW

Dear Ivan

NORTHERN IRELAND: ASSISTANCE FOR HOTELS

You wrote to me on 24 September about your desire to bail out the Europa Hotel under an ad hoc extra statutory scheme, the cost of which may be of the order of £200,000 for a year. We have considered what you say very carefully, but we do not find ourselves able to support the proposal. A great deal of public money has of course been spent in keeping various private sector undertakings in being in Northern Ireland. The rationale of this aid has been the need to preserve or create employment, with the knowledge that unemployment is likely to add to the problem of violence. But no case is made on employment grounds for the present proposition. At a time when we have had to accept or are having to consider substantial additions to the provision in the Public Expenditure Survey for Northern Ireland on account of such matters as compensation, police and prisons, I do not think that we could recommend our Ministers to go along with the proposition that public funds should be devoted to a propaganda or counter-propaganda operation. It is not unknown to us that the Grand Metropolitan Group has encountered financial problems. The hotel side of their business is said to be in rather a poor way. I understand that they are taking vigorous steps to correct the position, particularly by cutting capital investment and eliminating loss-making activities.

I am sending a copy of this letter to Bill Smith.

Yours sincerely

J R Galt

J R L WORKMAN

COMMERCIAL IN CONFIDENCE

R L Workman Esq CB
HM Treasury
Parliament Street
LONDON
SW1P 3AG

24 September 1974

Dear Workman

We have been under pressure from Commerce for nearly eighteen months to provide some assistance for Belfast's Europa Hotel. This hotel has been attacked 25 times by terrorists, and has lost an estimated £225,000 (after interest and before tax) in the year to 30 September 1974. The losses for the three previous years were £152,000 (1972/3), £105,000 (1971/2), and £166,000 in 1970/71 the year it opened. The hotel is owned by the Grand Metropolitan Group. It is the best city centre hotel in Belfast, and has been the main base for ^{new} media men covering 'the troubles'.

Until this year our view had been that Grand Metropolitan was big enough and profitable enough to carry its Belfast losses, and that it would be unwise to create a precedent for compensating one or two hotels in an industry where many small businesses had suffered losses without compensation. But the scale of losses has escalated, there is no longer a rate relief scheme or an employment grant scheme, and in accountants terms there is a case for closing the hotel. This would, of course, be a unique propaganda victory for the terrorists. At the same time Grand Metropolitan's overall financial strength has been reduced recently, and there are one or two other hotels (particularly the Russell Court Hotel, also in Belfast) which have run into major difficulties and where similar considerations apply.

We have therefore concluded that an ad hoc extra statutory scheme will have to be introduced. Its basic criterion will be that it will prevent closure of an hotel because of 'the troubles'. Commerce would be required to obtain specific Finance approval in each case. The form of assistance given would depend on the financial structure of the company concerned, (eg the Europa Hotel would be offered full remission of interest charges on a loan by DOC: this will amount to £60,000 and will in effect continue for a further year the level of assistance the hotel obtained from the discontinued rates relief plus the city centre employment schemes). The normal method will be by way of a grant equivalent to 50% of interest charges, and the scheme, which is expected to benefit a very small number of hotels, will apply in relation to one year's losses in each case and be subject to general review in a year's time.

The Minister of State (Mr Orme) has approved this proposal, and we understand that Commerce is currently under strong pressure to agree to assist the Europa Hotel. The overall cost of the scheme will be of the order of £200,000, and we ask for your agreement to it for a one year period.

Yours sincerely

W. I. WOODS

*Copies to Commerce (Mr Thompson)
Mr. Jordan NIO
Mr. Peckering, NIO London*

CR

R L Workman Esq CB
HM Treasury
Parliament Street
LONDON
SW1P 3AG

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