

PS/Mr Carter  
Secretary  
Mr Mais  
Mr Thompson  
HQ

MR Green, Dof ✓



*Mr Leeman RE Turn of the matter  
Mr Mais may be right to avoid token aid  
for the Europa, but would HMT my legs be  
involved: no e.s. action, full statement now  
needed? A15 2/9/76*

Parliamentary Under Secretary

EUROPA HOTEL BELFAST

1. I am referring this problem to you because of recent requests for further special assistance for the Europa to enable it to weather the continuing difficulties which beset its operation and remain in business.
2. The Europa is an A<sup>x</sup> hotel of 200 bedrooms which was built at a cost of £2 $\frac{1}{4}$  million and opened in 1971. The Department of Commerce has provided grant aid of £630,000 and loan facilities of £660,000 (to be repaid over 15 years at 9% interest). It is owned by Grand Metropolitan Hotels ( $\frac{2}{3}$  rds of equity) and British Airways ( $\frac{1}{3}$  equity).
3. The hotel has been ~~attacked~~ <sup>affected, directly or indirectly by</sup> terrorists on something like 30 occasions over the last 5 years and in fact the building contractors have never left the site. The most recent explosion in December 1975 caused massive damage which will cost £750,000 to reinstate and has put all of the bedrooms out of operation. It is hoped to complete reinstatement before the end of 1976.
4. The hotel has suffered continuing heavy losses since it opened. The total net loss incurred to date amount to approximately £600,000 and for the most recent period the overall deficit has been running at £300,000 per annum which might be expected to be reduced to about £150,000 by compensation from NIO in respect of loss of profits.
5. In 1974 the Department considered separate approaches from both the Europa and Russell Court Hotel (the latter is a similar establishment of 200 bedrooms situated  $\frac{1}{2}$  mile from the City Centre and owned by CIE - the State Transport Company in the Republic). Both said that imminent closure was probable. The Department proposed that aid should be given to both hotels based upon the interest payments incurred on borrowed capital. Treasury agreed only to a waiver for one year (1975) of the interest payments (£600,000) due to the Department from the Europa. This was on the basis that special assistance to the Europa only could be sustained on the grounds that (a) a relatively small sum of money was involved (b) the Europa employed 200 (against 70 in Russell Court) and (c) the Europa had a special symbolic importance (the media have made great play of the Europa's defiance of the efforts of the bombers to force its closure).
6. At present the Russell Court Hotel is closed following extensive bomb damage sustained in March 1976. Its future is uncertain. No effort has yet been made to reinstate the premises and negotiations have been taking place for the sale of the hotel and concurrently for the leasing of part of the building for office use. We

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understand that no final outcome to these negotiations has yet been reached and that CIE are reluctant to commit any further funds to its Belfast operation.

7. Earlier this year I was approached by the Grant Metropolitan director with responsibility for the Europa with an informal enquiry about the possibility of further interest relief in recognition of their much worsened financial situation following the latest bomb damage (losses were expected to be double those for 1975). Nothing was put on paper, but I was clearly expected to take away the impression that without assistance GM were unlikely to keep the hotel open much longer. I was unable to offer any prospect of further help (see below). Within the last few days I have learned that there has been a change of senior management responsibility for the hotel and GM appear to be reviewing their position once again. Current employment at the hotel is about 95 ( compared with about 200 when in full operation).

8. If closure is indeed being seriously considered the case for further assistance is, if anything, stronger than in 1974 as the closure of the Europa would practically denude the City of good class hotel facilities. (The Conway was also bombed a few months ago and it will be some time before it can restore all its bedrooms and hotel services). However, the following considerations make me doubt whether we should try to pursue it:

- (a) Treasury was never happy about our case for helping the Europa. In the harsher public expenditure climate they would be even less sympathetic.
- (b) The Grant Metropolitan decision is unlikely to be swayed one way or the other by interest relief of £60,000 (especially when there are group profits to set against interest for tax purposes).
- (c) The argument about assistance to hang on in the hope of early improvement is wearing thin - when do we expect to see the up-turn in business which the Europa needs to become viable? Is the security risk likely to diminish? If we give further help this year it is logical to assume that we will continue as long as may be necessary.

9. These aspects do not diminish the seriousness of closure in terms of psychological impact - a victory for the bombers; a major city-centre building closed and likely to deteriorate - and in real loss of facilities which a city the size of Belfast should have - day to day dining and function facilities as well as hotel beds. I suggest that we discuss, perhaps at your departmental business meeting tomorrow.

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2

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