MT

PART 1.

Confidential Filing

Renegotiation of the Lomé Convention. Discussions between EEC and ACP countries

The closure of Tate & Lyle cane sugar refinery at Liverpool

OVERSEAS AID

MAY 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~31.5.79~~							
~~26.6.79~~							
~~27.6.79~~							
~~5.9.79~~							
~~30.11.80~~							
~~9-6-80~~							
~~27.1.81~~							
~~4.2.81~~							
~~6-2-81~~							
~~13-2-81~~							
~~19-2-81~~							
~~20.2.81~~							
~~24.2.81~~							
~~5-3-81~~							
~~12.3.81~~							
27-2-81							
—ENDS—							

PREM 19/553

PART 1 ends:-

TL to MAFF + att 27/2/81.

PART begins:-

Rev. Sheppard, Bishop of Liverpool to PM 1/3/81.

R H

27 February, 1981

I am writing on behalf of the Prime Minister to thank you for your letter 20 February. I will place your letter before the Prime Minister on her return from the United States and you will be sent a reply as soon as possible.

T. P. LANKESTER

County Councillor Neville C Goldrein

R H

27 February, 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 23 February. I will place your letter before the Prime Minister on her return from the United States and you will be sent a reply as soon as possible.

T. P. LANKESTER

Sir Trevor Jones, JP

FILE

Overseas Aid

10 DOWNING STREET

From the Private Secretary

27 February, 1981

We spoke about Lord Jellicoe's latest letter about Tate and Lyle, a copy of which you have.

The Prime Minister and your Minister will need to agree a line on this letter before they see Lord Jellicoe on Wednesday. I should be grateful if you could provide advice on it so that the Prime Minister can take a decision on Tuesday evening.

I am sending a copy of this letter and Lord Jellicoe's to Terry Mathews (HM Treasury), Richard Dykes (Department of Employment), and Ian Ellison (Department of Industry).

T. P. LANKESTER

Miss Kate Timms
Ministry of Agriculture, Fisheries and Food

The Rt Hon Earl Jellicoe DSO MC

TELEPHONE: -626 6525

SUGAR QUAY
LOWER THAMES STREET
LONDON EC3R 6DQ

From the Chairman

27th February 1981

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
Whitehall
LONDON SW1

Dear Margaret

I have been reflecting on our conversation at the Parliamentary and Scientific Luncheon on Wednesday. I do congratulate you on a really splendid and important speech.

On the question of Liverpool I should like to re-emphasise the concern which all of us in Tate & Lyle feel over the Liverpool closure. We have been a major employer at the heart of Liverpool for 108 years, many of my colleagues come from Liverpool, and we are all very conscious of the great loyalty of the people we employ and with whom we have enjoyed very close relations. That said we feel that the closure decision has been forced on us, and is not of our own making. It is perhaps unfortunate from our point of view that because of the situation of our refinery in the centre of Liverpool the closure has attracted far more attention than many others on Merseyside which have involved the same or larger numbers of people.

At the luncheon you told me that you accepted our commercial judgement that Liverpool would have to close as a result of the adverse factors of shrinkage of the domestic sugar market and increase in beet sugar production. Nevertheless you asked me whether it would be possible for Tate & Lyle to keep Liverpool refinery open for another 12 or 18 months until the trauma of lost jobs can be relieved by measures which Government are taking to bring back employment to the heart of the older cities.

My colleagues and I feel very strongly that a temporary reprieve for Liverpool would be wholly unsatisfactory. If we kept the refinery open on a temporary basis, and for an unspecified period there would be a great danger that when we took the decision to close at a later date we should again have to go through all the difficulties which we have experienced after the announcement of this closure. The situation would be most unsettling for our employees, and we think it would be virtually impossible to run the refinery efficiently during the temporary period. If a termination date was agreed now there would be every inducement to our employees to seek other employment whenever it became available, and we think that the operation would become almost unmanageable.

I think that you know that as Chairman of Tate & Lyle I have repeatedly made it clear that unless beet sugar production was reduced to a level which would enable us to utilise our refineries fully and market all the sugar produced in the UK, or alternatively beet sugar was exported to achieve the same result, Liverpool refinery would have to be closed. We only took the decision to close Liverpool when Peter Walker had made it plain that he would not accept a sugar beet quota below 1.15m tonnes and BSC had made it clear that they would not export quantities of sugar sufficient to give us a market for the whole production of our three refineries.

We have seen no change in any of the factors which led to our decision; indeed the quota issue has now been resolved at a level of 1.144m tonnes and we believe that the most sensible action is for us to close the Liverpool refinery now. We agreed with Peter Walker that after the closure there should be a reasonable balance in the UK between supply and demand, provided that there is no further substantial reduction in the domestic sugar market. This should give us reasonable profitability in the future for our UK refining operations, and enable our employees at our Thames and Westburn refineries to look forward to long-term security of employment.

Having said all this, in the face of the strong reaction which the closure announcement proked from the Liverpool community my colleagues and I agreed to keep the refinery open until 3 April to allow enough time for last minute thoughts.

Now that the possibility of a reduction in quota to a small enough level has been removed, the only remaining possibility for keeping sugar refining in Liverpool would be for sufficient beet sugar to be exported from the UK to give us a market for our production. When the EEC Commission proposed some 18 months ago that the UK should have a beet quota of 936,000 tonnes, we in T & L said that if the quota was agreed at that level we would keep Liverpool refinery open. Since that quota was proposed there has been a further shrinkage in the UK market but nevertheless we have felt it right to reaffirm that if the excess over 936,000 tonnes is exported we will keep sugar refining in Liverpool.

Because of the shrinkage in the market during the last 18 months we could only hope to operate Liverpool at 200,000 tonnes and this would involve some major changes. We would need to spend some £11 million to reconstruct the refinery at Liverpool to operate with as much efficiency as possible at a level of 200,000 tonnes, and before deciding to do this we would need your assurance that Government would pay for all this capital expenditure.

At a level of 200,000 tonnes we would need to reduce the number of employees from the present level of 1350 to about 700. In addition we think that British Sugar Corporation would make about £15 per tonne less profit on exports than on sales to the UK market, and believe that it would be necessary for you to pay a subsidy of between £4m and £5m to BSC to enable them to export. I think I should add that I believe it would be extremely difficult to persuade the Management of British Sugar Corporation to agree to export 200,000 tonnes of sugar per year. I should also add that I believe that a national subsidy of sugar exports would be incompatible with our Community obligations.

Whilst emotionally we all share your sympathy with the plight of Liverpool I feel that I would be failing in my duty as Chairman of Tate & Lyle if I allowed the unprofitability of Liverpool refinery to pull down the Group. Last year the operation of Liverpool refinery reduced the profitability of the refining company by nearly £10m, and if this continues the future of our employees at Thames in Dockland and Westburn in Greenock would be at serious risk.

I therefore fear that I must insist that the condition for keeping Liverpool refinery open would be payment by Government of the capital cost of conversion to a 200,000 tonne refinery, and a Government assurance for the long term that sugar produced from beet in excess of 936,000 tonnes would be exported, with Government paying for the loss of revenue to BSC which this would imply. It would also be necessary for the trade unions to agree a reduction in manning in Liverpool from 1350 to 700.

Finally I must remind you that we have only postponed the termination of employment for our people in Liverpool until 3 April. We really cannot extend this date unless the conditions for keeping Liverpool open are agreed.

I am sending a copy of this letter to Peter Walker.

Yours ever

George

JELLICOE

R H

27 February, 1981

I am writing on behalf of the Prime Minister to acknowledge your letter of 27 February. I will place your letter before the Prime Minister immediately on her return from the United States.

T. P. LANKESTER

The Rt Hon Earl Jellicoe DSO MC

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SUGAR QUAY
LOWER THAMES STREET
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TELEPHONE: 01-626 6525

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10 Downing Street
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I am sending a copy of this letter to Peter Walker.

Yours ever

George

JELLICOE

cc: Press Office
Mr Gow

PRIME MINISTER

Tate and Lyle

Following your conversation with Lord Jellicoe at lunch last Wednesday, we have arranged for him and Mr Walker to see you next Wednesday afternoon.

Lord Jellicoe has now written to you (Flag A) saying that Tate and Lyle would be prepared to keep the Liverpool Refinery open at a reduced capacity of 200,000 tonnes per year provided -

(i) the Government would provide £11 million towards the reconstruction of the refinery;

(ii) 200,000 tonnes of sugar beet, which the Liverpool sugar would replace, would be exported, and the Government would have to provide the British Sugar Corporation with the necessary subsidy (estimated by Jellicoe at £4 - 5 million per year) to enable this to happen;

(iii) the trade unions would agree to reduce manning at Liverpool from 1350 to 700.

These conditions look much too steep. The export subsidy alone would mean paying something like £7,000 each year for every job preserved.

We will need to agree a line on this before your meeting with Lord Jellicoe; I have asked MAFF and the Treasury for advice.

In addition to this letter from Jellicoe, there is a further letter from Sir Trevor Jones, the Liberal Leader of the Liverpool City Council, who has written to you again (Flag B). He asks you to reconsider your decision not to receive a delegation from Liverpool. This time, he suggests that they should come to discuss not just the Tate and Lyle closure, but other issues such as speeding up the establishment of the enterprise zone and the Urban Development Corporation for Liverpool.

/There is

There is also a further letter from Neville Goldrein, the Conservative Leader of Merseyside County Council (Flag C). He had earlier written to you asking for a private meeting, to discuss Tate and Lyle, and you signed a letter declining. He too would like to discuss other issues besides Tate and Lyle. (We have not despatched your letter because Goldrein's latest letter came in the same morning you signed it: we will provide a new draft which will take account of both of his letters).

Malcolm Thornton, MP, has also been in touch with us. You wrote to him last week saying that you would see him and any other Conservative MPs. He now says that he would like to come and see you with Lynda Chalker, Anthony Steen and David Hunt; and we have provisionally fixed this for 21.30 hrs next Wednesday evening. I assume you are content with this? Yes

As regards the further request from Trevor Jones and Neville Goldrein, I suggest we take a decision on this after you have seen Lord Jellicoe and Mr Walker and also the MPs. Malcolm Thornton has a copy of Trevor Jones' letter, and has specifically asked that you should not reply to it until he and his colleagues have seen you. He hopes that it may prove possible to follow up one or two of the suggestions in the Jones letter; and if it is possible, he would like it to be seen to happen in response to Conservative representations. I have asked the Departments of the Environment and Industry for advice on the points raised in Trevor Jones' letter in time for the meeting on Wednesday evening.

I do not think you can just seen Goldrein, even though he says it would be a private meeting. He had a "private meeting" with Mr Walker, and immediately made it public. So, if you did see him, I am sure you would have to see a full Liverpool delegation.

Are you content to proceed on this basis? Yes mt

27 February, 1981

R.

C

CONFIDENTIAL

CLOSURE OF TATE & LYLE'S LIVERPOOL REFINERY : PAPERS FROM TRADE UNIONS

1. Most of the paper "The Case for UK Sugar", presented by ASTMS, GMWU and TGWU, is devoted to analysing the position. The remedies are treated very sketchily, but are elaborated a little further in the separate paper from GMWU. Both papers were, of course, written before the decisions reached by the Council of Ministers on 24 February on Community sugar arrangements for the next five years, along with very satisfactory settlements on other issues, notably New Zealand butter.

FLAG E

2. This note concentrates on the proposed solutions. But a number of statements which the Unions make in the course of analysing the position also call for comment, and these are dealt with in the Annex.

3. The essential problem is that the combined capacity of Tate & Lyle (TL) and British Sugar Corporation (BSC) is well in excess of the current requirements of the UK market, after allowing for the fact that part of it is supplied by imports of white sugar from other member states. The Unions reject any reduction in UK production, either of beet sugar (indeed, they attack the closure of the 4 beet sugar factories recently announced by BSC) or of cane sugar, and concentrate on finding outlets for total potential production by both companies. But, even if outlets could be found, this approach ignores the fact that TL would have to find sufficient supplies of raw sugar to utilise its capacity of 1.34m tonnes. Even the total quantity of ACP sugar is only 1.3m tonnes; and not all this is available, partly because some of the countries do not produce sufficient to supply their quotas and partly because some of them have from the outset preferred to sell part of the supplies (about 70,000 tonnes per year) elsewhere in the Community.

4. The Unions' proposals for finding additional outlets are
(a) the exclusion of imports from other member states; or alternatively
(b) the export of 200,000 to 300,000 tonnes per year.

(a) Excluding imports

5. Since these imports amount to only 150,000 tonnes per year, compared with TL's surplus refining capacity of 290,000 tonnes, excluding them would not in itself solve the problem. Banning imports

would be contrary to EC law, and there is no prospect of persuading the food manufacturers concerned to take UK produced sugar instead. Due to the recession and the strength of sterling, they face falling sales, reduced export outlets and strong competition from imports. We cannot purport to override their judgement of the best way to run their businesses. They would tell us that we were putting their own employment at risk.

(b) Exports

6. Apart from the production quotas, there is a normal CAP support system for sugar comprising an intervention price, which puts a floor in the market; import levies (not charged on ACP sugar, which thus gets the full Community price); and export subsidies (replaced by export levies when, as at present, the world price is high). In addition, minimum prices are prescribed which processors must pay farmers for beet, although the prices actually paid are negotiated between the parties.

7. The rate of export subsidy (or levy) is based on the market price in the most surplus areas of the Community (Northern France, Holland etc) which in turn reflects the intervention price operative there. The market price in the UK is higher by the cost of freight from these areas (perhaps £15 to £20 per tonne). By comparison with selling on the home market, therefore, TL or BSC would lose £15 to £20 per tonne through exporting. This would be totally uneconomic for TL and drastically reduce BSC's profits.

8. The Unions' solution is to persuade the Community to grant a special high rate of subsidy for exports from the UK, so as to make exports as profitable as home trade sales. Either company could then export (in practice, it would have to be BSC since TL have undertaken in their contracts not to use ACP sugar for export).

9. There is no chance of the Community agreeing to this, for the following reasons:

(1) The Community recognises no obligation to ensure that all the ACP sugar is refined in the UK, still less in particular UK establishments (ie refineries rather than beet factories).

(2) Assuming the extra subsidy were £20 per tonne, it would cost the Budget an extra £4m to £6m, at a time when there is severe pressure on available funds.

(3) It is a cardinal principle of the CAP that there should be a single rate of export subsidy for the Community as a whole (adjusted only for "green rate" differences), so as to ensure that exports take place from the most surplus areas.

(4) There would be an incentive on traders elsewhere in the Community to route exports via the UK if they could secure freight for less than the addition to the export subsidy.

10. From the UK's own point of view, we would not want the present system to be replaced by the principle that it should be made equally profitable for each trader in the Community to export, irrespective of the market price of his supplies. If extended to the rest of the CAP, this could add enormously to its cost and hence to our budget contribution.

UK Regional Intervention Price

11. The Unions' presentation of the solution is confused by references to the UK intervention price. At present, this price is some £7.50 per tonne higher than the intervention price applicable in most of the rest of the Community. The Unions seem to think that this differential would have to be raised to £20 per tonne in order to establish a case for a higher export subsidy of that amount.

12. This is a red herring. If there were any chance of negotiating a higher export subsidy, it would not depend on the level of the intervention price. In any case, it has now been decided that the higher intervention prices in the UK, Italy and Ireland are to be phased out over the next three years. Similar "regionalised" intervention prices for grain were abolished some years ago. We support such changes, since they tend to reduce the level of farm support and hence the cost of the CAP.

13. Moreover BSC would strongly oppose any increase in the UK intervention price because it would entail a corresponding increase in the minimum price for beet (see para 6 above) and thus put them in a worse position in negotiating prices with farmers.

ANNEX

Comments on General Arguments in the Unions' Paper

The following call for comment

(1) The cost of the closure to public funds (redundancy payments, social security, loss of rate revenue etc) will be high.

The Treasury has been asked to look at these figures. The argument would, however, apply to almost any closure.

(2) The EC sugar regime involves UK taxpayers and consumers in big transfers - the implication presumably being that the Community should therefore pay to keep the refinery open.

The figures quoted are misleading, since they ignore the fact (a) that the sugar regime has always been financed mainly by levies on beet sugar producers,* to which UK producers have contributed very little; and (b) that the cost to UK consumers is almost entirely a transfer to producers in the UK and in the ACP countries themselves, and not to the rest of the Community. In any case, the Community has never yet been persuaded to give the UK concessions under the CAP on the grounds that it makes large resource transfers.

(3) There will be a continuing cost to the UK taxpayer in disposing of ACP sugar which is diverted away from the UK due to the closure (para 2.2(e)).

This is untrue. Wherever in the Community the ACP sugar is refined, the cost of exporting a quantity equivalent to it will fall on Community taxpayers (see footnote).

(4) The closure will undermine the Lomé Convention. This charge has already been answered. The commitment under the Convention is binding and of indefinite duration. Tate & Lyle have offered to contract for the same quantities of ACP sugar as heretofore (provided they have the right to place some of it elsewhere in the Community); and, even if they did not, and there was no other willing buyer, the Community would be obliged to purchase the sugar itself.

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* The revised regime will take this principle further; only the cost of exporting a quantity equal to the imports of ACP sugar will fall on the normal funds of the Community budget.

General and Municipal Workers' Union
Incorporating MATSA

GMWU
UNITY IS STRENGTH

General Secretary: DAVID BASNETT

PRIVATE AND CONFIDENTIAL

Thorne House Ruxley Ridge Claygate Esher Surrey KT10 0TL
Telex: 27428 Telegrams: Unitude Esher
Telephone: Esher 62081

Your Ref: Our Ref: RS/SCB

23rd February, 1981.

The Right Hon. Peter Walker, M.P.,
Minister of Agriculture Fisheries and Food,
Ministry of Agriculture Fisheries and Food,
3 Whitehall Place,
Whitehall,
London S.W.1.

Dear Mr. Walker,

As promised during our meeting with you on Monday 16th February by Mr. Basnett that we would advise you of points of view which we believe could, through Government intervention, be responsible for the saving of many of the jobs, if not all the jobs, within the Liverpool Tate & Lyle refinery.

A general case issued by the three major unions has already been put into print and may very well be with you on receipt of this communication.

Each union has agreed to put its own specific action points to yourself and Her Majesty's Government. These points, we understand, will have been raised by Mr. R. Parry M.P., Scotland Exchange, and we felt that you should have a personal copy of the position which the GMWU feel are the relevant points for consideration by your goodself.

Yours sincerely,

Robert Smith

Robert Smith
National Industrial Officer

Enc:

GENERAL & MUNICIPAL WORKERS' UNION

TATE & LYLE LIVERPOOL - ACTION POINTS

(1) The GMWU participated in preparing the Case for U.K. Sugar which clearly identifies alternatives to the closure of the Liverpool Refinery and the paramount need to adopt one of those alternatives. The GMWU put forward the following action points in order to save the refinery:

A The Government should call a meeting to seek an undertaking from the U.K. sugar producers that they will co-operate in balancing the U.K. market through a long term marketing arrangement. The parties at that meeting should be Tate & Lyle, British Sugar Corporation, Trade Unions, U.K. Government and perhaps the Commonwealth sugar exporters. Already all the parties agree that the U.K. market should be balanced.

B Tate & Lyle should make an immediate public declaration that they will contract to purchase and export surplus U.K. beet sugar, provided the EEC Sugar Regime is changed to allow this to be done without loss.

C The U.K. Government should declare itself ready to go to Brussels to fight for a change in the EEC rules to allow the surplus U.K. sugar to be exported without loss. One mechanism that can be used is the Regional Intervention Premium. If it was increased from £7.50 to an amount equivalent to the U.K. market premium, it could then be used as the intervention price for restitution from the U.K. of surplus beet sugar. It would need to go up from £7.50 to about £20.00 per tonne in current circumstances. The small print of the scheme would have to be drawn up in such a way that it was a special scheme for U.K. surplus sugars displaced by EEC imports and Lome Treaty sugar and that the benefit would flow to the refiners rather than to the farmers.

D The EEC Commission and the Council of Ministers should come out in favour of altering the rules of the EEC sugar regime to allow for the saving of the Liverpool refinery and the balancing of the U.K. market. Given current BSC production, which the GMWU is not seeking to cut, the cost to the EEC budget of the proposals would be about £4.4 million per annum. That would be the gross cost - the net cost would be less since the EEC budget will have to pay for any alternative way of absorbing 'surplus' 'Lome' sugars.

E The current EEC quotas and arrangements expire on 30th June 1981. There will be no legal basis for a quota system after that date unless the EEC Council of Ministers specifically agree to introduce new arrangements or agree to roll over the current arrangement again. If necessary, the U.K. Government should make it clear that it will veto any arrangements which do not provide a future for the Liverpool refinery.

(2) There are points in favour and against such a proposal. In its favour, count the following:

(i) The EEC Commission already accept that the taxpayer should accept the cost of disposing beet sugar displaced by 'Lome' sugar. This would ensure they would continue to be refined as in the traditional way.

(ii) U.K. interests can be maximised. Food production can be maximised to help the balance of payments. There will be a greater return from the CAP budget, while mutually beneficial trade links are maintained.

(iii) The Liverpool refinery can continue in existence at a profit. It will relieve unemployment in an area of "crisis" level unemployment.

On the other hand, the arguments against it might be put as follows:

(i) The EEC Commission want to abolish the Regional Intervention Prices (R.I.P.s).

(ii) The R.I.P.s are there to protect producers, not processors.

(iii) It will cost the EEC budget some money when money is tight.

(iv) The BSC want to have a market share above 936,000 tonnes in the U.K. They do not regard exporting their sugar without loss would be an acceptable substitute.

(v) Exporting surplus sugar might affect storage capacity.

(3) On balance, it would seem that the arguments in favour have a greater weight than the contrary arguments. When that is considered in the context of total U.K. subventions to the sugar regime, the U.K. budgetary demands are small. The cost to the U.K. Government of closure of the Liverpool refinery could be substantially higher than this.

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

Tim Lankester Esq
Private Secretary
10 Downing Street
London SW1

27 February 1981

Dear Tim,

Following the Prime Minister's meeting with Mr Bob Parry MP on 23 February, and in preparation for the Prime Minister's meeting with Lord Jellicoe and my Minister on 4 March, I
Flag A attach a commentary prepared by this Department on the paper
B "The Case for UK Sugar" presented by the three Trade Unions principally represented at the Liverpool cane refinery. This paper was handed over to the Prime Minister last Monday evening. Our commentary also refers to a separate paper which has been
--- C sent to us by David Basnett of the GMWU. For convenience, I attach copies of the two Trade Union documents in question. I
--- D also attach a separate note for the Prime Minister on the re-export of ACP sugar, which I understand Lord Jellicoe raised with the Prime Minister when they met at lunch on 25 February.

Yours sincerely

Kate

MISS V K TIMMS
Principal Private Secretary

CONFIDENTIAL

CLOSURE OF THE LIVERPOOL SUGAR REFINERY: MEETING BETWEEN THE PRIME MINISTER AND LORD JELLICOE, 4 MARCH 1981

1. Lord Jellicoe's further letter is a response to the Prime Minister's request that, despite the acknowledged need for Tate & Lyle to bring in capacity into line with foreseeable production, the company should consider keeping the Liverpool refinery open for 12 to 18 months, in the expectation that the employment solution in Liverpool would have improved by then.

2. The letter rejects the idea of a temporary reprieve on the grounds that this would merely prolong the period during which TL would be under pressure not to close, and that it would lead to severe problems in managing the refinery. Lord Jellicoe goes on to state new conditions for keeping the refinery open on a quasi-permanent basis. The previous condition was that British Sugar Corporation (BSC) should either have its production quota under the CAP restricted to 936,000 tonnes or that it should be persuaded to export any production above that amount. (As the letter points out, this was the UK beet sugar production quota originally proposed by the EC Commission in 1979 for the following five years, and strongly supported by TL: subsequently the proposal was modified to 1.092m tonnes and Mr Walker finally settled last week at 1.144m tonnes. These figures must all be compared with the existing UK quota of 1.326m tonnes.) Later TL made the further condition that the work force must agree to cost-cutting changes. Lord Jellicoe now adds that, due to further expected fall in UK sugar consumption, there would also have to be a further cut in Liverpool's capacity from 300,000 to 200,000 tonnes (it was cut from 550,000 to 300,000 tonnes in 1978/79); that £11m would have to be spent to make the refinery more efficient, all of which would have to be found by the Government; and that, in the process, the work force would be approximately halved (from 1350 to 700).

Background

3. The background to the closure has been set out in earlier briefs. The figures originally put out by TL to justify the closure were:

		th. tonnes
UK market demand		2,300
BSC production (expected to average somewhat less than quota)	1,100	
White sugar imported from continent (apparently an irreducible figure)	150	
		1,250
Therefore market for TL		1,050

The capacity of their two remaining refineries is almost exactly 1.05m tonnes (London 0.9m, Greenock 0.14m), leaving the whole of Liverpool's 0.3m as surplus.

4. It will be seen that, even if BSC exported its excess production above 936,000 tonnes, the market for TL sugar would increase by only 164,000 tonnes, leaving close on half of Liverpool's capacity unused. Moreover, even if TL could somehow find a market sufficient to utilise their full present capacity of 1.34m tonnes, they would have to find sufficient raw sugar supplies for this purpose. It is difficult to see how they would do this, given that their contracts with ACP suppliers total only 1.225m tonnes and that the ACP countries themselves have chosen to exercise their options under the contracts to sell some of this sugar elsewhere in the Community (some raw sugar from Community sources is probably available, but only at a higher price). Taking these two factors into account, it is not surprising that Lord Jellicoe should now say that Liverpool's capacity would have to be reduced to 0.2m tonnes.

5. Moreover, it appears that UK demand is now running at a level lower than 2.3m tonnes, perhaps as low as 2.2m. Unless demand picks up again, even a combination of the proposed level of BSC exports and a reduced capacity at Liverpool might not be sufficient to prevent TL having to close the refinery at a fairly early date.

6. The following paragraphs consider the two conditions now stated by Lord Jellicoe for keeping the refinery open, ie exports by BSC, and Government finance for reconstruction.

Exports by BSC

7. We cannot dispute the statement that BSC would lose £15 per tonne by exporting, compared with sales on the UK market. There is, however, some inconsistency in Lord Jellicoe's figures. The excess over 936,000 tonnes could not be more than 0.208m tonnes which, at £15 per tonne, would cost something over £3m. The suggested subsidy of £4m to £5m would represent £20 to £25 per tonne. He may envisage that the difference would be needed as an inducement.

8. The note already supplied on the paper from the Trades Unions sets out the impossibility of persuading the Community itself to pay an additional subsidy on exports from the UK. Even bigger objections apply to a subsidy from national funds, which would be the clearest possible case of distortion of competition, and would thus be contrary to Community law. This is especially so because rates of export subsidy (or, when the world price is high as it is at present, rates of export levy) are set in a weekly Community tender at which traders put in bids to the Commission for the rate which they will accept for a given tonnage of exports. There is no way in which the distortion of a tender process through a national subsidy could be defended before the Commission or the European Court.

9. Even if a subsidy could be paid, the BSC would, as Lord Jellicoe points out, have to be persuaded to accept it. It is difficult to see how this could be done. The Government's 24% shareholding (which is in any case part of the disposal programme) and its right to appoint the Chairman and two Directors (contained in legislation which was earmarked for repeal in 1972) could not be used to persuade BSC to act contrary to what it regarded as the Company's best longer-term interests.

100% Capital Assistance for Reconstruction

10. The proposal that the Government should pay the full £11m cost of modernising the refinery in order to save 700 jobs is clearly unacceptable. It conflicts with normal cost per job and percentage aid criteria employed in the operation of the Industry Act and would also be in conflict with EC guidelines and would be regarded as being in breach of their rules on competition. Nor would it be a sound investment for

the Government to make given the inevitable uncertainties about the availability of adequate supplies of raw cane sugar. There would therefore be a real risk that the new investment would prove entirely wasteful and that efforts to utilise the modernised capacity would undermine the viability of Tate and Lyle other refineries.

Ministry of Agriculture, Fisheries and Food

2 March 1981

The Case For UK Sugar

Presented by

astms GMWU TGWU

February 1981

1 INTRODUCTION

1.1 On 22nd January 1981, the Board of Tate & Lyle Ltd. announced that the Company's 300,000 tonnes per annum sugar refinery at Love Lane, Liverpool, and its associated sugar distribution depot at Loch Fields was to close on 22nd April 1981. The loss of jobs was to be 1350 in the refinery and 220 at the transport depot.

1.2 The Company identifies the reason for closure as arising from the fact that there is more capacity for producing sugar in Britain than the market needs. Tate & Lyle said that they had applied all their political weight and commercial ingenuity to finding other ways of overcoming the problem to enable them to maintain their current refining capacity. They blamed the British Government for not seeking a U.K. beet quota consistent with a balanced U.K. market.

1.3 When the closure was announced, the Trade Unions (GMWU, T&GWU, ASTMS, AUEW, EEPTU) at the Liverpool refinery organised a mass meeting of the workers threatened with redundancy who resolved to resist the closure as follows:

" 1. There is a unanimous decision for total resistance by the workforce to the planned closure of the Liverpool site.

2. That all available trade union and political power shall be used.

3. That individual letters of severance terms shall be returned to shop stewards.

4. That normal working shall continue until such time that there is a change of circumstance which will warrant a different decision. "

1.4 On Tuesday 3rd February 1981 a meeting of the senior management of Tate & Lyle and the unions representing the workers at the Liverpool Refinery, headed by Mr. David Basnett and Mr. Moss Evans, took place. The company undertook that it would keep all its Liverpool employees at work until 3rd April. This was to enable meetings to take place between the company and the trade unions to explore in depth all possible alternatives to the closure of Liverpool refinery and for further representations to be made by the company and the trade unions to the Government.

The company agreed to furnish the Unions with all information relating to the alternatives which had been considered by the company prior to the closure announcement.

1.5 Following this, a joint GMWU/TGWU/ASTMS Research team was established to produce this report. Of necessity, the time scale involved in compiling the report was short. The report concentrates more on finding ways of avoiding the closure than describing its devastating consequences. In no way does it fully reflect the anger and despair felt in Liverpool and elsewhere at the possible consequences of this anarchistic system on the lives of workers and their families, not only in Liverpool but across the seas in the so called "developing" countries. It is an attempt to find a solution and given the "political will" it identifies options which can save these threatened jobs.

2 THE COSTS OF CLOSING THE LIVERPOOL REFINERY

2.1 It is common ground between all the parties that there will be enormous costs in social, political and economic terms if the Liverpool Refinery closes. Deputations from Liverpool have seen the Secretary of State for Agriculture and have spelled out the horrendous consequences of another closure of this scale in a city with already over 15% unemployment. In the debate in the House of Commons, speakers from both sides of the House spelled out the problems. There is no need to repeat those points here. This section of the report spells out the acknowledged costs and potential costs of the Liverpool closure.

2.2 The financial costs of the closure come under a number of headings.

a) The cost of redundancy and severance terms will be well over £9 million. The National Exchequer will lose on two counts. Firstly through the redundancy fund and secondly through the relief on Corporation tax in future years.

b) The cost of write off of capital etc. will be in excess of £20 million. The National Exchequer will lose out because some of these write-offs will qualify for Corporation tax relief.

c) The cost to the local economy is not easy to quantify - but is none the less real. For example, the loss of Rates Revenue to the local authority will be in excess of £½ million.

d) The net cost to the National Exchequer of lost tax revenue is quantifiable. The precise figure is not available to the trade unions. It is available to the Government. The additional charge on the National Exchequer for social security payments is not precisely calculable either. Together the two items are unlikely to be less than £4.5 million in the first year. The figure could be as high as £10 million. Because of the age of the workforce and the lack of job opportunities these charges are likely to persist at some level for many years.

e) The cost of disposing A.C.P. sugars displaced from Liverpool onto the Continent will in the long run represent a charge through the EEC on the UK taxpayer. It is difficult to quantify this element but it is potentially the most costly item of all.

Since the Lome sugars have access to the EEC for an indefinite period this charge on the taxpayer will also be indefinite. If the sugar market behaves as in the past and CAP prices maintain their current levels, the cost to the U.K. taxpayer over the next ten years could be about £8 million. Unlike the current transfers to Lome countries there would be no employment or revenue effects from that public spending. So the nett cost to the Exchequer will be well in excess of £20m.

2.3 There are other potential costs involved in the closure of the Liverpool refinery which must be faced:

a) The closure of the Liverpool refinery removes one major source of sugar supply to the U.K. industrial and domestic sugar users. That follows the removal of three other sources of supply in recent years. It does increase the unreliability of the U.K. sugar supply network. It has to be faced that there will be years when, because of climate or disease, the British beet sugar industry will not produce up to its quota. Its production, through no fault of its own could fall 200,000 tonnes or more short of its target. That would lead to an undersupply position which could be damaging to U.K. interests. Apart from the balance of payments aspects - due to long term contracts etc. being signed during periods of undersupply - this could be a factor to further destabilise the U.K. sugar industry and lead to further problems of balancing the U.K. market.

b) Even on the most sanguine view, there must remain a long term doubt about the viability of the Sugar Protocol if the traditional patterns of trade are broken. While no-one doubts the sincerity of the parties, or the nature of the assurances given, it must be acknowledged that circumstances change, ministers change, etc. It must also be acknowledged that on a European level there may be a conflict of interest between the beet and cane sugar producers and that any breach now in the traditional patterns of trade may increase the risk of the Sugar Protocol not being adhered to in the way it was intended that it would be. Appendix 1 contains details of the number of workers dependent upon Lome sugar for their livlihood. Appendix 2 contains a letter dated 12th February 1981 from the APC countries to the GMWU expressing their concern that the Tate & Lyle offer of contractual arrangements for a further five years did not meet their objective of seeking the retention of the Liverpool refinery if this can be achieved.

This is too serious a matter on which to take chances. There are about 300,000 workers and over 1 million people in some of the smallest and poorest countries dependent upon the trade. Anything which undermines their position should be avoided. The prospect of placing indefinitely 150,000 tonnes of APC sugar per annum into an EEC market already massively in surplus, whatever contractural arrangements might be yet arrived at for the next five years. There is a danger, which would not exist if a way is found to keep Liverpool refinery open, that this could affect investment in the cane sugar industries in these countries.

c) One other aspect to be considered is that this trade is not one way traffic. The ACP countries traditionally buy UK manufactured goods. For example, the ACP sugar producing nations bought over £35m worth of UK vehicles last year, any hint of a breach of the Lome arrangements on sugar would put that and other UK manufacturing exports in jeopardy.

3. THE EEC SUGAR REGIME

3.1 The UK sugar industry operates within the framework of the EEC sugar regime and the Lome Convention. It is doubtful whether the objectives and mechanisms of both are compatible with one another in the long run. This is something that needs consideration in determining a long term viable UK sugar policy. So far it does not appear to have been given sufficient attention

3.2 It is important to note that the UK sugar industry does not operate in full market conditions. Vast sums of taxpayers and consumers money are transferred from one section to another via political and administrative instruments. The transparency of some of these transfers has not been very good in the past. This difficulty is likely to happen again in the new regime.

3.3 The EEC sugar quotas and arrangements were agreed in 1975 for a five year period. During that five year period sugar consumption in the EEC amounted to 47 million tonnes.

Preferential imports (from the Lome countries) amounted to 6.6 million tonnes. That left a market of 40.4 million tonnes for the sugar beet industry.

However, sugar beet production amounted to 55 million tonnes.

A sugar mountain of 15 million tonnes was built up and had to be dumped onto the world market, 12 million tonnes of which were eligible for EEC export levy/subsidy arrangements. Details are in Appendix 3.

The cost to the taxpayers and the consumers of the regime was enormous.

3.4 To dispose of the 12 million tonnes surplus sugar on the world market cost the EEC taxpayers a total of over £1,000 million in net terms after all the levies etc. are taken into account. The UK taxpayers share of that bill was over £200 million. This subvention by the taxpayers went direct to the continental sugar beet sector. That sum of transfers from taxpayer to producer was dwarfed by the transfers from consumers to producers however. For most of the time the EEC price was way above that needed to ensure secure supplies for European customers. There are a number of ways of doing the sums. According to the EEC Commission it amounted to about £50 per tonne at today's prices. That adds up to a transfer from consumer to producer of £2,500 million for the five year period. However, the House of Lords report (44th report 1979/80) puts the figure much higher. It says that the consumers transferred £1,782 million to the producers in 1978 alone. Our estimates suggest that the size of the transfer was in the order of £3,500 million. The UK's share of that was about £870 million (about 25% of total).

It follows that the overall cost to the UK taxpayers and consumers for the previous sugar regime was in excess of £1 billion pounds. (More than was spent rescuing British Leylan

3.5 So the EEC sugar regime has had the following effects:

a) It increases the price of sugar to the domestic and the industrial users over the long run.

b) It provides, because of the arbitrary nature of the pricing structure, a lower margin to the cane refiner (see chapter 5 for details).

c) It costs the taxpayers vast sums of money to dispose of unwanted surplus sugar.

d) It has depressed the world market price of sugar and affected the economies of the third world countries. It also destroyed the viability of the in-transit export trade in the U.K. cane refineries. That amounted to about 200,000 tonnes per annum.

e) It has already led to the loss of 1,800 UK jobs in cane sugar refining and a further threatened job loss in the industry of 2,500.

3.6 The sugar regime is currently being renegotiated. The quotas and arrangements agreed in 1975 expired on 30th June 1980. In November 1979 the EEC Commission brought forward proposals to radically change the quotas and arrangements. The main objective of the changes was to reduce the sugar mountain and change the way the regime was funded. However, the Council of Ministers was not able to reach agreement so they agreed to roll over the previous arrangements for a further year. The current quotas and arrangements expire on 30 June 1981. The Council of Ministers have to agree to changes, or to agree to roll over once more the current arrangements. Suggestions that the current quotas and arrangements automatically continue after 30th June 1981 are not correct. Thus the U.K. Government have to specifically agree the new quotas and arrangements that apply after 30th June 1981. The timetable for this decision making process must be late March, early April 1981.

3.7 The EEC Commission have produced new proposals for the new sugar regime. The effect of the new proposals, in overall terms, will mean, unless they are changed, that

a) the consumer will continue to pay higher prices for sugar

b) the cane refiners' margin will continue to be lower

c) The EEC sugar mountain will continue. The method of financing the disposal of this sugar onto the world market will alter. The taxpayer will pay for the disposal of 1.3 million tonnes of sugar per annum and the consumers - via the mechanism of levies on producers - will pay for the rest.

d) The world market price will be depressed because of these dumped surpluses. This will affect the economies of the third world countries and will mean that an in-transit export trade in the UK cane refineries is not viable.

3.8 A renegotiation of the EEC sugar regime provides the opportunity of eliminating some of the gross anomalies and at the same time introducing mechanisms to safeguard UK jobs.

4. The Lomé Convention Sugar Protocol

4.1 Protocol 3 of the original Lomé Convention, signed on 28 February 1975, covered the purchase and importation by the Community of raw and white cane sugar, at guaranteed prices, from the ACP countries. The second Lomé Convention, signed on 31 October 1978, carried over the commitments agreed by Lome I, under Protocol 7.

4.2 The quantities of sugar to be purchased and imported are as follows:

12 months 1/7 - 30/6

	Tonnes of white sugar
- Barbados	49,300
- Fiji	163,600
- Guyana	157,700
- Jamaica	118,300
- Kenya	5,000
- Madagascar	10,000
- Malawi	20,000
- Mauritius	487,200
- People's Republic of the Congo	10,000
- Swaziland	116,400
- Tanzania	10.000
- Trinidad and Tobago	69,000
- Uganda	5,000
	1221,500

In an annex to the Convention, the following additions were also agreed:

- Belize	39,400
- St. Kitts/Nevis/Anguilla	14,800
- Surinam	4,000
	1279,700

4.3 The Convention is of indifinite duration. The original Convention specified that when 5 years had elapsed, the convention could be changed by agreement.

4.4 The Community also undertook to purchase at the guaranteed price, any sugar which cannot be marketed in the community.

4.5 The guaranteed price is negotiated annually, "within the price range obtaining in the Community, taking into account all relevant economic factors." This effectively means that the price Tate and Lyle pay for cane sugar is set by reference to the beet intervention price. Tate and Lyle then have to ensure that their refining costs leave their final selling price at or under the prevailing beet threshold price.

4.6 Any shortfall by an ACP country can be taken up, by agreement, by other countries, and this has happened.

The point is that the obligation to purchase and import remains, and on this basis the Liverpool refinery should be kept open to refine the sugar.

4.7 There is a clear responsibility on both the UK and the EEC to maintain the commitment of 1.3 m. tonnes from the ACP countries. Although there is no responsibility on the EEC to refine and consume this Lomé sugar, it makes no sense whatsoever to do otherwise. Without the Liverpool capacity there will be insufficient facility to refine this sugar in the UK.

5. DIVISON OF THE MARKET and the Financial Problems Involved

5.1 The market for white sugar contains two companies - Tate and Lyle Refineries (TLR) and the British Sugar Corporation (BSC). The period since the UK joined the EEC has seen a significant decline in TLR's share of the domestic market, while beet production has increased over the same period. TLR estimate that sales opportunities lost to them so far in this way amount to approximately 400,000 tonnes per annum. A number of refinery closures have been forced on the company as a result, and they are now proposing to add the refinery at Liverpool to that list.

5.2 In 1975 Britain was given a production quota for white sugar from beet of 1,326,000 tonnes, even though actual beet production in 1973 was 963,000 tonnes, and in 1974 fell to only 568,000 tonnes as a result of virus yellows. Although the actual rate of expansion in beet production has been less than that clearly envisaged in 1975, expansion has nonetheless been steady. The total beet acreage under harvest has increased from 186,000 hectares in 1973 to 213,000 hectares in 1979. Final beet sugar production, meanwhile has risen each year since 1974 and in 1980 stood at 1,150,000 tonnes. BSC have invested £150 million in factory improvements to take the additional beets and increase white sugar production. BSC's production capacity is now estimated at 1,250,000 tonnes per annum, and the company have displaced TLR as the leading supplier to the UK market.

5.3 Despite maintaining in the past a highly competitive pricing policy in order to achieve its current market share, BSC's expansion has also been accompanied by rapidly increasing profits. The company's five-year record shows pre-tax profits up by more than four times, and earnings per share growing at a compound rate of nearly 30 per cent each year. Pre-tax profits totalled £34.2 million in 1980, and current year profits should be well ahead of this at about £40 million.

5.4 TLR's sales, including exports, fell from 1,782,000 tonnes in 1977 to 1,152,000 tonnes in 1980 - a reduction of over 35 per cent in just four years. A major programme of capacity reductions, including plant closures, has failed to keep pace with this trend. In 1972 there were six cane refineries in the UK with a total capacity of about 1,970,000 tonnes of white sugar per annum. In addition to handling Commonwealth cane sugar imports, the port refineries processed about 200,000 tonnes of domestic beet raws for home consumption and about 200,000 tonnes of re-exports. Now there are only three cane sugar refineries in the UK, with a total capacity of about 1,340,000 tonnes per year. Closures and capacity reductions during this period have included those shown below:

		'000 tonnes
Hammersmith	closed 1977	130
Sankey	closed 1978	160
Liverpool	reduced 1979	250
Walker (Greenock)	closed 1979	110
Total Capacity Reduction		650

5.5 Despite this contraction programme, TLR still has a surplus of sugar refining capacity, which they estimate at about 300,000 tonnes per annum as shown below:

		'000 tonnes
UK Market demand		2,300
Less: UK beet production	1,100	
EEC imports	150	
		1,250
Market available for cane sugar		1,050
TLR Capacity:		
Thames	900	
Liverpool	300	
Westburn (Greenock)	140	
		1,340
Surplus Capacity		290

5.6 TLR's financial problem has two main aspects. The first and more important of these is that the price system operated under the EEC sugar regime discriminates against TLR as a cane refiner. The second is that Liverpool is a relatively high cost refinery. We shall examine each of these aspects in turn.

5.7 The intervention price for white sugar established under EEC rules has consistently failed to make sufficient allowance for the cost of refining from cane. TLR estimate that for recent years the "processing margin" for cane sugar (that is, the difference between the EEC intervention price and the price paid for raw cane under ACP contracts) has been approximately £50 per tonne; while BSC have enjoyed a gross margin between intervention selling price and raw material price of approximately £120 per tonne. (See Appendix 4 for details). Most of this discrepancy may be accounted for by differences between the production processes involved. Cane sugar is imported into TLR refineries in a more processed form than raw beet is supplied to BSC. The production process at BSC therefore entails a higher level of added value, which is reflected in the higher processing margin. A further significant element in the discrepancy, however, arises from a failure within the EEC intervention price structure to make proper allowance for an adequate profit margin within cane refining. The method for determining the raw cane price is an entirely artificial one, based as it is on the net intervention price for white sugar processed from beet, after deducting a hypothetical "refining margin". This "refining margin" bears no relationship to the actual stages in the cane refining process - nor indeed to those in beet processing itself, as it actually now takes place in nearly all beet plants. The effect of this system can most easily be demonstrated by considering net profit margins for the two companies, BSC and TLR, on each final tonne of white sugar. In recent years, BSC have been enabled to earn an average profit per tonne of £25-30. TLR, however, have not achieved a profit greater than around £5 per tonne in any recent year. Over the years this discriminatory pricing structure has deprived TLR of an adequate return on capital on its refining activities. Figures supplied by TLR indicate that the return on capital did not exceed 10 per cent in any year between 1978 and 1980. TLR claim that they need annual profits of £15-20 million in order to finance essential reinvestment and to ensure long-term viability. Profits in 1980, however, were only £5.6 million on refining activities.

5.8 The second aspect of the financial problem concerns the cost structure of the Liverpool refinery. Although there is no certain method of comparing the cost efficiency of cane refineries as against beet processing plants - because of the different nature of the production processes - it is clear that the Liverpool plant has specific problems and that these are a factor in TLR's decision to eliminate capacity there, rather than in other parts of the business. Liverpool is a high fixed-cost refinery compared to those in London and Greenock; so out of all the options for reducing capacity, closing Liverpool achieves the greatest savings. Fixed costs are higher at Liverpool because it is not situated next to a dock, and intermediate road transport costs are therefore incurred. It was also originally designed and built with a capacity of 550,000 tonnes per annum, before a scaling-down operation in 1977 reduced this to 300,000 tonnes. This means that there are relatively higher costs associated with maintenance and energy consumption, and a lower technical efficiency. TLR have estimated that for 1979/80 fixed costs per tonne at full capacity were £51 per tonne at Liverpool, compared to £31 per tonne in the case of London. Since scaling-down the Liverpool refinery has made a loss in each year of operation: in 1980 the loss was £1.8 million. TLR have quoted figures for <u>total</u> unrecovered fixed costs of £9.3 million for 1980, and in excess of £10 million for 1981. It should be remembered that these are the costs of excess capacity in general, brought about by the unfavourable EEC price regime, and are not all attributed to the relatively higher costs of production at Liverpool; however, we may estimate the latter (assuming full capacity working) to be in the region of £6 million per annum.

This means that in effect the higher cost burden at Liverpool accounts for no more than a quarter of the total profit margin discrepancy between TLR and BSC - even assuming, as we have had to do, that the TLR refineries in London and Greenock are no more cost efficient than the average BSC plant.

5.9 Closure of excess capacity under TLR's plan would, on the company's estimate, achieve annual savings (through better recovery of fixed costs) in excess of £10 million. When added to the annual profits of approximately £5-6 million achieved in the last two years, this offers the prospect of a level of profitability even within the TLR's target range.

5.10 While the figures being used by TLR to form an assessment of the medium term future are largely based on the actual experience of recent years, it is also apparent that relatively small changes in market prices can have a significant bearing on perceived financial performance. Thus the Liverpool refinery recorded a net loss per tonne of output in 1980 of £7, against a gross selling price of nearly £325. An upward movement in average realisable prices of little more than 2 per cent would, in other words, enable the Liverpool refinery to eliminate its loss, even at just over 80 per cent capacity working. World market prices are currently buoyant, and it is not unreasonable, therefore, to expect that in the short term the Liverpool refinery may be able to achieve at least a break-even position. Actual losses to the company of a temporary reprieve for the Liverpool refinery could, on this basis, be negligible.

6. Options to Balance the U.K. Sugar Market and Save the Liverpool Refinery

6.1. There is agreement between all the parties on the nature of the problem - currently an over-supply of the UK sugar market - and agreement on the historical and current factors causing the problem.

6.2. There are only three options for solving the problem of over-supply and bringing the market back into balance:-

Option (a) Cut UK production.

Option (b) Restrict access into the market of overseas refined sugar.

Option (c) Export surplus UK sugar.

Option (a) Cut in production

6.3. Although the Government have expressed regret at the situation, they seem to consider that there is no alternative to the closure of the Tate and Lyle factory at Liverpool. They consider that if they achieve a quota of 1.15m tonnes for beet sugar, it will represent a fair balance between the interests of cane and beet sugar, and they are confident that closure of Liverpool Refinery will not jeopardis the position of Lome sugar in the EEC.

In other words, the Government feel there is no alternative to a cut in UK cane sugar production and the closure of the Liverpool Refinery.

[On Friday 20th February 1981, as this document was going to pres the British Sugar Corporation confirmed their intention to close four of their refineries which will involve some 700 employees being made redundant. The BSC attributed the need for these closures to the proposed reduction in their quotas and the surplus capacity arising from these proposed reductions. The joint unions believe these closures are unjustified.]

6.4. The Unions do not agree that there is no alternative There clearly are other alternatives and it is necessary to examine them.

6.5. The objections to the option for a cut in UK cane sugar production are as follows:-

(i) It places the entire cost of balancing the UK market on the Liverpool workforce and its community.

(ii) It represents a balance which will mean a substantial loss of tax revenue to the National Exchequer and substantial social security charges also, totalling at least £20 million in the first year.

(iii) It means a long term financial commitment for the UK taxpayer - via the EEC - to dispose of displaced Lome sugar with no employment or revenue returns.

(iv) It will increase the vulnerability of the UK sugar supply network in the event of a bad harvest and lead to continuing instability in the UK sugar industry.

(v) It will increase the risk of Lomé sugar losing their traditional market and probably damage significant UK exports to these countries.

(vi) It will do nothing to resolve the problems of the narrow production margins for cane sugar refineries under the EEC sugar regime.

6.6. The Unions call on the Government to reject the cut in UK production as the solution to the problem.

6.7. <u>Option (b) Restriction of imports</u>

In 1980 imports of all non ACP sugar, raw and refined white and flavoured or coloured, totalling a minimum of 150,000 tonnes was in direct competition with UK refined sugar.

There is no real justification for such high levels of sugar imports. As the main users of imported sugar have made clear, they are only keeping open this route to maintain competitive pressure on both BSC and TLR, and against a possible future disruption of supplies from both BSC and TLR.

It is clear that these imports should be excluded and we call on the Government to take all necessary measures to achieve this either by direct controls or by reaching agreement with the industrial sugar users and traders.

6.8. <u>Option (c) Export surplus sugar</u>

In the long run with imports running at their present level the maintenance of UK sugar marketing would require the export of between 200,000 to 300,000 tonnes. It is essential that the UK sugar market is managed so that this can occur and that there is a suitable Home Market for the output from both Tate and Lyle and the BSC. The unions also considered that the damage of former competition in rising years between Tate and

Lyle and BSC has greatly aggravated the problem. The Unions are therefore calling for a marketing arrangement between all parties. The Minister of Agriculture will have to seek a meeting to arrive at an understanding. The parties would be Tate and Lyle, BSC, trade unions, UK Government and perhaps the commonwealth sugar exporters. In theory all parties support the idea of a balanced UK market. It is time negotiations started to achieve this.

In the immediate period the unions recognise that this would require a change in the EEC rules and a recognition of the UK position in the EEC re-negotiations.

6.9. The Unions think that the Government have a strong case in Brussels to seek a change in the Rules to enable it to export from the UK an amount of sugar which, by and large is equivalent to the refined sugar imports from other EEC countries.

It would hardly be credible for EEC countries producing huge surplus sugar to object to the UK disposing of surplus sugar in order to balance its market due to the presence thre of EEC and Lome sugars.

It must also be considered that the regime being proposed by the Commission will produce at least 3 million tonnes per annum surplus. Over the next five years the Commission well know that it will cost taxpayers and consumers at least £1,000 million to dispose of these surpluses. The split between taxpayers and consumer will be about 50/50.

6.10. The Unions demand that the UK Government, the EEC Commission and the two UK producing companies take responsibility for surplus UK sugar, and integrate its disposal into the new EEC sugar regime currently being re-negotiated.

The Unions have various proposals for consideration by the Ministry as to how this short-term position could be covered and an agreement reached at EEC level.

APPENDIX 1

Numbers Employed in Sugar in ACP Supplying Countries

Country	Quota	Total Export earnings by Sugar Industry @ % of Total Export earnings	NO's employed including cane farmers
Barbados	49,300	36	7,500 + 9,600 smallholders
Belize	39,400	60	7,600
Fiji	163,600	76	41,700 (+ 25% Fiji Economically active people)
Guyana	137,700	40	38,000 (for total numbers in Guyanan industry x5)
Jamaica	118,300	10	50,000 (add 450,000 for dependants)
Mauritius	487,200	85	100,000 (25% of tota economically active people)
St. Kitts	14,800	69	6,000 (43% of total workforce - 50,000 would include all dependants
Swaziland	116,400	37	13,000 (with depend 80,000 os 14% of population)
Trinidad	69,000	1	8,900

APPENDIX 2

Contents of the letter received by the GMWU on Tate & Lyle offer of further five contracts.

12th February, 1981

BRITAIN'S SUGAR COMMITMENTS TO DEVELOPING COUNTRIES

OBJECTIVES

The developing countries which supply cane sugar to Britain are seeking the following:

1. The retention of Liverpool refinery; if this can be achieved. This would enable the British Government to fulfil all its commitments to the traditional cane suppliers. The remaining objectives apply whether or not Liverpool refinery is retained.

2. The prevention of further expansion of beet production in Britain at the expense of cane sugar.

3. The reaffirmation of Britain's continuing special responsibility to protect the interests of traditional cane suppliers at all times within the councils of the EEC.

4. A positive pledge that the market for cane sugar in Britain will be retained without further erosion in the future.

It is necessary to appreciate that the fact that commercial arrangement may be made to send the sugar now shut out from Britain to other destinations in the Community for five years can in no way relieve the British Government of its responsibilities towards cane sugar. First, the sugar Protocol to the Lome Convention is of indefinite duration whilst the commercial arrangements now proposed are for five years only Second, no other Member State of the Community has the special responsibilities towards cane sugar that the United Kingdom has. These responsibilities arise from history, from more recent assurances, and from the fact that only Britain has a substantial market for imported sugar and a significant refining industry.

The United Kingdom has guaranteed a market for cane suppliers since 1951. If the representations made by the supplying countries to British Ministers in 1979 and 1980 had been heeded this market would still exist. Now for the first time sugar from traditional suppliers is to be turned away. Britain cannot use this as a reason to seek to escape from its underlying continuing commitment to the exporting countries.

APPENDIX 3 THE EEC SUGAR REGIME 1975 TO 1980 AND THE NEW PROPOSALS

(1) Because of a shortage of sugar, which proved to be temporary, measures were taken at the beginning of the period by the EEC to encourage sugar production. The measures were successful. Consumption, however, fell.

Overall consumption amounted to 47 million tonnes.

Preferential imports from the "Lome" countries amounted to 6.6 million tonnes - the vast bulk of which came onto the U.K. market.

Residual demand for 40.4 million tonnes was supplied by sugar beet production of 55 million tonnes.

TABLE 1 shows the year by year figures.

TABLE 1

THE EEC'S SUGAR BALANCE SHEET 1975-80

'000 tonnes white sugar equivalent

Year Oct/Sept.	Production[2] Total:	of which "C"	of which within max. quota	Imports Total:	of which Preferential	Other	Exports (3rd countries)	Domestic[3] Consumption	Stock Change
1973/74	9,512	669	8,843	1,418	—	1,418	978	10,414	−570
1974/75	8,563	93	8,470	1,718	CSA568	560	17[1]	9,561	+535
1975/76	9,703	111	9,592	1,428	1,337	63	1,445	9,535	− 5
1976/77	10,003	183	9,820	1,444	1,417	27	1,696	9,036	+644
1977/78	11,527	808	10,719	1,354	1,327	27	3,508	9,442	−168
1978/79	11,714	804	10,970	1,221	1,189	32	3,214	9,507	+161
1979/80 (provisional)	12,274	1,432	10,842	1,430	1,358	72	4,123	9,548	− 78

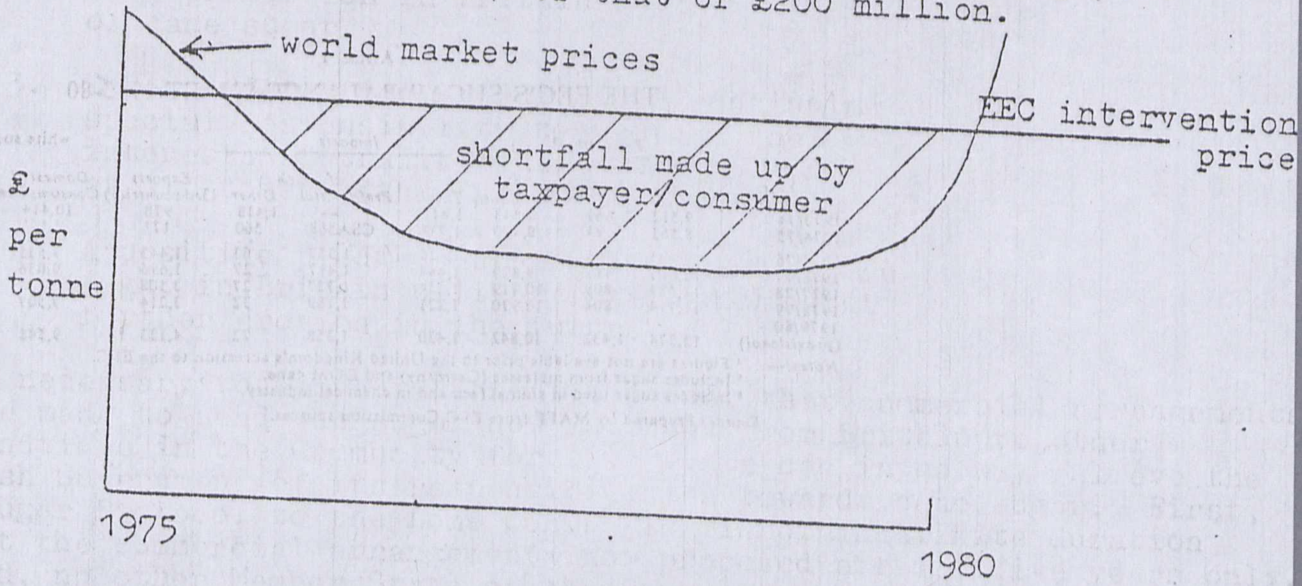
Notes:— [1] Figures are not available prior to the United Kingdom's accession to the EEC.
[2] Includes sugar from molasses (Germany) and DOM cane.
[3] Includes sugar used in animal feed and in chemical industry.

Source: Prepared by MAFF from EEC Commission sources.

(2) In other words EEC sugar procedures produced a sugar mountain of almost 15 million tonnes or 36.1% more than was needed.

(3) Under the Rules of the Regime, any quota surplus sugar exported onto the world market - and sold at world prices below EEC intervention prices - is eligible for a subsidy from the Common Agricultural Policy budget which is financed by the taxpayers in the EEC.

The proportion of quota sugar, out of the 15 million tonnes surplus, amounted to 12 million tonnes. It is a matter of record that it cost the taxpayer over £1 billion pounds in subsidies. The U.K. taxpayers' share was about 20% of that or £200 million.



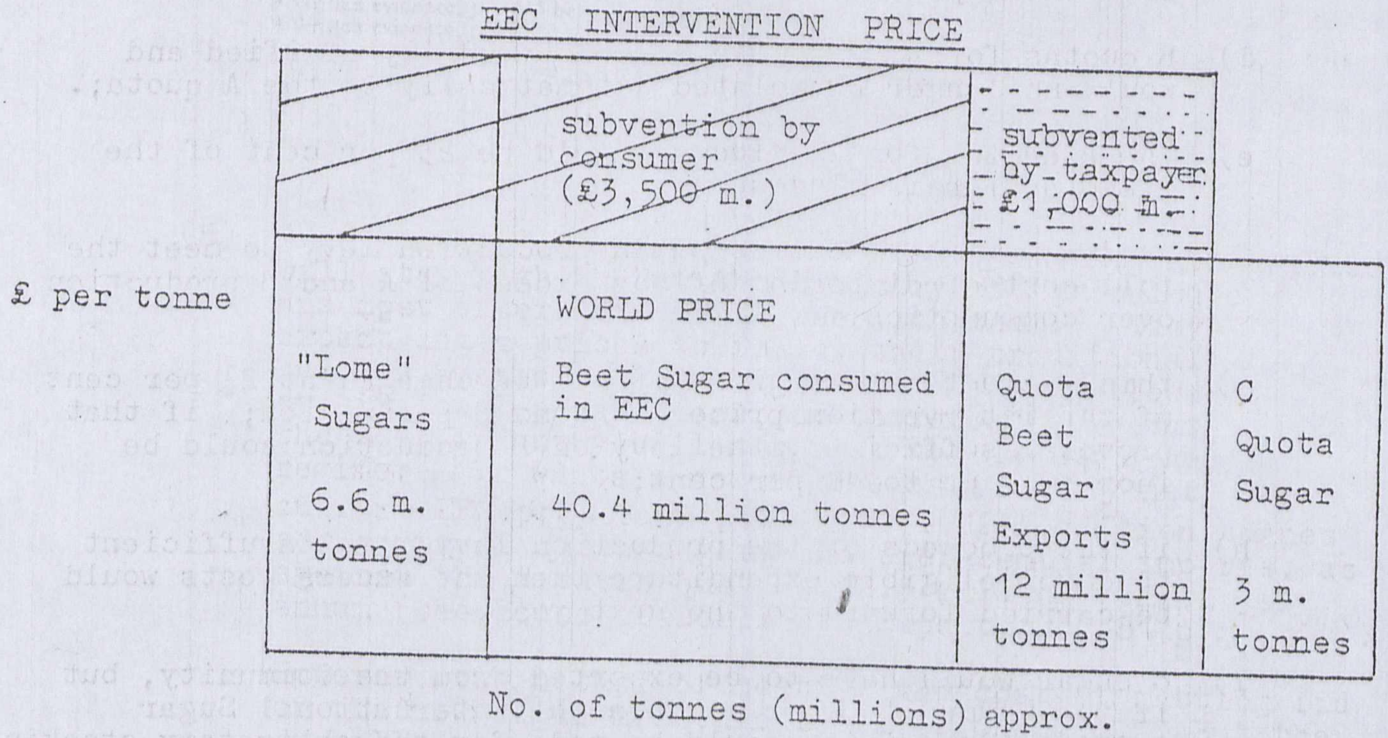
for illustration only

(4) However, that was not the total transfer from consumers/taxpayers to the producers.

Estimates vary as to the exact amount transferred from the consumers - who had to pay higher prices for most of the period - to the producers. The House of Lords EEC Select Committee 44th Report 1979/80 put the figure for £1,782 million for 1978 alone. Another EEC Commission estimate puts the figure at £50 per tonne or a total of £2,500 million for the entire period. GMWU estimates put the figure at about £3,500 million for the five years.

(5) Graphically, the situation can be represented as follows:

1975/1980 Sugar Regime



(6) Of the £3,500m subvention from consumer to producers, a total of £500 million was transfered to the "Lome" producers. Details are attached to this appendix. This came almost totally from the U.K. consumers. In round figures, the U.K. consumers put in about £870 million during the five years. Apart from the transfers to the Lome countries. A total of about £350 million was paid to the British beet sugar sector and the remainder went to other EEC beet producers.

(7) The EEC tried in 1979 to end the "cash" haemorrage which this wasteful regime involved. They proposed to cut production, and transfer some of the costs of subventions from taxpayer to consumer. This last point was proposed in order to escape the limit of EEC taxpayers funds that it had available. However, the producers would not agree to limit production, and the world price rose so it took off the pressure for a new agreement to limit spending. So the Council agreed to roll over the previous regime for a further year. The EEC Commission have made further proposals for adoption in July 1981. The House of Lords' report summarised the main features of the new proposals as follows:

a) there would be a single Regulation covering both sugar and isoglucose;

b) the total of A and B sugar qotas would be reduced from their current level of 11.6 million tonnes to 11.2 million tonnes (though this would not necessarily result in a reduction in output: see paragraph 12 below);

c) A quotas for both sugar and isoglucose would be unchanged from their present levels;

d) B quotas for sugar would be substantially modified and would no longer be related automatically to the A quota;.

e) the B quotas for isoglucose would be 23 per cent of the A quotas for isoglucose;

f) producers would have to pay a production levy to meet the full cost of disposing of any excess of A and B production over consumption;

g) this production levy would first be charged at 2½ per cent of the intervention price on A and B production; if that proved insufficient, the levy on B production could be increased up to 40 per cent;

h) if the proceeds of the production levy were insufficient to cover eligible expenditure then the excess costs would be carried forward to the next year;

i) C sugar would have to be exported from the Community, but if the Community were to join the International Sugar Agreement provision could be made for the obligatory stocking within the Community of C sugar;

j) the system of regionalized intervention prices would be abolished; and the national adaptation aids presently paid in Italy and the French Overseas Departments would be phased out;

k) refiners of preferential imports of cane sugar would no longer have to hold munimum stocks; and

l) the aids paid on Community-produced cane sugar would be abolished, and would be replaced by a transport subsidy at a similar total cost.

TABLE II shows the new quota proposals:

TABLE 2

Allocation of A and B sugar quotas to Member States

thousand tonnes

	A quota unchanged	*B quota "status quo"*	*A and B "status quo"*	*Proposed B quota*	*Proposed A and B*	*Proposed B quota as a percentage of A*
Denmark	328	90	418	97	425	29.5
Germany	1,990	547	2,537	611	2,601	30.7
France-Europe	2,530	696	3,226	759	3,289	30.0
France-Overseas	466	128	594	23	489	5.0
Ireland	182	50	232	9	191[1]	5.0
Italy	1,230	338	1,568	297	1,528	24.2
Netherlands	690	190	880	168	858	24.3
Belgium/Luxembourg	680	187	867	81	761	11.9
United Kingdom	1,040	286	1,326	52	1,092	5.0
EEC	9,136	2,512	11,648	2,098	11,234	23.0

Source: Commission text, annex 1.

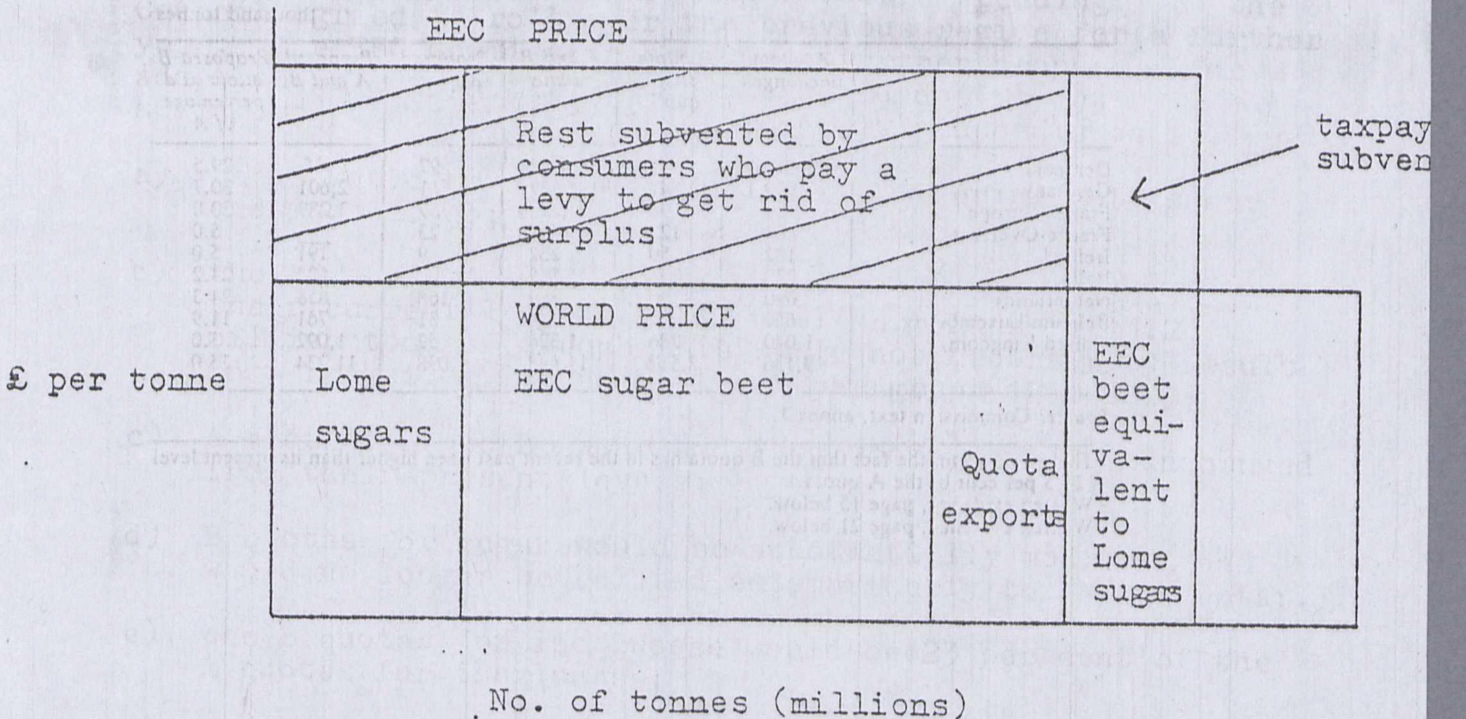
[1] This results from the fact that the B quota has in the recent past been higher than its present level of 27.5 per cent of the A quota.
[2] Written evidence, page 15 below.
[3] Written evidence, page 21 below.

(8) Some parts of the industry insist that world market prices will stay high. But the Ministry of Agriculture and most experts do not agree with them. They expect sugar prices to follow their traditional pattern - which is two high-price years followed by six lower-price years, or thereabouts. But the beet industry will not risk not having a new regime. It wants a new regime as a safety net. The current EEC proposals provide for 12.4 million tonnes per annum of quota sugars and preferential imports, as against the "status quo" of 12.3 million tonnes per annum (see House of Lords 8th Report 1980-81 page vii).

However, the method of meeting the cost of getting rid of the new sugar mountain is to be changed. But the overall cost will again be enormous.

Graphically, it can be shown as follows:

<u>Next 5 years' Regime</u>



The Financial Benefit to ACP Suppliers of Protocol 3

Calendar Year	A Average World Price (weighted av. LDP)	B Average Price Paid on EEC Quota, incl. MCA	Difference (B-A) per tonne	x 1.3m. tonnes = £ m
1975	216.44	210.44	(6.30)	(8.19)
1976	153.78	182.65	28.87	37.53
1977	114.80	210.76	95.96	124.75
1978	100.76	220.14	119.38	155.19
1979	114.48	217.76	103.28	134.26
1980	291.52	210.04	(81.48)	(105.92)

Sources: A C. Czarnikow Ltd. reports
B ACP Secretariat, except 1980 (T&L estimate)

APPENDIX 4

Competitive Disadvantage of TLR against BSC

£/Tonne White

		B.S.C.	T.L.R.
	Net realised price, standard quality sugar, naked ex factory	265	267
(A)	Premium over U.K. Intervention Price	6.4	8.4
	U.K. Gross Intervention Price	258.6	258.6
(B)	Processing Margin (for BSC) or Refining Margin (for TLR) allowed by EEC	116.3	43
	Minimum Price for raw material (beets for BSC, ACP raws for TLR)	142.3	215.6
	Total Margin available, to cover premium to suppliers, costs (excluding packing and delivery) and profit (A + B)	122.7	51.4

The resulting profit element leaves a much higher profit per tonne to BSC than it does to TLR.

APPENDIX 5

TATE AND LYLE REFINERIES (FINANCES)

		SEPT 1976	SEPT 1977	SEPT 1977	SEPT 1978	SEPT 1980
1.	U.K. Sugar Refining Profit (£'m)	£6.6	£9.9	£1.2	£5.4	£5.6
2.	Capital Employed (at year end) £'m					
	Fixed Assets	34.0	69.6	64.8	59.0	56.7
	Working Capital	8.2	0.1	(0.5)	0.7	3.9
	TOTAL	42.2	69.7	64.3	59.7	60.6
3.	Profitability of Liverpool Refinery (£'m)			(0.2)	(3.4)	(1.8)

4. Loss of Liverpool Refinery

	SEPT 1980 £/TONNE
Selling Price	324.6
Cost of Raw Sugar	(235.9)
Cost of Packing Materials	(5.7)
Refinery Costs	(65.7)
Distribution, Marketing and Selling and Central Costs	(24.6)
	7.3)
Sales (W.S.E. 000 tonnes)	248
Loss (£m)	£(1.8)

5. Cost of Excess Capacity in 1980/81 Assuming Demand of 1.05m tonnes

	000 Tonnes
Total Capacity	1340
Demand	1050
Surplus Capacity	290

	London	Liverpool	Scotland
1979/80 Fixed Costs per tonne at full capacity	£31	£51	£40
Weight-averaged Fixed cost		£36.4	
Surplus capacity x weight average fixed cost		£10.6m	

David Basnett

(1) The Government cannot wash its hands of what happens in the sugar industry. Whether the Government like it or not, it is involved

a) As a signatory to Lome

b) As part of the Council of Ministers which fixes sugar prices, profit margins, subsidies, etc. in the EEC.

c) As a major shareholder in British Sugar Corporation.

(2) There are real problems with the balance struck by the Government. These are detailed in the unions' joint document (See Chapter 2 and 6).

(3) The Government's new sugar policy is not viable.

a) One bad harvest will scupper the entire strategy and lead to even more damaging instability

b) No account is taken of longer term considerations. When the EEC apply to join the International Sugar Agreement, the sugar mountain will be cut. There will have to be further quota cuts and Britain will not be able to insist that everybody else cuts except us. For both these reasons, it would make sense to keep a margin of safety - equivalent by and large to refined sugar imports - for export.

(4) This Government has taken a hard line in the country, on the inbalance between what the U.K. pays in and what it gets out of the Common Market. In sugar, the last regime cost the taxpayer in the U.K. at least £200 million. That money was spent to get rid of other people's surpluses. In addition, the regime cost the U.K. consumer a further £870 million more than it might, had there been a free market. So more money was put in than was spent rescuing British Leyland. The new regime for the next five years will be no different, or no less costly,

except the balance of funding will change between taxpayers and consumers. But over the next five years the U.K. will spend at least £100 million of taxpayers' money getting rid of other people's surpluses. The GMWU have come up with an EEC scheme which would cost at the maximum £20 million over the next five years getting rid of U.K. surplus beet sugar. In other words, the GMWU are asking the Government to spend part of our own money to save our own jobs and have a safety margin in case of a bad harvest. The U.K. will still put in, in net terms, over £80 million which will still be far more than the net contribution of France, Germany etc.

(5) There is a way of doing it, by changing the small print in the EEC Rules. The Minister cannot argue that the Rules are logical or fair. Like other things, EEC-wise they owe a fair bit to horsetrading. If the Regional Intervention Premium, for example, was put up from £7.50 to £20.00 per tonne, it would solve the problem. This is because Tate & Lyle have already said they would be prepared to contract to buy and export up to 300,000 tonnes per annum of U.K. beet sugar. That would help the balance of payments also.

(6) If Tate & Lyle are prepared to clear the surplus, why should the Government not try to help them do it - using EEC funds.

(7) The Government would

a) be able to take the credit for saving jobs in Merseyside by getting a better deal in Brussels

b) be able to take the credit in the Commonwealth for saving the Lome "bridge" which Tate & Lyle represent. The possible instability that might result to Lome countries in the long run, by trying to sell unwanted Lome sugar in France - coals to Newcastle - can be thus avoided.

c) About £20 million of public expenditure can be saved. That the costs - all added up and itemised by the unions - of shutting the place.

d) Ensure that there was a safety margin in the event of a poor U.K. beet harvest.

e) Be in a better position to join the International Sugar Agreement.

f) Create the conditions for much needed investment in the U.K. cane sugar sector.

(8) Merseyside needs a lift. The Government should look again. It should examine the joint union analysis and consider the GMWU's suggested mechanism. The union can expand on its proposal if needed.

(9) Finally, the Minister did not correctly inform the House about the veto. The legal basis of the current quotas expire on 30th June 1981. Without express agreement in the Council there will be no legal basis after that for any quota system. The Minister does have a veto and should be prepared to use it - if the beet lobby will not agree to his proposal on U.K. exports. After all, the beet lobby really want quotas. Over the next few years if there were no quotas the sugar mountain would rapidly disappear. It would save the taxpayers a fortune. So the Minister should use the veto if necessary to overcome any opposition from the beet lobby to get a better deal for the U.K.

RE-EXPORT OF ACP SUGAR

NOTE FOR THE PRIME MINISTER

1. It is understood that Lord Jellicoe has told the Prime Minister that Lome commitments prevent the re-export of refined cane sugar. In fact, neither the Lome Convention nor the sugar protocol made under it, which governs imports of sugar from the ACP countries, prevents the re-export of sugar refined from ACP raw imports. We understand, however, that in their commercial contracts with individual ACP suppliers Tate and Lyle have voluntarily undertaken not to export such sugar. These contracts expire in 1982 and it is for Tate and Lyle to decide whether to accept a similar commitment in future.

2. The Prime Minister may wish to note that when the Trade Unions representing workers at Tate and Lyle's Liverpool refinery talk of the need for exports, they refer essentially to the possibility of increased exports of beet sugar produced by the British Sugar Corporation, so as to make more room for cane sugar on the UK market. When they talk of a joint venture in exports between BSC and Tate and Lyle they are probably thinking of arrangements under which Tate and Lyle, who have more experience of world markets, would handle the export of BSC beet sugar, with some sharing of the cost between the two companies. The main difficulty of either approach is that exported beet sugar realises less than sales on the UK market, to an extent estimated by Tate and Lyle at £15 per tonne, and this loss would represent a heavy burden for the company or companies which bore it.

McDonald House,
Clayton Square,
Liverpool L1 1HN

Liverpool Welfare Rights Resource Centre

Telephone 051-709-0504.

The Cost to the Taxpayer of the Closure at Tate & Lyle's Love Lane Plant at Love Lane

The following calculations detail the direct cost to the state of the closure of Tate & Lyle's plant at Love Lane in Liverpool. The jobs lost from redundancies (including consequential redundancies) amount in total to about 3049 and the cost in the first year alone will come to over £14 million at 1981 prices. In the long term the closure of the plant will create a direct social cost to the state of nearly £50 million.

The estimates in this report are minimum ones since they exclude costs arising outside Merseyside , the loss of possible corporation tax , loss of VAT , and the increase in social malaise (e.g. suicide rates) known to be associated with higher unemployment. These costs are difficult to quantify precisely but they will inevitably swell the social costs involved in the closure. The costs quoted are also underestimates in another sense in view of the fact that in coming years the problem of long-term unemployment will continue to grow. We will see many more long-term unemployed who will be unemployed for increasing periods. A measure of the growth of long-term unemployment can be gained for Merseyside from the unemployment statistics -- in 1978 20% of the unemployed had been without work for over two years ; by 1980 the proportion without work for this period of time had risen to nearly a third .

The costs included in this report involve loss of tax and national insurance revenue, redundancy and social security payments and the loss of commercial rates. An estimate is also given of the costs of additional redundancies created in related sectors amongst Tate & Lyle's suppliers and by the reduction in purchasing power consequent on the closure.

This report has been prepared by Liverpool Welfare Rights Resource Centre at the request of the trades unions involved.

February 1981

Summary - The Costs to the State of the Closure (at 1981 prices)

(a) Costs in the first year

	£millions
Redundancy Payments	4.00
Loss of National Insurance Contributions	1.53
Loss of Income Tax	2.50
Social Security Payments	6.22
Loss of Commercial Rates	0.18

Total cost in first year....... £ 14.43 million

(b) Costs after five years

Redundancy Payments	4.00
Loss of National Insurance Contributions	6.13
Loss of Income Tax	9.90
Social Security Payments	18.40
Loss of Commercial Rates	1.12

Total in first five years.......... £ 39.55 million

(c) Costs overall

Redundancy Payments	4.00
Loss of National Insurance Contributions	7.39
Loss of Income Tax	12.00
Social Security Payments	23.04
Loss of Commercial Rates	1.12

Total costs overall................ £ 48.72 million

REDUNDANCY PAYMENTS

MEN WORKERS AT TATE & LYLE (1)

Average length of service - 25 years

Average age - 45 years

Average Gross wage - £120 per week

Tate & Lyle's Statutory Redundancy bill
= £(120 x 1½ x 1180 x 20) = £4.3 million

Cost to State Redundancy fund
5.3m x 0.615 = £2.6 million

(b) WOMEN WORKERS AT TATE & LYLE (1)

Average age - 40 years

Average length of service - 22 years

Average wage - £85

Tate & Lyle's redundancies bill
= £(85 x 1 x 20 x 400)
= £0.7 million

Cost to state = £0.7 x 0.41 = £0.3 milliom

(c) Consequential Redundancies

Regional multiplier (2) for sugar indistries = 0.93
Consequential Redundancies = 0.93 x 1580 = 1469
Average age (3) = 44.8 years. Average (3) length of service = 9.1 years
Average wage (4) = £90.48 per week

Total Redundancy payments
= £(90.48 x 9 x 1½ x 1469) = £1.8 million

Cost to state = £1.1 million

Summary

Total cost to state of redundancy payments = £4 million

(1) Figures supplied by unions at Tate & Lyles

(2) Consequential redundancies represent the additional loss of employment in Merseyside as a result of the closure at Tate and Lyles (eg among suppliers and service industries). The regional multiplier (i.e. 0.93) for the sugar industry gives the ratio of consequential redundancies to primary redundancies. The source for this is a study commissioned by Merseyside County Council in 1975 from the Centre for Environmental Studies.

(3) Figures derived from DoE Gazette Sept 1978

(4) Figures from Labour Research

ENDIX 2

ATI AL INSURANCE LOSSES

Lower Earning Limit = £23.00

Men's earnings = 120 = £97 net of LEL

Women's " = 85 = £62 net of LEL

	Contribution rate	
	Employee	Employer
Tate's employee's (contracted out)	6.75 up to LEL +4.25 thereafter	10.2 up to LEL 5.7 thereafter
59% of consequential redundancies are assumed to be contracted in [1]	6.75 all earnings	10.20 all earnings
Married women at Tate's (30% of female workforce) [2]	2% all earnings	"

N.I. LOSSES

	For contracted out employees		Contracted in employees		For married women paying reduced contributions		For contracted out women	
	Employees	Employers	Employees	Employers	Employees	Employers	Employees	Employers
In 1st year	£0.3m	£0.5m	£0.2m	£0.4m	–	£0.01m	£0.05m	£0.07m
In 2nd year	£0.3m	£0.4m	£0.2m	£0.3m	–	£0.02m	£0.06m	£0.08m
In 3rd year	£0.3m	£0.4m	£0.2m	£0.3m	–	£0.02m	£0.06m	£0.09m
In 4th year	£0.2m	£0.3m	£0.1m	£0.2m	–	£0.01m	£0.05m	£0.08m
In 5th year	£0.2m	£0.3m	£0.1m	£0.2m	–	£0.01m	£0.05m	£0.07m
5-10 years	£0.2m	£0.3m	£0.1m	£0.2m	–	£0.02m	£0.06m	£0.08m
After 10	£0.1m	£0.1m	–	£0.1m	–	–	–	–

(in million £'s)

cont/........

APPENDIX 2

NATIONAL INSURANCE LOSSES

Lower Earning Limit = £23.00

Men's earnings = 120 = £97 net of LEL

Women's " = 85 = £62 net of LEL

	Contribution rate	
	Employee	Employer
Tate's employee's (contracted out)	6.75 up to LEL +4.25 thereafter	10.2 up to LEL 5.7 thereafter
59% of consequential redundancies are assumed to be contracted in [1]	6.75 all earnings	10.20 all earnings
Married women at Tate's (30% of female workforce) [2]	2% all earnings	"

N.I. LOSSES

	For contracted out employees		Contracted in employees		For married women paying reduced contributions		For contracted out women	
	Employees	Employers	Employees	Employers	Employees	Employers	Employees	Employers
In 1st year	£0.3m	£0.5m	£0.2m	£0.4m	-	£0.01m	£0.05m	£0.07m
In 2nd year	£0.3m	£0.4m	£0.2m	£0.3m	-	£0.02m	£0.06m	£0.08m
In 3rd year	£0.3m	£0.4m	£0.2m	£0.3m	-	£0.02m	£0.06m	£0.09m
In 4th year	£0.2m	£0.3m	£0.1m	£0.2m	-	£0.01m	£0.05m	£0.08m
IIn 5th year	£0.2m	£0.3m	£0.1m	£0.2m	-	£0.01m	£0.05m	£0.07m
5-10 years	£0.2m	£0.3m	£0.1m	£0.2m	-	£0.02m	£0.06m	£0.08m
After 10	£0.1m	£0.1m	-	£0.1m	-	-	-	-

(in million £'s)

cont/.......

National Insurance Losses

Summary

National Insurance loss to state:

In the 1st year	£1.53 million
After five years	£6.13 million
Overall	£7.39 million

(1) Percentage derived from GMWU pamphlet "Pensions"

(2) Projection derived from White Paper "Better Pensions"

(3) Contribution loss is derived using unemployment duration table

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3.

LYLES - PROJECTED LENGTH OF UNEMPLOYMENT (1)

PERIOD OF UNEMPLOYMENT	AVERAGE DURATION OF UNEMPLOYMENT	MALE		FEMALE	CONSEQUENTIAL(2) REDUNDANCIES	
		MARRIED(3)	SINGLE		MARRIED(3)	SINGLE
Less than 1 week	½ week	9	3	5	11	4
1 - 2 weeks	1½ weeks	16	6	8	20	8
2 - 4 weeks	3 weeks	18	7	9	22	9
4 - 6 weeks	5 weeks	23	9	12	29	11
6 - 8 weeks	7 weeks	28	11	12	35	14
8 -13 weeks	10½ weeks	84	32	32	103	41
3 -26 weeks	19½ weeks	165	64	62	205	80
6 -39 weeks	32½ weeks	125	49	42	155	61
9 -52 weeks	45½ weeks	85	33	30	106	41
2 -65 weeks	58½ weeks	49	19	21	61	24
5 -78 weeks	71½ weeks	44	17	20	55	21
8 -104 weeks	91 weeks	57	22	26	70	28
4 -156 weeks	130 weeks	75	29	42	93	36
- 4 years	3½ years	18	7	20	22	9
- 5 years	4½ years	17	6	18	21	8
- 10 years	7½ years	29	12	33	37	14
0+	10 years	9	3	10	11	4
	TOTAL:	1180		400	1469	

) Figures derived from figures supplied by Employment Services Agency for Liverpool Inner District for January 1981. Figures for over 152 weeks derived from the Supplementary Benefit Review Background papers 1975.

) Based on the Regional multiplier for consequential redundancies caused by redundancies in the sugar industry.

) Ratio married to single workers derived from Social Trends 1980.

INCOME TAX

Tax allowance

Married Tax Payers (=71.8% of male employees)(1) £2,145

Single Tax Payers (=28.2% of male employees) £1,375

Average wage £120

Women Married Tax Payers (67% of female employees)(2))

Single Tax Payers (33% of female employees)) £1,375

Average wage £85

At a tax rate of 30%

Married man - weekly tax paid $= \frac{(120 - 41.25) \times 30}{100} =$ £23.63 per week

Single man " $= \frac{(120 - 26.44) \times 30}{100} =$ £28.07 per week

Woman " $= \frac{(85 - 26.44) \times 30}{100} =$ £17.57

INCOME TAX LOSS

	Married men	Single men	Women
In 1st year	£1.5m	£0.7m	£0.3m
In 2nd year	£1.4m	£0.7m	£0.3m
In 3rd year	£1.2m	£0.5m	£0.3m
In 4th year	£0.8m	£0.4m	£0.3m
In 5th year	£0.8m	£0.4m	£0.3m
5 - 10 years	£0.9m	£0.4m	£0.3m
For years after 10th	£0.3m	£0.1m	£0.1m

(in million £'s)

Summary

Income tax loss to state:

In 1st year - £2.5 million;

After 5 years - £9.9 million

Overall - £12.0 million

) Percentage from National Dwelling and Housing Survey 1978 - figures adjusted from household size to family size.

) Percentages derived from Social Trends 1980.

) The figures for tax loss are derived using the unemployment duration table.

APPENDIX 5

Family Size-City of Liverpool

Single Person		38.19%
Married Couples, No Children		35.64%
"	1 "	10.31%
"	2 "	8.14%
"	3 "	4.20
"	4 "	2.10
"	5 "	1.43%

Source- National Dwelling + Housing Survey 1978 (adjusted to family size.)

RENT & WELFARE PAYMENTS ACCORDING TO FAMILY SIZE

	AVERAGE RENT + RATES(1)	FLAT RATE UNEMP.BEN	EARNINGS RELATED SUPP.(2)	ENTITLEMENT TO SUPP.BEN (3)	RENT + RATE REBATES
	£	£	£	£	£
SINGLE WORKER (HOUSEHOLDER)	21.42	20.65	9.90	43.40	14.32 ERS 17.59
SINGLE WORKER (NON-HOUSEHOLDER)	2.15	20.65	9.90	19.20	
MARRIED WORKER NO CHILDREN	21.42	33.40	9.90	56.70	15.62 ERS 18.89
MARRIED WORKER ONE CHILD	21.42	34.65	9.90	60.45	16.31 ERS 19.79
MARRIED WORKER TWO CHILDREN	21.42	35.90	9.90	64.20	16.96 ERS 19.27
MARRIED WORKER THREE CHILDREN	21.42	37.15	9.90	67.95	17.61 ERS 19.79
MARRIED COUPLE FOUR CHILDREN	21.42	38.40	9.90	71.70	18.26 ERS 19.79
MARRIED COUPLE 5+ CHILDREN (AVE. 6 CHILDREN)	21.42	40.90	9.90	79.20	19.79 ERS 19.79

(1) £21.42p is the average rent & rates (rent £14.27, rates £7.15) for a Liverpool Council dwelling (assuming 25% domestic rent increase in April). Source City of L'pool Housing Dept.
(2) Gross pay for 1979/80 estimated at £100 p.w. gross for male worker. (3) Assumed an average of £1.40 heating addition paid + 10p other addition. (63% of claimants in receipt of H.A. on 12/11/79).

Social Security Payments

Estimated non-claimants - (spouse working)

Single non-householders - Number among redundancies in workforce[1] = 157

	Un. Ben	Rent & Rate Rebates	Supp. Ben
After 1 year	£0.1m	-	-
After 2 years	£0.1m	-	-
After 3 years	£0.1m	-	-
After 4 years	£0.09m	-	-
After 5 years	£0.08m	-	-
After 5-10 yrs	£0.09m	-	-
Over 10 years	£0.03m	-	-

Single householders - number among redundancies in workforce - 716

	Un. Ben	Rent & Rate Rebates	Supp Ben
After 1 year	£0.5m	£0.2m	£0.3m
After 2 years	-	-	£0.8m
After 3 years	-	-	£0.7m
After 4 years	-	-	£0.6m
After 5 years	-	-	£0.6m
After 5-10 yrs	-	-	£0.6m
Over 10 years	-	-	£0.15m

Married No Children - Number among redundancies in workforce - 1247

	Un. Ben	Rent & Rate Rebates	Supp Ben
After 1 year	£0.8m	£0.3m	£1.14m
After 2 years	-	-	£2.2m
After 3 years	-	-	£1.7m
After 4 years	-	-	£1.3m
After 5 years	-	-	£1.3m
After 5-10 yrs	-	-	£1.6m
Over 10 years	-	-	£0.5m

Married 1 child - number amongst redundancies in workforce - 372

	Un. Ben	Rent & Rate Rebate	Supp Ben
1st year	£0.3m	£0.1m	£0.3m
2nd year	-	-	£0.7m
3rd year	-	-	£0.5m
4th year	-	-	£0.3m
5th year	-	-	£0.3m
5-10 yrs	-	-	£o.5m
Over 10	-	-	£0.1m

Married 2 children - number among redundancies in workforce - 284

	Un. Ben	Rent & Rate Rebate	Supp Ben
1st year	£0.2m	£0.07m	£0.3m
2nd year	-	-	£0.5m
3rd year	-	-	£0.4m
4th year	-	-	£0.3m
5th year	-	-	£0.3m
5-10 yrs	-	-	£0.3m
Over 10	-	-	£0.1m

Married 3 children - number among redundancies in workforce - 175

	Un. Ben	Rent & Rate Rebate	Supp Ben
1st year	£0.1m	£0.05m	£0.2m
2nd year	-	-	£0.4m
3rd year	-	-	£0.3m
4th year	-	-	£0.2m
5th year	-	-	£0.2m
5-10 years	-	-	£o.2m
Over 10	-	-	£0.06m

...ed 4 children - number among redundancies in workforce - 66

	Un. Ben	Rent & Rate Rebate	Supp Ben
1st year	£0.05m	£0.02m	£0.07m
2nd year	-	-	£0.1m
3rd year	-	-	£0.1m
4th year	-	-	£0.08m
5th year	-	-	£0.08m
5-10 yrs	-	-	£0.09m
Over 10 yrs	-	-	£0.03m

Married 5 children - number among redundancies in workforce - 44

	Un.Ben	Rent & Rate Rebate	Supp Ben
1st year	-	-	£0.1m
2nd year	-	-	£0.1m
3rd year	-	-	£0.08m
4th year	-	-	£0.06m
5th year	-	-	£0.06m
5-10 yrs	-	-	£0.06m
Over 10 yrs	-	-	£0.02m

Summary

1st year's social security payments

Unemployment benefit	-	£2.05 million
Rent & Rate rebates	-	£1.37 million
Supp Ben	-	£2.41 million
Estimated single payments	-	£0.04 million
		£5.87
Admin		0.35
TOTAL		£6.22 million

cont/.......

1st 5 years social security payments

Unemployment benefit	-	£2.05m
Rent & Rates rebate	-	£1.37m
Supplementary Benefit	-	£13.67m
Estimated single payments	-	£0.27m
		£17.36m
Admin		1.04m
		£18.40m

Overall social security payments

Unemployment benefit	-	£2.05m
Rent &nRate rebates	-	£1.37m
Supplementary benefit	-	£17.98m
Estimated single payments	-	£0.34m
		£21.74 million
Admin		£1.30 m
		£23.04 million

...DIX 8 – Loss of Commercial Rates

Current rates payable now

...tory – £378,000

Transport Premises – 23,762

391,762

+ 20% (estimated) increase from 1/4/81 – 78,353

Annual rate from 1/4/81 if factory remained open – 470,115

Rates Loss During 1st Year

...st 6 months (whilst emptying factory) – –

...ext 3 months (free rates)

...ext 3 months (50% rates payable) – £117,529

58,765

£176,294

...ate Loss During 1st 5 years

...oss in first year (as above) – £176,294

...oss in 2nd, 3rd, 4th & 5th year = (50%x4x470,115)

940,230

£1116,524

...tes Loss During 1st 10 years

...s in first 5 years – £1,116,524

...s in second 5 years – 1,175,228

£2,292,812

Rh

10 DOWNING STREET

From the Private Secretary

27 February, 1981

I enclose a letter the Prime Minister has received from Sir Trevor Jones, the Leader of the Liverpool City Council. The Prime Minister is unlikely to agree to meet Sir Trevor Jones and his proposed delegation; but I would be grateful for advice on how the Prime Minister might respond to points 1, 2 and 3 in his letter - which I can then incorporate in a reply for the Prime Minister to send. I should be grateful for this by Tuesday evening because these points should be raised by a delegation of Conservative MPs who are coming to see the Prime Minister on Wednesday evening.

I am sending a copy of this letter and its enclosure to Ian Ellison (Department of Industry). Please could he provide advice on point 4 in the letter by the same deadline.

T. P. LANKESTER

D Edmonds, Esq
Department of the Environment

Overseas Aid
T2

SUBJECT.

CONFIDENTIAL

JS

cc. Master set.

10 DOWNING STREET

From the Private Secretary

25 February 1981

Dear Kate

PRIME MINISTER'S MEETING WITH MR. BOB PARRY, MP: 23 FEBRUARY 1981

As you know, the Prime Minister met Mr. Bob Parry, MP at 10 Downing Street at 2130 on 23 February. Sir Brian Hayes and Ian Gow were also present.

Mr. Parry presented the Prime Minister with two new documents, one of which had been drawn up by three of the unions involved and the other by the Liverpool Welfare Rights Resources Centre. Sir Brian Hayes took those documents away at the end of the meeting and undertook to show them to your Minister.

Mr. Parry said that his constituency was suffering an unemployment rate of 50 per cent. He had taken part in many meetings over the past few days on the future of the Tate and Lyle refinery, and now felt bitter and frustrated. Tate and Lyle had been refining sugar in Liverpool for more than 130 years and had indeed begun their activities in the city. He hoped that a way out could be found which would avoid the closure. It might, for example, be possible to build a new refinery nearer the docks with financial help from the County Council and the Government. He had also had raised with him the possibility of your Minister fighting for an increase in the Regional Intervention Premium, from the present level - which he understood to be £7.50 per tonne - to £20 per tonne. The cost of such a measure would be borne by the EEC budget. What was needed was an initiative which would enable Tate and Lyle to export sugar profitably. He understood that this objective might also be achieved by raising the intervention price. He said that Bishop Shepherd had made the point at one of the meetings that there was a great danger of social disruption spreading in Liverpool. He himself sensed that possibility in the docklands and in Liverpool 8.

Sir Brian Hayes said that any proposal to subsidise the export of sugar from Britain would be seen to be a distortion of trade. If it was financed by the British Government, it would be held to be an illegal national aid by the Community. He also thought that the suggestion of raising the intervention price was not workable. He said that the essential problem was surplus refining capacity in this country. Tate and Lyle

/ could refine

JS

could refine 1.1 million tonnes a year in their other two refineries. They were contracted to buy 1.225 million tonnes, and were actually taking 1.18 million tonnes. Overall, they had surplus capacity of 300,000 tonnes, which was losing them £10 million a year. Their United Kingdom refining had made a profit of only some £5 million on a turnover of £375 million last year.

Mr. Parry said that, in his view, there should now be a joint meeting between the Government, Tate and Lyle, the British Sugar Corporation, all of the unions involved, and the cane producing countries, to see if there was any possible way of saving the refinery. The Prime Minister said that the problem was essentially one of surplus capacity. The question was when would be the best time to make any changes. In her view, now was the worst time.

Sir Brian Hayes said that Tate and Lyle had laid down two possible conditions for keeping the refinery open. The first was to reduce the beet quota to 936,000 tonnes. That would necessitate the closure of three or four more beet factories in addition to those already proposed for closure. Everyone, including the unions, was opposed to that suggestion and it could be ignored. Tate and Lyle's alternative proposal was that BSC should export sugar over the figure of 936,000 tonnes. That would cost them something like £3 million a year, and the Government had no power to force them to incur such losses.

Mr. Parry suggested that your Minister might talk to sugar users, for example in the confectionary and biscuit industries, to persuade them to use less imported sugar. He said that he understood that they were importing sugar from India and the United States of America. Sir Brian Hayes said that imports to Britain from the European Community were running at some 150,000 tonnes a year. Firms in this country argued that they needed a second source of supply, given the problems of shortage which had arisen in recent years. Tate and Lyle had in the past imported sugar from non-ACP countries for the re-export trade. That trade no longer existed because there was now no margin between the world prices of raw and refined sugar. The decisions which had to be taken by Tate and Lyle and BSC were essentially commercial decisions for the companies themselves.

Mr. Parry said that he still hoped that there could be a breathing space, perhaps until the beginning of June. He said that the Liverpool workers themselves recognised that there was no chance of carrying on with the present labour force. They were prepared to reduce the labour force from 1600 to something like 1100 or 1200, if that would keep the Tate and Lyle presence in Liverpool.

He asked about the possibility of Beresford's exporting sugar. Sir Brian Hayes said that the Monopolies and Mergers

/ Commission

Commission report would be available very shortly and that it was not possible to comment on Beresford's position at this stage. It was, however, difficult to see why the facts of the situation should change, whatever the position about the ownership of BSC.

Mr. Parry said that the closure of the Liverpool refinery would mean a rate loss of £0.5 million a year and a loss of £1 million a year to the Mersey Docks and Harbour Company. It would also mean 70 more dockers would be surplus to requirements. The Liverpool workers would be prepared to do anything to keep the refinery open. He feared, however, that closure would lead to industrial disputes, perhaps involving the dockers. He hoped desperately that there could be more breathing space to re-examine all the options.

Sir Brian Hayes said that your Minister would want to look at the new documents, but the decision was really up to Lord Jellicoe and the Board of Tate and Lyle. The Prime Minister said that the Government would look at the documents. She was worried that, while it was undeniable that we had excess refining capacity, the closure was going ahead at this stage. The company had been offered Industry Aid assistance, but had declined it. They had no need of new capacity. The Government had fought to save Bowaters, and had only failed at the very last stage, but in this case there simply was not the sugar to refine.

Closing the meeting, the Prime Minister said that she would raise the matter with Lord Jellicoe when she saw him on 25 February, but she could not be optimistic about the prospects.

I am copying this letter for information to Ian Ellison (Department of Industry), John Wiggins (HM Treasury), Richard Dykes (Department of Employment) and Sue Unsworth (Overseas Development Administration).

Yours ever
Nick Sanders

Miss Kate Timms,
Ministry of Agriculture, Fisheries and Food.

cc: Mr. Gow
Miss Stephens

MR. LANKESTER

TL

Malcolm Thornton, MP, telephoned about Tate & Lyle.

I understand that the Prime Minister has already had a word with Mr. Thornton about the Tate & Lyle issue and has agreed to see him with (he says) one or two other Conservatives.

Mr. Thornton has obtained a copy of a letter to the Prime Minister from Councillor Sir Trevor Jones, Leader of Liverpool Liberals, about Tate & Lyle. He is most anxious that the Prime Minister should not reply to the letter before she has seen him and his colleagues. He hopes that it may yet prove possible for her to follow up one or two of the suggestions in Jones' letter, but he would like this to be seen to happen clearly in response to Conservative representations, and not in response to Jones' who is breaking out of the All-Party approach on these matters.

I assume that the letter has come to you, as neither Nick nor I have seen it. Mr. Thornton will be telephoning Caroline tomorrow to try to pencil in a meeting time.

The Prime Minister also had a word with Lord Jellicoe at lunchtime today about the Tate & Lyle position. He apparently impressed upon her that the ultimate constraint was an EEC (? Lomé Convention) commitment which prevents us from exporting refined cane sugar. The Prime Minister agreed to have a meeting with Lord Jellicoe and the Minister of Agriculture when she gets back from America to pursue this. I have warned MAFF of this, but we should perhaps set this up as early as possible next week. It would presumably also be sensible to have Mr. Walker or another Agriculture Minister present when the Prime Minister sees Mr. Thornton and his colleagues.

MP

25 February 1981

10 DOWNING STREET

Nick.

Ld Jellicoe's number is 626. 6525 re tomorrow - private word.

CP.

24/2

MFJ

23 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 20 February, which I will place before her at once. You will be sent a reply as soon as possible.

NJS

Councillor N.C. Goldrein

Rt

FROM THE OFFICE OF THE LEADER OF THE CITY COUNCIL
P.O.BOX 88
MUNICIPAL BUILDINGS,
LIVERPOOL, L69 2DH.

Telephone: 051–227 3911 Ext. ~~600~~ 35

23rd February 1981

The Right Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London. W.1.

Dear Prime Minister,

Thank you for your letter dated 16th February. I do of course understand your wish that our approach on the Tate and Lyle's issue should be made in the first instance to the Minister for Agriculture, and indeed Mr. Walker was kind enough to make immediate arrangements to that effect and, as you will know, the meeting took place last week.

After listening to the points made by the large and fully representative delegation the Minister unfortunately gave it as his considered opinion that it would not be appropriate for the Government to intervene in what was essentially from his point of view a commercial matter. The matter was I know debated in the House of Commons the same evening, when the questions of the beet sugar quota and possible financial assistance to Tate and Lyles were ventilated.

Turning, if I may, to the broader context within which this closure is experienced in Liverpool, the facts are that since 1976 34,500 people have been made redundant in Liverpool. I know that the Government acknowledges the especially serious effect of the recession on places like Liverpool. I appreciate that it has sustained the Inner City policy (inaugurated, as it happens, by Peter Walker during his time at the Department of the Environment). I appreciate too that under recent legislation special arrangements for the setting up of an Urban Development Corporation and for the establishment of an Enterprise Zone are being made. For these things we are grateful. It is equally true, however, that several years must elapse before the full benefit of these measures will be felt - before investment and employment are created. It is for this reason that I would like to ask you to consider the Tate and Lyle's closure from a slightly different angle to the question of sugar quotas and financial assistance which have been discussed hitherto. We desperately need a deferment of the closure for, say three years, until the benefit of the measures being introduced by the Government is felt. In this way we should be helped to bridge the gap between the present desperate situation resulting from the many thousands of redundancies, and the take-up of the job opportunities expected to follow from the Government's plans.

/Contd.

The Prime Minister 23rd February 1981

I wonder whether, in the aftermath of our discussion with Mr. Walker, I could again ask you to receive a small delegation to discuss the Liverpool situation with you? In brief, the intention would be to seek your intervention to secure a deferment of the Tate and Lyle's closure, coupled with the following:-

1. The speeding up of the processes leading to the setting up of the Urban Development Corporation for the redundant Mersey Docks and the creation of investment through that mechanism.

2. An early and favourable conclusion to the long drawn-out saga to enable the Albert Dock redevelopment to take place. The developer is very anxious to make an early start. A Public Inquiry was held about six weeks ago.

3. The immediate establishment of the Enterprise Zone at Speke along the lines of my recent correspondence with Tom King.

4. Securing the locating of the proposed Datsun factory on Merseyside - you will recall the closure of the British Leyland factory in 1978.

I look forward to hearing from you.

Yours sincerely,

Trevor Jones

Sir Trevor Jones, J. P.

Merseyside
County Council

County Councillor Neville C Goldrein MA (Cantab)
Leader of the Council

PO Box 95
Metropolitan House
Old Hall Street
Liverpool
L69 3EL

Telephone 051-227 5234

The Prime Minister,
(The Rt. Hon. Margaret Thatcher, MP),
10 Downing Street,
London, S.W.1.

PRS

20th February, 1981

Dear Prime Minister,

I wrote to you on the 12th February about the problems of the Tate and Lyle Refinery. Unfortunately, before you have had an opportunity to reply to that letter, the news has broken of the closure of the Courtaulds factory in Merseyside which will mean yet 1,500 more people unemployed. Everything I said in my letter of the 12th February about unemployment is, quite simply, multiplied by two.

I know full well that the recession is hitting employment in all parts of the United Kingdom, but nowhere is being hit to the extent of this County which continues to take this constant hammering with no respite.

I again ask you to see me so that I can underline these problems: it is only somebody living and working in Merseyside who can really get the complete feel of the hardship, depression and hopelessness which affects all Merseysiders whether in employment or unemployed.

I hope that you will reply favourably and I very much look forward to seeing you.

Yours sincerely

Neville Goldrein

CF. AO 19/2/81

For X below.

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

PP Scott

Nick Sanders Esq
Private Secretary
10 Downing Street
London SW1

R| 19 February 1981

Dear Nick,

--- in GR. I attach, as requested, draft replies for the Prime Minister to send to James Dunn MP (in reply to his letter of 12 February); Councillor Goldrein (in reply to his letter of 12 February); and to Malcolm Thornton MP and Eric Ogden MP in reply to their joint letter of 11 February. We have continued to take the line that the Prime Minister does not wish to meet the various delegations concerned with Tate & Lyle, although she will be seeing Bob Parry MP, in whose constituency the closure takes place, in due course. --- X I also attach a copy of the full record of the meeting the Minister had with a delegation of religious and political leaders from Merseyside on 17 February.

Copies of the draft replies and the record of the meeting go to Richard Dykes (Department of Employment) and Richard Riley (Department of Industry).

Yours sincerely

Kate

KATE TIMMS
Principal Private Secretary

DRAFT LETTER FOR PRIME MINISTER'S SIGNATURE

Neville C Goldrein Esq MP
Leader of Merseyside County Council
PO Box 95
Metropolitan House
Old Hall Street
Liverpool
L69 3EL

GR
for PM

Thank you for your letter of 12 February. I have now seen a full account of the meeting you held with Peter Walker on 16 February at which he explained the Government's position on the level of the UK beet quota.

I stand by my point that it is for the companies concerned to make their decisions on how to adapt their capacities in the light of the reduced quota which has been designed to preserve a fair balance between cane and beet sugar following the decline in total sugar consumption.

I can understand your anxiety to ensure, by having a meeting with me, that everything possible is done to avert a closure which will add to Liverpool's existing problems. I can assure you however, that Peter Walker is keeping me very closely in touch with all these discussions and I feel that in a matter as complex as this it is best that they should continue to be conducted by the responsible Minister.

Not 10 80.

10 DOWNING STREET

THE PRIME MINISTER

Dear Councillor Goldrein,

Thank you for your letter of 12 February. I have now seen a full account of the meeting you held with Peter Walker on 16 February at which he explained the Government's position on the level of the UK beet quota.

I can understand your anxiety to ensure, by having a meeting with me, that everything possible is done to avert a closure which will add to Liverpool's existing problems. I can assure you, however, that Peter Walker is keeping me very closely in touch with all these discussions and I feel that in a matter of this kind it is best that they should continue to be conducted by the responsible Minister.

Yours sincerely

Margaret Thatcher

County Councillor Neville Goldrein.

Overseas Aid

PRIME MINISTER

Bob Parry's two letters to you are attached.

MS 20/2

CLOSURE OF THE LIVERPOOL SUGAR REFINERY
MEETING WITH MR ROBERT PARRY MP
BRIEF FOR THE PRIME MINISTER

Background

1 Tate and Lyle have announced the closure of their Liverpool refinery. Despite pressure from the unions and local MPs and Councils they have stuck to their decision but they have deferred the closure date until 3 April.

2 Market Conditions The basic reason for the closure is the need to adapt Tates total capacity of 1.340m tonnes to their likely throughput, which they put at about 1.05m tonnes. The main reasons for the excess capacity are the decline in the total UK market, which has fallen by about 350,000 tonnes since the early-70's and the loss of in transit refining of sugar for sale on the world market because of the erosion of the difference on that market between raw and refined sugar prices.

3 The British Sugar Corporation (BSC) faces a similar problem. It has capacity to process about 1.3m tonnes of beet, the target set by the last Government in its White Paper "Food from Our Own Resources", but farmers have not yet supplied enough beet for that target to be met and any hope of expansion has been removed by the Government's decision to reduce the UK quota set under the EC sugar regime from 1.326m tonnes to 1.15m tonnes in order to ensure a reasonable balance between cane and beet sugar. This has led to the closure of 4 beet factories.

4 The Refining Margin It is vital for Tates to bring capacity into line with throughput because of the difficulty they face, even when operating economically, in earning a reasonable profit on each tonne refined. This is because the ACP countries have insisted on an interpretation of the Protocol to the Lome Convention which guarantees them the same price for raw cane sugar as is set for raw beet sugar. As their product has to sell in competition with refined beet sugar this means that their refining margin is in effect set by the Community having regard to beet not cane

refining costs. This pressure on the margin also means that it is more important for Tates than it is for the BSC that the UK market price for sugar should be above the market price elsewhere in the Community. This UK market premium occurs naturally so long as UK demand exceeds the combined supplies of Tates and the BSC, because a premium is needed to cover transport costs of Continental sugar into the UK market. But it would disappear if the UK market were oversupplied.

5 Why Liverpool? Tates have three refineries, Thames with 900,000 tonnes capacity, Liverpool with 300,000 tonnes, and Greenock with 140,000 tonnes. Liverpool therefore most closely matches their estimated over capacity of 290,000 tonnes. In addition it is an old refinery with high manning levels and is located some distance from the port. By closing Liverpool Tates should save £2m in operating losses at that place and as much as £8m by fully utilising their capacity at London and Greenock.

Means of preventing Liverpool Closure

6 Tates Conditions. Tates have said that they would reverse their closure decision if they can obtain new contracts for 1.225m tonnes from the ACP countries and the workforce will accept cost cutting changes, provided either the BSC quota is cut to 936,000 tonnes or BSC will agree to export any production in excess of that figure.

7 Cut in BSC Quota It is very unlikely that Tates really expect their quota proposal to be accepted. The Government's view that a reduction in the BSC quota to 1.15m tonnes would represent a fair balance between cane and beet was explained to them and announced publicly before they suggested this condition and, if it were fulfilled, it would involve the closure of a further 3 or 4 BSC factories. For this reason neither the unions who are pressing for Liverpool to be saved nor the Opposition in last week's Supply Day Debate proposed this course.

8 BSC Exports. Tates estimate that (because of the UK market premium) export sales are worth £15 per tonne less than home market sales. BSC may be willing to do some exporting but to undertake it on a sufficient scale to solve Tates problems would appear to involve them in significant costs and the Government cannot direct them to do this.

9 Government Investment Aid Before the closure was announced there were discussions between Tates and the Department of Industry on an investment aid package but no viable scheme could be worked out. What would have been involved was a new modern plant on the dockside. This would have required a far smaller workforce and the cost per job was excessive.

10 A Government Operating Subsidy Tates have not formally suggested this option although Lord Jellicoe did ~~at~~ one stage throw out a hint that he would consider retaining the refinery if it could receive a £3m per year operating subsidy. The Department of Industry have been asked to consider this and have not formally responded. It is clear, however, that a continuing operating subsidy in respect of one loss making plant of a Company which is in overall profit would be very difficult to contemplate and Mr Walker has made this clear when the subject had been raised by Merseyside deputations.

Points Mr Parry may Raise

Mr Parry has attended two meetings with Mr Walker since the closure was announced, once as the leader of an all party deputation of MPs and once as a member of a wider deputation representing a variety of Merseyside interests. His main points are likely to be:

(a) The devastating effect of a job loss of 1,600 on an already depressed city.

(b) The need for Liverpool deputations to see the Prime Minister and not just the Minister of Agriculture.

(c) The possibility that the Government, as a 24% shareholder of BSC with a power to appoint the chairman of its Board, could direct it to export as Tates have requested. /The Government shareholding in BSC is due to be sold under the assets disposal programme but this decision has not been announced and has been deferred because of complications arising from a take-over bid for the company which has been referred to the Monopolies Commission./

(d) The possibility that EC rules could be adapted to allow BSC and Tates to obtain a higher price on the UK market and for BSC to get an additional export subsidy to reflect this. This proposal may be contained in a document on means of saving the Liverpool refinery which is currently being prepared by the Trade Unions.

(e) The closure of Liverpool will undermine the Government's commitment to the ACP countries.

Suggested Line to Take

Effects on Liverpool Government is in no doubt about problems of Liverpool and has wide variety of measures available to assist it. But decision on how Tate and Lyle should adapt its capacity to its market is a commercial one. Government cannot direct private firms.

Possibility of Receiving Deputations Peter Walker has been dealing with the complex issue of the EC sugar regime which sets the framework within which the commercial decision of Tates has to be taken. He has been in continous contact with all the interests involved and has kept me fully in touch with his discussions. Government's shareholding and right to appoint a director to BSC does not give it the power or the right to direct it to act contrary to its commercial judgement.

The possibility of increasing EC subsidy on UK exports. See little prospect of other Member States agreeing to this. It would represent a flagrant distortion of competition. For the same reason Commission would be bound to act against any topping up of the Community export subsidy paid by the UK.

Commitments to ACP countries Tates will continue to import and refine the great bulk of ACP supplies and have offered to continue to contract for 1.225m tonnes, the same amount they have had on contract since the inception of the sugar protocol, provided the ACP countries will allow them to place the small amount they cannot refine themselves elsewhere in the Community. Furthermore, the sugar protocol itself is a Community commitment which safeguards the ACP countries' access for sugar for an indefinite period.

Further cut in BSC quota (if raised)

Minister of Agriculture has agreed to cut BSC quota from 1.326 to 1.15m tonnes and explained his decision to both sides of the industry. Unrealistic to expect a further cut. No support for further cut from trade unions or from either side of the House.

Ministry of Agriculture, Fisheries and Food

ANNEX [illegible]

TATE AND LYLE LTD: CLOSURE OF LIVERPOOL SUGAR REFINERY

BACKGROUND NOTE ON SPECIAL ASSISTANCE TO LIVERPOOL

ASSISTED AREA STATUS

The Tate and Lyle plant is located in a Special Development Area (SDA) which is the highest of three categories of Assisted Areas in Great Britain; the other two being Development Area (DA) and Intermediate Area (IA). The principal elements of regional aid available in SDAs include:-

(a) Regional Development Grants (RDGs) at 22% on new plant and machinery and building work for qualifying manufacturing activities.

(b) Regional Selective Assistance under Section 7 of the Industry Act 1972 which, subject to certain criteria, is available for viable projects in both the manufacturing and service sectors which result in the provision, or safeguard, of employment.

(c) Highest priority in Great Britain for access to the European Regional Development Fund.

2 To demonstrate the Government's deep concern for SDAs, the review in 1979 of regional industrial policy gave additional emphasis and relative advantage to SDAs by maintaining the level of RDGs at 22%, whilst increasing the differential for these grants over DAs (the second category of Assisted Area) from 2% to 7%. The 1979 review will also result in a reduction in the coverage of Assisted Areas with effect from 1 August 1982. This will therefore enhance the attractiveness of the remaining Assisted Areas, including Merseyside

GOVERNMENT ASSISTANCE

Section 7 Assistance in Liverpool Travel to Work Area (TTWA) - (Merseyside SDA in parenthesis).

3 Over the period 1 January to 31 December 1980, assistance worth £8.4m (£9.6m) has been offered to 28 (41) projects under Section 7 of the Industry Act 1972, involving total investment of £81.9m (£99.1m). The estimated employment associated with the projects was 5190 (6710).

Section 8 Assistance in Liverpool TTWA (Merseyside SDA in parenthesis)

4 Under the national schemes of assistance operated under Section 8 of the Industry Act 1972, assistance of £174,000 (£197,000) has been offered between 1 January and 31 December 1980 towards 23 (30) projects representing a total investment of £705,000 (£787,000).

/REGIONAL

REGIONAL DEVELOPMENT GRANTS (RDG)

5 For the first three quarters of 1980 £47.1m was paid in RDG in the Merseyside SDA. Assuming the rate of offer for the fourth quarter will be the same as for the other three, the total for the year is estimated at between £60m to £65m.

GOVERNMENT FACTORIES

6 The English Industrial Estates Corporation (EIEC) has built some 167 factory units in the Merseyside SDA since 1974, totalling 1.09m sq ft. Of this total, 30 units (623,000 sq ft) are currently available in the Liverpool TTWA out of the 50 units (752,000 sq ft) available in the Merseyside SDA, and an additional 24 units (76,000 sq ft), all in the Liverpool TTWA, are under construction. Furthermore the EIEC's new Public Sector Programme Phase I, announced last December, authorised the construction of a further 340,000 sq ft of factories in the Liverpool TTWA out of the total of 500,000 sq ft of factories in the Merseyside SDA. Also several sites throughout the Merseyside SDA have been considered under the EIEC's Private Sector Programme with CIN Properties (National Coal Board) announced last October.

INNER CITY POLICY

7 Liverpool is a Partnership Area under the Urban Programme and the local authority therefore benefits from powers available under the Inner Urban Areas Act 1978. The Act enables the authority to (i) assist industry and commerce by means of loans and grants for environmental improvements and grants towards the conversion and improvement of industrial or commercial buildings; (ii) make loans of up to 90% on commercial terms for the acquisition of land and the carrying out of building and site preparation; (iii) give loans and grants towards the cost of setting up common ownership or cooperative enterprises; (iv) give grants to assist with rents paid by firms taking new leases on industrial or commercial premises; (v) provide loans - interest free for up to 2 years - for site preparation including installation of services and (vi) provide interest relief grants to small firms employing under 50 staff for loans on land and buildings.

8 These powers are supported by an additional allocation of monies under the Urban Programme. Liverpool's allocation for 1980/81 (at 1979 prices) is £15.4m. A large proportion of this will be spent on measures to help regenerate the local economy.

9 On 9 February the Secretary of State for the Environment announced in the House the Government's commitment to a continuing inner-city policy, with some changes to be made to the current administrative arrangements.

ENTERPRISE ZONE

10 A site at Speke, based on the vacated BL and Dunlop factories there, is being considered for designation as an Enterprise Zone under the Local Government Planning and Land Act 1980. Discussions are in

/progress

progress between the local authority and the Department of the Environment about the boundary, and operation and administrative arrangements, for the Zone.

11 On designation, firms in the Zone will benefit from the following measures:-

(a) Exemption from Development Land Tax;

(b) 100% capital allowances on industrial and commercial property;

(c) Exemption from general rates on industrial and commercial property;

(d) Exemption from requirements of industrial training boards;

(e) Simplification of planning procedures;

(f) Priority treatment for Customs concessions;

(g) Abolition of remaining Industrial Development Certificate (IDC) controls;

(h) Reduction in Government's statistical requirements.

URBAN DEVELOPMENT CORPORATION

12 The Secretary of State for the Environment announed in September 1979 the Government's intention to set up an Urban Development Corporation (UDC) in Merseyside to help revitalise the area. The UDC will act very much as a New Town Development Corporation in that it will have full powers of acquisition, reclamation and redevelopment of the old derelict docks sites in Liverpool and the Wirral. The Order establishing the UDC was laid before Parliament in November 1980 under the Local Government Planning and Land Act 1980. It has not yet been debated or affirmed but it is hoped that the UDC will be establish-ed by the end of March.

Dept of Industry
16.2.81

1

PRIME MINISTER

YOUR MEETING WITH BOB PARRY

Caroline has met Mr. Parry's request to see you on Monday or Tuesday by putting him in the diary at 2130 on Monday. The problem about that date is that all the Agriculture Ministers who have been involved with Tate and Lyle will be in Brussels for the Agriculture Council. The Permanent Secretary at MAFF has offered to come in place of Mr. Walker.

Yes please

How would you like to play this? It would be a shame to put the meeting off; will you see Mr. Parry alone (with a note-taker present), or do you want a MAFF official as well?

MT

MT + PUS MAFF + notetaker

MJS

19 February 1981

2

10 DOWNING STREET

PRIME MINISTER

This letter from Bob Parry asks to come and see you about Tate & Lyle on Monday or Tuesday next week. We will try and find time when he can have 20 minutes with you.

MS

18 February 1981

jfh

18 February 1981

You have agreed to let me have a draft reply for the Prime Minister to send to Neville Goldrein, the Leader of Merseyside County Council.

TPL

David Jones, Esq.,
Ministry of Agriculture, Fisheries and Food.

1

PRIME MINISTER

This is a request from the Conservative Leader of Merseyside County Council for a short meeting about the Tate & Lyle closure.

He seems to have been treated pretty shabbily by Mr. Walker, though I don't yet have the details. When he turned up for his arranged meeting last week, Mr. Walker had already left for Paris. He did meet Mr. Walker yesterday and the MAFF advice is that it is not worth your seeing him.

I really think that it would be a mistake to see him: it would simply open the flood-gates to all the others. I will get a draft reply.

N.P.G. Mitchell
Duty Clerk
(for TPL.)

MT

17 February 1981

Reference

MINISTER'S MEETING WITH DELEGATION FROM MERSEYSIDE ON THE TATE & LYLE LIVERPOOL REFINERY: 17 FEBRUARY 1981

2

PRIME MINISTER

Worth reading in full, in preparation for your meeting with Bob Parry.

MJS 19/2

MS

Present

Minister
Mr Macgregor, PUSS, Department of Industry
Mr Cottingham, Department of Employment
Mr Hadley
Mr Roberts
Mr Dawes
Miss Timms

Merseyside delegation:-

Sir Trevor Jones, Leader of the Council) Liverpool
Councillor Hamilton, Labour Party Member) City
Councillor Pine, Conservative Party Member) Council

Mr Wilson, Solicitor and Secretary) Merseyside County
Councillor Allinson) Council

Gloria Hooper MEP
Andrew Pearce MEP

Bob Parry MP
Anthony Steen MP
David Alton MP
Eric Heffer MP

The Revd David Shepherd, Bishop of Liverpool
The Revd Derek Warlock, Archbishop of Liverpool
Mr Runge, Managing Directir, Tate & Lyle Refineries
Mr Barnett, Secretary, TUC North West Reg. Committee
Mr Maclean, Secretary, Liverpool Action Committee
Mr Alcock, Merseyside Chamber of Commerce and Industry
Mr Fitzpatrick, Managing Director, Merseyside Docks and Harbour Company

1. The Minister welcomed the delegation from Merseyside, representing as they did a broad spectrum of religious, political and economic life in the Liverpool area. He invited those represented in the delegation to put their case to him.

2. Sir Trevor Jones said he was grateful to the Minister for seeing the delegation at relatively short notice. Representatives of local MPs, MEPs, the religious community, shop stewards and Tate & Lyle Management itself would wish to contribute to the discussion. His purpose in leading the delegation was to leave the Minister in no doubt as to the very strong feelings of the people of Liverpool about the proposed closure of the Liverpool sugar refinery. Initially,

local reaction had been hostile to Tate & Lyle, even to the point of boycotting the Company's products. But the Company had explained that Government action even at this stage could save the refinery, and it was for that purpose that the delegation had come together. Many Liverpool families would be directly affected by the closure of the refinery, which would deal a further blow to the inner city area which the Minister would know well. Over recent years, Liverpool had lost some 10,000 jobs per annum, and the threatened loss of Tate & Lyle would add further to that already high figure. What was needed was a decision by Government to allow Tate & Lyle access to the raw material it needed to continue refining. The people of Liverpool looked to central Government to take that action, as an indication at last that Government was concerned about the future of the city.

3. The Archbishop of Liverpool explained that many parishes in his diocese were suffering more than 30 per cent unemployment. In the Scotland Road area there was a high concentration of Tate & Lyle employees who were now facing the prospect of redundancy. Liverpool seemed to suffer a major geographical disadvantage in relation to European trade, and the steady decline in its basic industry was now accelerating. The Archbishop asked that some indication be given from Government that they continued to have confidence in the people of Liverpool. If just one threatened closure could be reversed at this late stage, the benefit to morale in the local community would be tremendous; he hoped that Tate & Lyle could be the one closure that was reversed. Supporting this view, the Bishop of Liverpool said he recognised the problems of the sugar industry were not confined to Liverpool; the British Sugar Corporation had announced closures in eastern England that very week. But the damage already caused to the Merseyside community from major closures such as British Leyland, Dunlop and Bowaters was very considerable. The introduction of small businesses in the area could not take up the slack of chronic unemployment. He asked that Government consider urgently a subsidy to prevent closure, which was bound to be less expensive to public funds than the continuing burden of unemployment benefits.

4. Councillor Hamilton spoke on behalf of the Labour Party on Liverpool City Council. He pointed out that 1,500 jobs were at stake in the Tate & Lyle refinery, for which there was simply no alternative employment. He also referred to the potential harm which closure would do to the ACP countries. The UK needed an alternative source of sugar supplies other than beet sugar, and the preservation of adequate refining capacity was necessary if the obligation to the ACP countries was to continue. Speaking for the Merseyside Docks and Harbour Board, Mr Fitzpatrick said that sugar imports had been part of the basic workload of Liverpool docks for more than 100 years.

They contributed more than £1 million per year to the port authorities. Even assuming some alternative business could be picked up by the companies handling Tate & Lyle's imports, the loss to the Merseyside Docks and Harbour Board would be extremely costly. The Secretary of State for Transport was already aware of the serious financial difficulties facing them, and the threat to Tate & Lyle was a further blow on top of this.

5. Miss Hooper said the Members of the European Parliament for the Merseyside area had secured an emergency debate in Luxembourg on the question of sugar quotas and continued imports of ACP sugar. She stressed that the European régime was only one factor leading to the threatened closure in Liverpool, and that final decisions on sugar beet quotas rested with the Council of Ministers. But the cane refiners suffered inadequate margins in comparison with the beet processors, and this was bound to affect Tate & Lyle's commercial viability. A relatively small action on the Minister's part to adjust his beet quota target would have enormous consequences in terms of the number of jobs saved. Mr Pearce suggested that the threatened closure resulted directly from Government decisions influenced excessively by the agricultural lobby. A beet quota of some 936,000 tonnes would permit the continued import of ACP sugar and save the future of the refinery. He suggested that without action to save Liverpool, the French could expand their cane refinery throughput and so attract the greater part of Lome sugar in future years.

6. Speaking for Merseyside County Council, Councillor Allinson said regeneration was badly needed on Merseyside. They were affected by factors quite outside their control such as the size of sugar beet quotas and subsidies paid to European ports. Without Tate & Lyle the rates income would drop, thus intensifying urban decay. Mr Maclean, speaking on behalf of the Liverpool Action Committee, said it was right that producers of surplus sugar in Europe should be penalised. Although the Minister had made clear to his Committee in December the level of sugar beet quota for which he was bidding, this had simply set the framework within which Tate & Lyle had concluded that closure was now inevitable. Until this week, the beet sugar sector had lost none of its workforce, whereas cane had borne the brunt of successive closures. Councillor Pine, speaking on behalf of the Conservative Party on Liverpool City Council, said there would be very great spin-off in terms of loss of jobs in other industries. Tate & Lyle had been excellent employers over a period of years. The Government was on the one hand setting up enterprise zones and attempting to channel funds into inner city areas, but on the other were taking decisions which allowed jobs in basic industries to disappear. Liverpool was paying the price for policies over which they had no control. Mr Alcock of the Merseyside Chamber of Commerce echoed the view that the threatened closure was political in

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character, and that an act of confidence from central Government was called for. Speaking on behalf of Tate & Lyle Management, Mr Runge said the workforce in the refinery was first class, and management communications with them had always been very good. Tate & Lyle were very sad at the prospect of breaking up a workforce which had served the Company well over a long period.

7. Speaking for local Members of Parliament, Mr Alton said the Minister had already received representations from local MPs, and knew that feelings were running very high. If it came to a straight choice between redundancies in eastern England and in Liverpool, then he believed the decision should not go against Liverpool for the reasons given by other speakers. Mr Heffer said the pressure was on the Minister to act quickly to resolve this crisis. He had it in his power to lift the threat of closure to Liverpool. Mr Steen asked whether a reduction in the beet quota of, say, 1 hundred thousand tonnes would save the refinery; or whether it would merely give a short term reprieve. Mr Parry took up the question of exports by the British Sugar Corporation to clear the UK market of surplus sugar. If the UK regional intervention price were increased, this would facilitate BSC exports to the benefit of Tate & Lyle.

8. The Minister explained in factual terms the state of the UK sugar market. He referred to the targets for sugar beet set by the previous Government at a time when expectations on sugar consumption were markedly higher than now. The UK quota of 1.35 million tonnes had been negotiated by the previous Government and was still in existence; if the Council of Ministers did not decide on new quotas, the 1.35 million quota for the UK would continue in being. However, he had decided at an early stage that the UK quota should be reduced to 1.15 million tonnes in view of the fall in demand. No-one could argue that his action had suggested pressure from the agricultural lobby; indeed the BSC had pressed strongly for the retention of the higher quota bearing in mind their own investment programme. No Member State in the Community had been prepared to accept the quotas proposed by the Commission in November 1979 which gave the UK no more than 936,000 tonnes. He himself had made the significant move to reduce the quota from 1.35 to 1.15 million tonnes, but in order to achieve a balance in the UK market so as to prevent further substantial job losses in the BSC, he could not go below that figure. So far as the ACP commitment was concerned, it was evident that Tate & Lyle could refine virtually all the ACP sugar they were contracted to take in the UK by expanding throughput at other refineries. A small quantity would go to France. The ACP countries had been offered new contracts by Tate & Lyle, and therefore knew there was no threat to the Lome obligation. The link with the European beet sugar price had been of considerable value to the ACP countries over most years of the Lome agreement.

The Minister had noted that in a recent discussion with Trade Unionists representing the workers in both cane and beet sectors, there was recognition of the risk that quota reductions in one area merely transferred unemployment elsewhere. The Trade Unions were preparing a research paper on possible solutions to the Tate & Lyle problem, but did not, he understood, envisage a reduction below 1.15 million tonnes in the UK beet quota. Turning to the possibility of financial aid from the Government, the Minister said that Tate & Lyle had been encouraged to discuss the availability of grants with the Department of Industry (particularly under Section 8 of the Industry Act) and the Department of Employment. The possibility of building a new refinery close to the docks was explored, but this would not solve the serious unemployment problem. Tate & Lyle had not asked the Government for any other form of aid. It was not possible for the Government to offer an operating subsidy to the Liverpool refinery at a time when the Company's profits were of the order of £30 million. The possibility of aid under the Industry Act was still open to Tate & Lyle if they wished to explore it further. So far, the only course which Tate & Lyle had identified as capable of keeping the Liverpool refinery open was for the Minister to cut the beet quota.

9. Dealing with Mr Parry's point on facilitating sugar exports, the Minister pointed out that when the world price of sugar was below that of the Community, export restitutions were available for both beet and cane. In the present circumstances, export levies were in force because of the level of the world price. He was not persuaded that raising the regionalised UK intervention price would help BSC export, nor was he in a position to compel them to do so if it was financially disadvantageous. He could not provide extra subsidies for export over and above those normally available from the Community; not only would this be contrary to Community Regulations, but would be deplored by the ACP countries who did not wish to see their sugar exported.

10. In further discussion, the Bishop of Liverpool said he understood a subsidy of between £3 million and £4 million would keep the refinery in operation; if this could not be a straight operating subsidy, a subsidy on exports might be the solution. For the Government, this would be far cheaper than unemployment benefit. The Minister pointed out that Tate & Lyle had not asked for any form of subsidy; that national aids to help exports were not possible in Community terms; and that the fact that Tate & Lyle was a profitable Company could not be disregarded. Tate & Lyle had made clear that they could fulfill their cane refining obligations without Liverpool, and that was the hard fact to be faced. Sir Trevor Jones said the deadline of 3 April when production at the refinery would cease was approaching fast. Liverpool was being asked to bear the enormous social cost of policies outside their control. He

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understood the case the Minister had made for a balanced market, but this did not provide any solution to Liverpool's urgent problem. Once the deadline for closure was reached, the situation could be irreversible.

11. Concluding the meeting, the Minister said he well understood the concern of those in the delegation about the implications of the Tate & Lyle closure. He regarded the Government's position on sugar beet quotas as a very fair one, which they had made known to both sides of the industry from an early date. The offer of aid under the Industry Act was still open if Tate & Lyle wished to pursue it. He would consider the Trade Union research paper which was being prepared, but emphasised that he could see no simple solution to this serious problem. The Company itself had not apparently considered any solution other than that of a reduction in beet quotas. He would, however, report fully to the Prime Minister and to his Cabinet colleagues the views which the delegation had put to him. Sir Trevor Jones thanked the Minister for hearing the delegation's case in such detail, and asked him to ensure that his colleagues were fully aware of the serious situation in Liverpool.

Kate Timms

KATE TIMMS
Principal Private Secretary
19 February 1981

Circulation

Miss Rabagliati
Mr Steel
Mr Lebrecht
Mrs Brock
Mr J H V Davies
Mr Hadley
Mr D Roberts
PS/SS Employment
PS/SS Industry
PS/PUSS Industry
Nick Sanders - No 10
PS/SS Transport (para 4)

P 18 PPS

CCIG

HOUSE OF COMMONS
LONDON SW1A 0AA

17/2/81.

Dear Prime Minister

In your reply to me last Thursday you said you would meet me as the constituent member to let me put the case on behalf of the workers of Tate + Lyle Liverpool. Another long meeting was held today with Peter Walker and people representing all shades of political opinion, business and Church Leaders.

I understand you will be receiving the minutes of the meeting. I will be receiving within the next few days a joint document from the three National Trade Unions which will give several alternative options which if acted upon by the Government will mean that the refinery can be saved.

I have received the note from your Private Office today advising me that you will be in the United States from the 25th until March 1st.
Can ask if I can meet you next Monday or Tuesday to present this document to you and press for your personal involvement in a last gasp effort to save a plant which is situated in an area which has a level

of unemployment of 50%
according to official figures.
We believe than an increase
in the regional intervention
price from £7.50 per tonne to
about £20 per tonne. If this
is done it would mean the BSC
would not lose financially on
any sugar exported.
Such an increase would cost
the E.E.C budget a gross
cost of £4.4 million. The
net cost would be less.

This is a small amount bearing in mind it costs the U.K taxpayer and consumer £200. ~~of~~ million a year towards the present sugar regime £1 billion over the past 5 years. Can you ask your private office to leave a telephone message on the board for me if I can meet you next week. I will be visiting ~~anthony~~ another factory in my constituency on Monday (Bibbys) and will not arrive in London until early evening, about 5.30pm

Sincerely

R Parry

Reference

Delegations Aid
May 79

MINISTER'S MEETING WITH A JOINT DELEGATION OF TATE & LYLE AND TRADE UNIONISTS: 16 FEBRUARY 1981

1. The Minister and the Minister of State (Commons) met a joint delegation representing the Management of Tate & Lyle and the Trade Unions to discuss the proposed closure of the Tate & Lyle refinery in Liverpool. Tate & Lyle Management were represented by Lord Jellicoe and Mr Thomlinson, the Trade Union side by Mr D Basnett (GMWU), Mr B Smith and Mr B Harrison (TGWU) and other Trade Union representatives.

2. Mr Basnett said he wished to suggest to the Minister ways in which the Tate & Lyle refinery in Liverpool could be saved. The decision to extend the deadline for closure of the refinery into April had given the Trade Unions a little longer to work out their survival plan, and Mr Basnett explained to the Minister that he would come up with detailed proposals in a short while. He explained that the problem, seen from the Trade Union side, was the likely loss of 1,600 jobs in Liverpool. In some parts of the city, unemployment had reached 50%. Tate & Lyle had been a major Liverpool employer for many years, and a very vigorous campaign was building up to ensure its survival in the city. The costs to Tate & Lyle of closure would be substantial; the costs to Government in unemployment and other benefits would also be very considerable. The Trade Unions recognised that the problem of Tate & Lyle could not be resolved simply by transferring unemployment to the beet sector; indeed their aim was to look for a solution which allowed a balanced market to continue, which implied a quota for beet which would not entail further closures in that sector. The Trade Unions understood that Tate & Lyle wished to see a beet quota no higher than the 1979 Commission proposal of 937,000 tonnes; this would equate with their desire to have the lowest possible contribution to the sugar market from the beet industry. Against this, BSC had been seeking a higher quota, and the Minister was pursuing the middle course of aiming at a quota of about 1.15 million tonnes. The way to reconcile these conflicting interests might be to examine the possibility of compensating the British Sugar Corporation for exporting sugar in excess of the 937,000 tonnes which Tates regarded as the maximum compatible with their continuation at Liverpool. As the Community already took on the costs of storage and disposal of surplus sugar, the arrangement should be compatible with the EC philosophy, and profitable to the BSC. This would be the basis of the forthcoming Trade Union submission to Government. Mr Basnett asked the Minister to defer any decision pending on the Liverpool closure until the joint submission could be studied.

3. Replying, the Minister explained that the key decisions affecting the future of Liverpool were primarily for Tate &

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Lyle. His own decision concerned the UK beet sugar quota, and he had consistently maintained the view that this should not exceed 1.15 million tonnes. He was not likely to change that view, unpopular though it might be, for opposite reasons, with both Tate & Lyle and BSC. If Tate & Lyle wished to approach Government on the assistance available to them from either Department of Industry or Department of Employment funds, this option was open to them; indeed discussions had already taken place with the Department of Industry to see how viable a new refinery might be for Liverpool. Similarly, if the two Companies wished to approach Government about a joint export venture, the Government would be ready to listen. But essentially these decisions were for the Companies themselves to take. So far as export subsidies were concerned, the Minister explained that restitutions were normally available on both cane and beet sugar in order to allow European sugar to sell on the world market, when the world price was below the Community's. It was not feasible to expect the Government, unilaterally, to be in a position to give extra subsidies to exports from the BSC in order to facilitate Tate & Lyle continuing in business at Liverpool. This would represent an illegal national aid which the Community would not accept. However, the Minister would be happy to examine any proposals which the Trade Union side wished to put to him for the future of Liverpool, and his Department would be ready to help with the basic facts and figures. He was anxious, however, not to raise expectations too high that there was an easy solution to Liverpool's difficulties in prospect.

4. Mr Harrison expressed the TGWU concern for what was happening in Liverpool. But the solution did not lie in simply transferring redundancies from cane to beet. It was with the need to avoid redundancies on both sides that the joint Trade Union submission would be concerned. Lord Jellicoe supported the Minister in saying that the Government had been consistent in its bid for a 1.15 million tonne quota, despite the efforts of Tate & Lyle to persuade them to go below this. The decision affecting Liverpool had been a very painful one, and the Company was anxious that Government should examine any way forward which the Trade Unions might suggest. Mr Thomlinson pointed out that at present Tate & Lyle could not export sugar to the world market at a price which would cover their costs of production; and in any case the ACP countries were opposed in principle to their sugar being refined simply for re-export. That was why the BSC were better placed than Tate & Lyle to undertake exports. The Minister acknowledged that the cane producers did not want their sugar to go for export; this reinforced his view that an arrangement under which Government would give further subsidies to exports would not be practicable. He emphasised that the 1979 Commission proposals on quotas, under which the UK would have received 937,000 tonnes in quota, had been rejected by every European country, and been withdrawn by the Commission. It

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was therefore unrealistic to take that proposal into serious consideration. The Minister undertook to examine in detail the joint submission the Trade Unions' research departments were now preparing.

Kate Timms

KATE TIMMS
Principal Private Secretary
17 February 1981

Circulation

Miss Rabagliati
Mr Steel
Mr Lebrecht
Mrs Brock
Mr J H V Davies
Mr Hadley
Mr D Roberts
PS/SS Employment
PS/SS Industry
Nick Sanders - No 10

CODE 18-77

Reference 2

PRIME MINISTER

Worth going through before Questions

MS 18/2

Overseas Aid

MINISTER'S MEETING WITH COUNCILLOR N C GOLDREIN, LEADER OF MERSEYSIDE COUNTY COUNCIL: 16 FEBRUARY 1981

1. Councillor Goldrein said he was pleased to have the opportunity to meet the Minister in advance of the delegation of representatives of the city of Liverpool and the county of Merseyside who were due to see the Minister on 17 February. He was anxious to leave the Minister in no doubt of the importance of the Tate & Lyle refinery in Liverpool to the life of that city. There would be considerable secondary effects if the refinery closure were to go ahead. The issue was a highly emotional one, bearing in mind that Tate & Lyle had been a good employer in the city for over 100 years.

2. The Minister said he knew and understood the problems of Merseyside very well. He was deeply concerned at the effect which closure of the refinery would have on the city. He described the situation which he inherited from the previous Administration under which there was a target to expand sugar beet production up to the full quota of 1.326 million tonnes. The British Sugar Corporation had planned investment on that basis. But forecasts of sugar consumption, made quite genuinely in the early and mid Seventies, had now changed; demand in the UK had fallen dramatically. The Minister had therefore decided to reduce the UK quota for which he would be bidding to 1.15 million tonnes as a maximum, some 200,000 tonnes below the target of the previous Administration. The BSC had pressed him to reverse this decision, but he was not prepared to let the cane sugar refiners bear the brunt of falling demand. He had not departed from the target of 1.15 million tonnes, and had left all parties in no doubt that that was his objective. Now Tate & Lyle had decided that they could continue to refine virtually their full contracted quantity of ACP sugar without Liverpool; the refinery was too far from the port, and its productivity was not as high as others in the Tate & Lyle group. If the Minister were to give in to Tate & Lyle's pressure to reduce the quota by a further 300,000 tonnes, the consequences for BSC would be enormous. The BSC were announcing that day the closure of four factories in the east of England; a further reduction in the beet sugar quota at this stage would entail further closures by the BSC on a large scale.

3. In discussion of the quantities which Tate & Lyle were now contracted to take from the ACP countries, the Minister told Councillor Goldrein that Tate & Lyle had been refining 1.16 million tonnes of cane sugar in the UK in recent years; if Liverpool closed, they would continue to refine 1.1 million tonnes in the UK by expanding throughput at other refineries, and the residual 60,000 tonnes would be refined in Europe (the obligation to the ACP countries being, of course, a Community obligation). Imports of white sugar from Europe were relatively small; they were made not on grounds of price, but in order to assure major manufacturers in the UK of an

2

PRIME MINISTER

Worth going through below?

Reference

alternative source of supply. It would be illegal to take unilateral action against Community imports. As for the possibility of Government aid to the refinery, the Minister pointed out that Tate & Lyle's profits in the past year had been of the order of £30 million; against this, the Government could hardly subsidise one particular refinery when the rest of the group was in substantial profit. Before closure was announced, the Minister had urged Tate & Lyle to discuss with the Department of Industry and the Department of Employment possible Government grants to help rationalise the refinery. However, the building of a modern refinery closer to the dock would have required a very substantially reduced workforce, so not resolving the crucial employment issue in Liverpool.

4. Councillor Goldrein said that the Tate & Lyle closure, coming on top of other recent closures in Liverpool, would cause serious social damage, and would deal a blow to the fortunes of the Conservative Party in that area. He understood the problems the Minister faced in achieving a proper balance in the sugar market, as well as the basis for Tate & Lyle's commercial decision that the Liverpool refinery was no longer viable. But the blow to local morale was substantial. However, in the light of what the Minister had told him, he saw little hope of the refinery being saved unless some joint action between BSC and Tate & Lyle on exports could be taken. The Minister said he had urged the two Companies to work together on exporting surplus sugar from the UK; but he could not compel BSC to export sugar merely as a device to assist Tate & Lyle in its present difficulties. Tate & Lyle had taken their decision in full knowledge of the assistance which the Government could offer it in that area. Councillor Goldrein thanked the Minister for explaining the situation to him, and was sure the same arguments would be advanced when the full delegation met the Minister the following day.

Kate Timms

KATE TIMMS
17 February 1981

Mr Roberts + 1

cc Miss Rabagliati
Mr Steel
Mr Lebrecht
Mrs Brock
Mr J H V Davies
Mr Hadley
PS/SS Employment
PS/SS Industry
Nick Sanders - No 10

OE 18-77

FILE

cc. Press.
MAFF
D/M
D/ND

VB.

Overseas
Aid

10 DOWNING STREET

THE PRIME MINISTER

16 February,1981

Dear George.

Thank you for your letter of 2 February.

I welcome the approach you have made to the major ACP supplies which should help to meet their concern, which they have also voiced to me, that the closure of the Liverpool refinery will adversely affect their interest in supplying sugar under the Lome Convention.

The pressure you have faced following your decision is understandable given the very serious unemployment situation in Liverpool. A number of delegations have asked to come to see me about it. In my view, however, this is a matter which is best discussed with the responsible Minister. Peter Walker is, of course, keeping me very closely in touch with developments. I understand that you have already arranged to meet him next week.

Yours
Margaret

The Rt. Hon. Earl Jellicoe, D.S.O., M.C.

RH.

FILE

VB

cc Press
MAFF

10 DOWNING STREET

THE PRIME MINISTER

16 February, 1981

Dear Sir Trevor,

Thank you for your letter of 11 February.

I have asked Peter Walker, as the responsible Minister, to see all the delegations from the Liverpool area who have sought discussions about the closure of the Liverpool Refinery. He has already seen Merseyside MPs and will be seeing Council authorities and other interests on 17 February and is keeping me very closely informed.

I note your point about the UK beet quota. I understand that Tate and Lyle have suggested that it should be cut from 1.326 million tonnes to 936 million tonnes rather than the 1.15 million tonnes the Government has already said it would accept.

This is well below the British Sugar Corporation capacity of about 1.3 million tonnes and it is hard to see how such a cut could be made without closures of beet factories. But this is a point which you will no doubt wish to pursue in greater detail with Peter Walker.

Yours sincerely

Margaret Thatcher

Sir Trevor Jones, J.P.

RH

File

ds

CF. papers

13 February 1981

I attach for yomr infoemation a copy of a letter the Prime Minister has received from Bob Parry M.P., repeating his request for a meeting about Tate & Lyle.

The Prime Minister committed herself at Prime Minister's Question Time yesterday to see Mr. Parry, and we shall in due course make arrangements for such a meeting. We will have a word on the gelephone about the timing.

N J SANDERS

Miss Kate Timms,
Ministry of Agriculture, Fisheries and Food.

Overseas Aid

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

G.R.
for PM p1

Nick Sanders Esq
Private Secretary
10 Downing Street
London
SW1A

13 February 1981

Dear Nick

... I attach a draft letter for the Prime Minister to send to Lord Jellicoe in reply to his of 5 February which you sent to Kate Timms on 6 February.

I am copying this letter and its enclosure to Richard Riley, Department of Industry and Richard Dykes, Department of Employment.

Yours sincerely

David Jones

D E Jones
Assistant Private
Secretary

DRAFT REPLY FOR THE PRIME MINISTER'S SIGNATURE

The Rt Hon Earl Jellicoe DSO MC
Chairman
Tate and Lyle Limited
Sugar Quay
Lower Thames Street
London
EC3R 6DQ

February 1981

Thank you for your letter of 2 February.

I welcome the approach you have made to the major ACP supplies which should help to meet their concern, which they have also voiced to me, that the closure of the Liverpool refinery will adversely affect their interest in supplying sugar under the Lome Convention.

The pressure you have faced following your decision is understandable given the very serious unemployment situation in Liverpool. A number of delegations have asked to come to see me about it. In my view, however, this is a matter which is best discussed with the responsible Minister. Peter Walker is, of course, keeping me very closely in touch with developments. I understand that you have already arranged to meet him next week.

2

10 DOWNING STREET

PRIME MINISTER

Here is another letter from Bob Parry about Tate & Lyle.

You are committed by your Answers in the House yesterday to see Mr. Parry about Tate & Lyle. It might perhaps be wise to wait until Monday to reply to him, so that we can see whether any other Liverpool Members ask to join that meeting. There is already a letter from James Dunn in the box. We will let you have a draft reply on Monday night.

I see the M.P. of the constituency of the closure, only.

MJ

13 February 1981

M

ds

13 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 12 February. I will place it befoee her at once and you will be sent a reply as soon as possible.

N J SANDERS

Bob Parry, Esq., M.P.

From the Minister's
Private Office

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

GR
for PM,!

Tim Lankester Esq
Private Secretary
10 Downing Street
London SW1

13 February 1981

Dear Tim

Thank you for your letter of 12 February to Kate Timms.

--- I enclose a draft letter for the Prime Minister to send to the Leader of the Liverpool City Council in reply to his letter of 11 February about the Tate & Lyle refinery closure.

Yours sincerely

David Jones

D E JONES
Assistant Private
Secretary

DRAFT FOR PRIME MINISTER'S SIGNATURE

Sir Trevor Jones, JP
The Leader of the City Council
PO Box 88
Municipal Buildings
Liverpool L69 2DH

Thank you for your letter of 11 February.

I have asked Peter Walker, as the responsible Minister, to see all the delegations from the Liverpool area who have sought discussions about the closure of the Liverpool Refinery. He has already seen Merseyside MPs and will be seeing Council authorities and other interests on 17 February and is keeping me very closely informed.

I note your point about the UK beet quota. I understand that Tate and Lyle have suggested that it should be cut from 1.326m tonnes to 936m tonnes rather than the 1.15m tonnes the Government has already said it would accept.

This is well below the British Sugar Corporation capacity of about 1.3m tonnes and it is hard to see how such a cut could be made without closures of beet factories. But this is a point which you will no doubt wish to pursue in greater detail with Peter Walker.

Overseas Aid

Overseas Aid

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

2
PRIME ~~MINISTER~~

1. TPK
2. MODBA
to see
MS
10/1

To see both meeting records
- the second (with the BSC) is
not all that helpful.
MS
13/2

MS.

3. PA

Nick Sanders Esq
Private Secretary
10 Downing Street
London SW1

13 February 1981

Dear Nick,

I attach copies of the records of the Minister's meetings on sugar which took place on Wednesday 11 February. The first records his meeting with a delegation of Liverpool MPs, the second his meeting with Sir Gerald Thorley and Mr Beckett of the British Sugar Corporation.

The Minister is meeting further delegations on the Liverpool closure next week and we shall keep you informed.

Yours sincerely
Kate Timms

KATE TIMMS
Principal Private
Secretary

Reference ....

MEETING BETWEEN MINISTER OF AGRICULTURE AND ALL-PARTY DELEGATION OF LIVERPOOL MPs: 10 FEBRUARY 1981

<u>Present</u>: Minister
Mr Hadley
Mr Roberts
Mr Dawes

Mr Morrison, Parliamentary Under Secretary of State, Department of Employment
Mr Cottingham, Department of Employment

Bob Parry
Eric Heffer
Eric Ogden
James Dunn
Anthony Steen
Barry Porter
Malcolm Thornton
Linda Chalker
David Alton
Graham Page

1. <u>Mr Parry</u>, leading the all-Party delegation, said that Merseyside would be very seriously affected if the Tate & Lyle closure went ahead. Unemployment was already at a critical level. It appeared that Tate & Lyle wished to continue their refining capacity in Liverpool, but were prevented from doing so by the operation of the EC sugar régime which discriminated in favour of beet. The British Sugar Corporation were at present increasing their production, so making the market for cane diminish further. BSC ought to be pressed to export the sugar which could not find a market in the UK. Tate & Lyle had been a good employer on Merseyside, and had built up the loyalties of a large workforce. Although job losses in the sugar industry had occurred elsewhere on a small scale, it now appeared that Liverpool had to bear the brunt of the imbalance between cane and beet.

2. <u>The Minister</u> described to the delegation the steps he had taken to ensure there was room in the UK market for virtually all the Lome sugar which Tate & Lyle contracted to buy. The UK beet quota which the previous Government had fixed of 1.35 million tonnes had been based on a higher estimate of consumption in the 1980s than was now proving to be the case. Against a background of falling demand, the Minister had reduced the sugar quota for which he was aiming to 1.15 million tonnes. He had never departed from this quota, and had made his position plain to the BSC (who were highly critical) and to

representatives of the Liverpool workforce when they met him in December 1980. Given the present consumption level in the UK, a beet quota of 1.15 million tonnes would permit Tate & Lyle's normal cane imports to continue; a small surplus of sugar on the UK market could be expected to arise as a result of imports of white sugar from other Community countries. The Minister had informed Tate & Lyle and the BSC that they should seek export markets for their surplus sugar, if appropriate by means of a joint venture in order to create equilibrium conditions on the UK market. As to the Liverpool refinery, evidently Tate & Lyle believed they could meet their Lome obligations without that refining capacity. The Lome countries were unaffected by the closure; indeed Tate & Lyle had just signed new five-year contracts with the Lome suppliers. The Company had been asked before closure was announced to reconsider plans for Liverpool, and the Government had taken steps to let the Company know what grants would be available to them if they wished to continue production. Ultimately, the decision had to be that of Tate & Lyle, in which the Government could not interfere. If the Minister were to cut the UK quota to below 1 million tonnes, the BSC would have considerable surplus capacity and the problem would simply have shifted from the cane to the beet sector. Indeed, it was his understanding that even on a basis of a 1.15 million tonne quota, the closure of some BSC factories was imminent.

3. In discussion, Mr Heffer and Mr Ogden pointed out that Merseyside was losing jobs at a faster rate than most other parts of the country. A small reduction in the sugar quota which the Minister had set as a target would, they believed, keep the Liverpool refinery in business. Mr Parry said that if the BSC were, as he believed, refusing to export their surplus sugar, the Government should insist that they do so. In a recent letter to MPs from Tate & Lyle (copy attached to this minute) the Company had pointed to the need for BSC exports to remove surplus sugar from the UK market, and for a continued supply of raw sugar to the Liverpool refinery. Mr Alton and Mr Steen pointed to the considerable economic and social costs which the closure of Liverpool would entail, affecting not only those directly employed by Tate & Lyle, but many others in related industries. The costs to the Government of unemployment and other benefits arising from a Tate & Lyle closure had to be set against the relatively small sum of £3 million per year which Tate & Lyle believed would be enough to keep the refinery open. Replying, the Minister said it was not in the Government's power to direct a Company to keep part of its business in operation. Nor could the Government give operating subsidies to a Company, whose most recent profits were of the order of £30 million, to keep one particular plant from closure. He was deeply concerned about the effect of closing the refinery on the local workforce. But the Department of Industry and Department of Employment had offered all the assistance they could, particularly that available under Section 8 of the 1972 Industry Act, to prevent the closure

Reference ....

taking place. It was far from being the case that he had shown a preference for the beet industry over cane, bearing in mind that he had reduced the UK quota and had stood by that lower figure in the face of criticism from the BSC. As for exports, he had urged the two Companies to co-operate on this, but did not have the power to compel them to do so; nor could he oblige the BSC to export at a loss in order to accommodate Tate & Lyle.

4. In conclusion, the delegation asked the Minister to consider the case which they had made to him for action which would prevent the closure of the Liverpool refinery; and to give them his views as soon as he was able. The Minister agreed to draw their arguments to the attention of other Departments with a major interest in the threatened closure (Department of Industry and Department of Employment). He would also send to members of the delegation copies of the letter which he wrote to the representatives of the Liverpool workforce on 8 December (copy attached to this minute) in which he put on record unequivocally the maximum quota he would accept for UK beet production.

Kate Timms

KATE TIMMS
Principal Private Secretary
13 February 1981

Circulation

Miss Rabagliati
Mr Steel
Mr Lebrecht
Mrs Brock
Mr J H V Davies
Mr Hadley
Mr Roberts

PS/PUSS Employment
Mr Cottingham, Dept. of Employment
PS/SS Industry
PS/SS Employment

CODE 18-77

Sugar

TATE & LYLE NORTH WEST TRADE UNION COMMITTEE
(Mr Holroyd's minute of 5th December to Miss Timms refers)

Mr Holroyd
Private office
Mr Davies
Mr Andrews
Mr Hadley
Mr Vickary

John McLean Esq
Secretary
Tate & Lyle North West Trade Union Committee
18 Love Lane
Liverpool
L69 3A

8 December 1980

I was glad to see you and your colleagues at the Ministry on Friday. At the meeting I promised to set out for you the Government's position on the key issues in the Commission's proposals for revising the EC sugar regime.

On quotas the Commission are proposing a reduction of some 400,00 tonnes in the overall Community quota to a new level of 11.2 million tonnes. This is not as big a cut as I would have been prepared to support. Within the total quota also the Commission have proposed a distribution between Member States which we regard as inequitable, in that it would require a 17.6% cut for the UK while increasing the quotas of France, Germany and Denmark, the main surplus producers. The total quota proposed for the UK is 1.092 million tonnes compared with our present quota of 1.326 million tonnes. Let me assure you that in Brussels I am prepared to accept a substantial cut in our existing quota. It has been made clear to the NFU and BSC that it is not the Government's intention deliberately to encourage significant expansion of sugar beet production in this country. I would however find it difficult, given the inequitable distribution of the individual country quotas, to accept the Commission's new proposals; what I am ready to accept is a total quota in line with our present production potential, which I judge to be about 1.150 million tonnes. It could be that at this level of production there might be a small surplus in our market, particularly of course if consumption declines further. But in that event the export option is open to our refining companies.

On the levies, the Commission's aim is to make producers responsible for the costs of surplus disposal through a production levy, as a way of reducing the incentive to Community over-production. They have proposed that the levy would apply at a level of 2½% of the intervention price on all Community produced sugar, with any further costs being met by a levy of up to 40% on B sugar. We accept the principle behind the levy but are unhappy with any levy on A quota production. We are arguing for its application solely to B sugar since A sugar equals consumption and is in no sense surplus.

The Commission's proposals also include several features that are of particular interest to the cane refiners' margin. These are:-

i. the exclusion of cane from the storage levy and minimum stock schemes. These schemes are designed to ensure even marketing of sugar throughout the year but are an unnecessary financial burden on cane refiners whose supplies, unlike beet, are not seasonal;

ii. the retention of the differential charge which is applied on cane sugar refined in beet factories to avert the danger of ACP supplies being diverted to beet factories with only a casual or limited interest in processing raw cane.

We shall argue strongly for these.

Finally I would like to emphasize a point that I made to you in the meeting, that I see it as my responsibility to set the framework to the UK market via the decisions taken in Brussels. This means achieving a fair balance between the interests of cane and beet sugar. But the decisions on how much refining capacity is needed to process the beet and cane raws available and meet the needs of the market is entirely a commercial decision for the BSC and Tate & Lyle.

PETER WALKER

BY APPOINTMENT
TO HER MAJESTY THE QUEEN
SUGAR REFINERS.

TATE & LYLE, LIMITED

TELEPHONE:
01-626 6525

SUGAR QUAY
LOWER THAMES STREET
LONDON EC3R 6DQ

TELEGRAMS:
TATELYLE, LONDON, E.C.3.
TELEX 884084

6th February 1981

Eric Ogden, Esq., M.P.
House of Commons,
London S.W. 1.

Dear Mr. Ogden,

Further to your telephone conversation yesterday with Mr. Thomlinson, who is absent from London today, he has asked me to confirm the circumstances under which Tate & Lyle could agree to reconsider its decision to terminate refining operations at Liverpool

These are:

(a) acceptance by the Government of a maximum U.K. beet sugar quota (A or A + B) of 936,000 tonnes, as originally proposed by the European Commission

(b) alternatively, in the event of a U.K. quota higher than 936,000 tonnes being granted, a firm on-going agreement by the British Sugar Corporation to export any surplus produced over that figure without cost to Tate & Lyle.

(c) continuation of present contractual arrangements with ACP countries for a total quantity of 1.225m tonnes of ACP sugar to come to the U.K

(d) agreement by our workforce to changes at Liverpool refinery with a view to reducing its operating costs.

Mr. Thomlinson has asked me to say that although for Liverpool to be fully viable the amount of sugar that BSC could be allowed to put on the market should ideally be somewhat lower than 936,000 tonnes in view of the recent fall in U.K. sugar consumption, it is a figure with which we could live. We could not accept any higher figure than 936,000 tonnes for U.K. beet.

He has also asked me to explain that, in addition, we have to be sure of our raw sugar supplies, and to seek to improve the present cost structure of Liverpool refinery.

cont'd ...

The latter point, which would involve some changes in working practices, has not yet been discussed with the Trade Unions, but we would wish to do so if satisfaction can be obtained on the first point.

Yours sincerely,

J.W.L. Graham

J.W.L. Graham

Reference

COMMERCIAL - IN CONFIDENCE

MINISTER'S MEETING WITH BRITISH SUGAR CORPORATION - 11 FEBRUARY 1981

1. You and Mr Hadley were present when the Minister met Sir Gerald Thorley and Mr Beckett of the British Sugar Corporation this morning.

2. Sir Gerald Thorley explained that in the view of the British Sugar Corporation the Government had now made it clear, albeit implicitly, that in the negotiations on sugar quotas it would accept no more and no less than 1.15 million tonnes for future years. The industry would be lucky to maintain a market of 2.3 million tonnes and BSC's current production capacity was nearly 1.3 million tonnes. There was an urgent need to return to a 120-day processing campaign rather than this year's 105-day campaign.

3. In the light of these considerations the Corporation had decided to close its factories at Selby, Nottingham, Ely and Felstead. Of these, the first two were too small to be economic, the third produced a product which no-one wanted and the last had insufficient supplies of sugar beet close at hand. If it continued production at these factories the Corporation would find itself in an untenable position. Therefore, unless this would cause the Minister embarrassment in his Community negotiations, the Corporation would close these four factories next week.

4. The Minister said that he had just seen a group of MPs who were concerned about the closure of the Tate & Lyle refinery at Liverpool. Tate & Lyle had repeatedly pressed him to reduce beet production quotas but he had explained to them and to the MPs that he had inherited a production target of 1.35 million tonnes from the previous Government which had been closely involved in BSC. He had told the MPs that the Chairman of BSC was coming to see him, presumably to explain the need to cut production capacity in order to process the present level of beet sugar production economically. If there were to be a further cut in quotas this would mean yet more factory closures. The Minister said that he had explained that sugar beet was an attractive crop for farmers but that he had had to accept that the previous Government's production targets had been too high, uncomfortable though this was for both farmers and the beet processing industry.

5. The Minister said that he had told the Liverpool MPs that they could not expect the Government to try to increase Tate & Lyle's profits by asking BSC to export at a loss. He had

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Reference ....

also pointed out that in the last ten years there had been only two in which conditions had been favourable for exporting sugar. He pointed out the severe problems which the Tate & Lyle closure would pose for Liverpool; in one constituency there was already a registered unemployed rate of 51%.

6. Sir Gerald Thorley said that the BSC closures too would lead to hardship. 750 permanent staff and 500 casuals (many of whom worked for the Company year by year and earned about two-thirds as much per year as the permanent staff in only four months' work) would lose their jobs. There was little alternative employment in the areas concerned. Nevertheless the Company was unwilling to operate under conditions of uncertainty about its future production levels any longer. They would say that it was becoming clear to them that the Government would not obtain increased quotas. He also wished to make it clear that the closures would take place before and irrespective of the nature of the Monopolies and Mergers Commission's decision on the Berisfords bid for BSC. The Minister said that the decision to close factories was one which BSC must take in the light of their own commercial judgement.

D.E. Jones.

D E JONES
11 February 1981

Mr Roberts + 1

cc Miss Rabagliati
Mr Steel
Mr Lebrecht
Mrs Brock
Mr J H V Davies
Mr Hadley
Mr Nicol, CRO, Cambridge
Mr Bridges, CRO, Wolverhampton
Mr Baines, CRO, Leeds
PS/SS Employment
PS/SS Industry

CODE 18-77

CCIC
Press Office

HOUSE OF COMMONS

JAD/JH LONDON SW1A OAA 12th February 1981

The Rt.Hon. Margaret Thatcher MP,
The Prime Minister,
10 Downing Street,
London SW1.

13/2

Dear Prime Minister

Tate and Lyle, Liverpool.

It would appear from some reports of the media that you are not favourably inclined to receive a deputation from the City of Liverpool, comprising some political party leaders of the City and the County of Merseyside, the Archbishop and Bishop, and Members of Parliament for the Liverpool constituencies.

I request and hope that you will reconsider the matter. Unemployment continues in an upward spiral. Confidence is consequentially at grave risk if not already lost, and worse, the immediate future offers bleak prospects; indeed, indicators give no cause for any optimism

Any reversal of this unacceptable burden of massive unemployment can only be achieved by a determined policy of providing employment, and as a first sensible contribution, I believe support for existing industries could assist to arrest the increasing unemployment.

Control of internal beet sugar supply is not a high price to ask. Any surplus to an agreed quota could be exported with inbuilt price guarantee to producers and refiners. At least 1,600 jobs are at stake with others in severe jeopardy. The retail and service sectors will be involved and the consequential problems will spread far and wide.

Peter Walker has received and replied to a joint Parliamentary deputation. He could, or would, not accept that the Government ought to intervene and assist to provide the means to rescue Tate & Lyle. We must talk to you, urgently, to seek your personal help to find some means to avoid this catastrophe.

/2....

HOUSE OF COMMONS
LONDON SWIA OAA

Therefore, I make a personal request that you receive a joint deputation comprising those I have previously indicated in this letter.

Herewith enclosed is a photostat copy of an editorial comment from the Liverpool Echo of Wednesday, 11th February, which you may wish to consider, and make a reply and response.

Yours sincerely

Jim Dunn.

James A. Dunn, KSG, MP.
Liverpool Kirkdale.

Margaret,

P.S. I have about 150 constituents involved and their employment is at stake, this is, I am sure you will agree a constituency interest

Jim Dunn.

WE THE UNDERSINGED PROTEST AGAINST THE CLOSURE OF TATE + LYLE PLUS ALL UNEMPLOYMENT ON MERSEYSIDE. (32)

106

NAME	ADDRESS
H Hamel	77 Harecroft L/Pool 28.
[illegible]	28 Buckingham Rd L/Pool 13,
L. Connell	109 Milksdene Lpool 28.
D Namel	77 Hare croft Central Farm Liverpool 28
A. Mossman.	7 Woodrow, Pennylands. Skelmersdale.
J. A. Mossman	7, Woodrow, Pennylands, Skelmersdale
H Furlong	36, Ellerslie Rd Tuebrook Lpool 13.
E Burgoan	55 Sutton St Tuebrook L,Pool 13
J. P. Melia	79 East Lancs Rd, L/pool 11 7AY
Mrs L Davis	529 Princess Drive Lpool 14
Mrs Jones	21 Pinehurst Rd Lpool 14
S. Harrity	62 Colchester Rd Lpool 6
P. Morton	47 Wereland Rd. Lpool 13.
D Millet	12 Branthwaite Grove Lpl 11
M Gardner	75. Sutton. St. L. Pool. 13.
[illegible]	60 Dalemeadow Rd. Lpool 14
Mrs H Guy	3 Guernsey Rd Lpool 13.
Mr R Guy	3 Guernsey Rd Lpool 13.
MRS I Dunn	15 CHESTER RD LPOOL 6
Mrs S Rigby	13 Oak Leigh L/pool L13 7EW
MRS B. Atkins	43 Ferguson Rd Lpool 11.
G Edwards	37 Windsor Rd Lpool 11
L. Kelly.	28 Buckingham Rd. L/pool 13
D King	50 Buckingham Rd L.pool 13
T. Hughes.	2. Osborne Rd. Lpool. L13.
E Metcalf	90 T[illegible] RD LPOOL 6
V. Kirkham	49 Clifton Rd. L/Pool 6.
M. White	49 Clifton Rd L'pl. 6.
P. Edwards	15 Acheson Rd L 13.
54 Rockwell Road.	P. Ferguson
K Early	3 March Rd
A Kibby	63 Dorset Rd L6 4DU

R
13

cc [illegible]

HOUSE OF COMMONS
LONDON SWIA OAA

12/2/81

Dear Prime Minister,

Thank you for your undated letter received yesterday re. my request for an all Party meeting with you with other interested Parties concerning the possible saving of the Tate + Lyle refinery at Liverpool. I was shocked by your refusal and believe this may have been caused by the oral question by Alton to you on Tuesday. I sincerely hope you will re-consider your decision and meet at least an all party deputation of Merseyside members if you don't want to meet any body else. May I say I deplore anybody making cheap political capital out of this very sad situation.

I understand that some of your own members will be writing to you and must advise you that seven Conservative members attended the meeting yesterday with Peter Walker. Could you have urgent talks with the Minister and see if he will hold urgent talks with Lord Jellicoe and with Beckett of the B.S.C to see if a joint venture into exports which would be in the national interest and could save the refinery. I must remind you again that unemployment in my constituency is over 50% and that about 500 of the workers at Tate + Lyle are my constituents. This has been confirmed by a independant survey taken last week by a national newspaper. Surely there must be a way the Government can prevent this tragic closure. I have tabled an Early Day motion which has been signed by more than 100 members asking you to think again.

Please do.

Sincerely

Bob Parry.

file BK

12 February 1981

I am writing to acknowledge your letter of 11 February, which I will of course place before the Prime Minister.

A reply will be sent to you as soon as possible.

T P LANKESTER

CS

Sir Trevor Jones, J.P.

PS

cc MAFF

Merseyside County Council

County Councillor Neville C Goldrein MA (Cantab)
Leader of the Council

PO Box 95
Metropolitan House
Old Hall Street
Liverpool
L69 3EL

Telephone 051-227 5234

The Prime Minister,
(The Rt. Hon. Margaret Thatcher, MP),
10 Downing Street,
London, W.1.

12th February, 1981

R14/2

Dear Prime Minister,

I am writing not only as Leader of this County Council but as the Conservative Leader, to state in stark terms the impact of the possible closure of the Tate & Lyle Liverpool Refinery and its enormous repercussions, not only on the 1500 workforce or the spinoff effect, but also on the Conservative Party's reputation, nationally and locally.

I was informed that an approach had been made to you by the Chief Executive of the Liverpool City Council asking for you to be good enough to meet a delegation of representatives from Merseyside, including myself. You promptly replied to him on the 11th February declining - and I quite understand your reasons - to see a delegation at that stage. Unfortunately the newspapers reported this as a snub to Merseyside and quoted you as having stated that those seeking to save the jobs at the refinery should "see the Management concerned."

It became quite clear to me that you had not been made aware at that stage that I had already had a long discussion with Earl Jellicoe, the Chairman of Tate and Lyle. He confirmed to me that, provided the sugar beet quota were kept to 936,000 tonnes per annum, not only was he prepared, but it was his positive wish, to keep open the Liverpool Refinery. Indeed, Earl Jellicoe has agreed to be a member of a delegation should you choose to receive one.

At 4.30 p.m., on the evening of Monday, 2nd February - about the shortest possible notice - I was offered an appointment with Mr. Peter Walker at 9.30 a.m., the following day, Tuesday, 3rd. This was in response to a letter I had written to Mr. Walker seeking an appointment, and naturally I was anxious to accept. I left Liverpool before the crack of dawn on the Tuesday morning and arrived at the Ministry of Agriculture, Fisheries and Food at 9.25 a.m., to be told that Mr. Walker had left for Paris, but that unfortunately his private staff had not taken the trouble to inform me of the cancellation of our meeting for which I had made a special journey.

I am now hoping to arrange a fresh private meeting with Mr. Walker for Monday next, 16th February.

The whole matter stands and falls on the sugar beet quota. Tate & Lyle is not just another factory in Merseyside but part of its history, character and geography. The impact of its closure would not only be the job loss but the ripple effect would be enormous both industrially and politically. I would not use that as a basis of argument - but the whole of local Conservative support looks upon this issue as crucial.

In nearly 25 years in local government I have never before known an issue in Merseyside which has been felt so deeply right across all political parties, labour, management, and a unique spectrum of Merseyside life, including the churches.

Of course I appreciate how tremendously precious your time is. Nevertheless, if you could enable me to have even ten minutes of that precious time, whenever and wherever convenient to you, I would very much appreciate it - as would indeed every Merseysider.

Yours sincerely,

Neville Goldrein

DSG

cc MAFF
D/I
Press.

10 DOWNING STREET

THE PRIME MINISTER

11 February 1981

Dear Mr. Stocks,

Thank you for your two letters about the closure of the Tate and Lyle Refinery.

We are all concerned about the impact this closure will have on Merseyside which already has a higher than average rate of unemployment. I fully understand your wish to bring a delegation to see me. But I feel that it would be preferable for you to see Peter Walker because he has been personally involved in discussions with Tate and Lyle and others. You sent a copy of your letter to Peter Walker and his office will be in touch with you.

Yours sincerely

Margaret Thatcher

A. J. Stocks, Esq. C.B.E.

JS

DSS

cc MAFF
D/I

10 DOWNING STREET

THE PRIME MINISTER

11 February 1981

Dear Mr Parry,

Thank you for your letter of 28 January about the closure of the Liverpool refinery.

We are all concerned at the impact a closure of this size will have on an area which already suffers from a higher than average rate of unemployment.

The Government has done what it can to explore with Tate and Lyle alternatives to closure but the final decision has to be for the Company. I understand they could find no economically possible alternative.

You already have a meeting arranged with Peter Walker, who will also be seeing delegations from the Merseyside County Council and the Liverpool City Council. Since he has been personally involved in meetings and discussions on the subject, which he will be reporting fully to me, I think it would be more sensible for this meeting to go ahead rather than that you should bring a deputation to see me.

Yours sincerely

Margaret Thatcher

Robert Parry, Esq., M.P.

SP

FROM THE OFFICE OF THE LEADER OF THE CITY COUNCIL
P.O.BOX 88
MUNICIPAL BUILDINGS,
LIVERPOOL, L69 2DH.

R12/2

Telephone: 051–227 3911 Ext. ~~XXX~~ 35

11th February 1981

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London.

Dear Prime Minister,

<u>Closure of Tate & Lyle's Refinery at Liverpool</u>

I understand that you made a statement in the House of Commons yesterday in which you indicated that you would be refusing the request from Liverpool for a meeting to discuss the proposed closure of the Tate and Lyle's Refinery. This statement, if I understand it correctly, is a hammer blow to the hopes of many thousands of people in the City of Liverpool.

The threatened closure of Tate and Lyle has produced a spontaneous knitting together of a wide cross-section of the community including all political parties on the Council, Liverpool Members of Parliament, Merseyside European Members of Parliament, Trade Unions, Church Leaders and the Chamber of Commerce and Industry. Indeed it is true to say that our aims have even received the support of Earl Jellicoe, the Chairman of Tate and Lyle, who would also like to have joined our delegation to see you.

Our investigations into this proposed closure clearly establish that the jobs at the Refinery can be saved at no cost to the taxpayer and with no loss of jobs elsewhere in the United Kingdom. The simple requirement is a realistic setting of the beet quota and I believe that you could bring this about.

I can only assume that you have not been given the full facts of the matter because I never thought of you as someone who would be so callous as to refuse to listen to a reasonable argument. I believe that there is a very strong case to be put forward on both social and economic grounds and that you may very well be persuaded to see our point of view. I should be extremely grateful, therefore, if you would reconsider our request for a personal meeting.

Yours sincerely,

Trevor Jones

Sir Trevor Jones, J.P.

File

Overseas Aid

① OSG

cc: MAFF

① Ind

10 DOWNING STREET

From the Private Secretary

10 February 1981

The Prime Minister has asked me to thank you for your letter of 2 February about the closure of the Tate and Lyle Refinery.

The Government is obviously concerned about the effect of this closure on an area which already has a high rate of unemployment. The Minister of Agriculture has been personally involved in discussions with the Company and others in an effort to find some alternative to closure but, in the end, the company could see no other way of protecting their overall refining capability.

You mention the interests of the ACP countries who supply the raw sugar. In fact they are not affected by the closure because their guarantee is through the intervention arrangements of the Community as a whole not just the United Kingdom. However, Tate and Lyle have already said that they will still take all but 60,000 tonnes of the sugar for which they have contracts and they expect to be able to arrange for that to be taken up elsewhere.

It is true that the cane refiners' margin is less satisfactory than the beet processors' but this stems from the fact that the ACP countries themselves have insisted on being paid at least the Community's raw sugar intervention price, which is high compared with the comparable prices for sugar beet and for white sugar.

On the penultimate paragraph of your letter you will be aware that, since you wrote, the Company has announced that they will keep the refinery open at least till 3 April.

J. P. LANKESTER

W. H. Easton, Esq.

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

Nick Sanders Esq
Private Secretary
10 Downing Street
London SW1

9 February 1981

Dear Nick

In your letter of 3 February to Kate Timms you asked for draft replies to three letters which the Prime Minister has received about the Tate & Lyle refinery in Liverpool. The attached drafts take account of your further letters to Kate of 4 February and 6 February.

Yours sincerely

David Jones

D E JONES
Assistant Private
Secretary

DRAFT LETTER FOR THE SIGNATURE OF THE PRIME MINISTER

R Parry Esq MP
House of Commons
London
SW1A OAA

Thank you for your letter of 28 January about the closure of the Liverpool refinery.

We are all concerned at the impact a closure of this size will have on an area which already suffers from a higher than average rate of unemployment.

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who will also be seeing delegations from the Merseyside County Council

You already have a meeting arranged with Peter Walker, Since he has been personally involved in meetings and discussions on the subject,
which he will be reporting fully to me,
I think it would be more sensible for this meeting to go ahead rather than that you should bring a deputation to see me.

DRAFT LETTER FOR THE SIGNATURE OF THE PRIME MINISTER

A J Stocks Esq MA
Chief Executive City of Liverpool
PO Box No 88
Municipal Buildings
Dale Street
Liverpool L69 2DH

Thank you for your two letters about the closure of the Tate and Lyle Refinery.

We are all concerned about the impact this closure will have on Merseyside which already has a higher than average rate of unemployment. I fully understand your wish to bring a delegation to see me. But I feel that it would be preferable for you to see Peter Walker because he has been personally involved in discussions with Tate and Lyle and others. You sent a copy of your letter to Peter Walker and his office will be in touch with you.

DRAFT LETTER FOR THE SIGNATURE OF THE PRIME MINISTER'S PRIVATE SECRETARY

W H Easton Esq
Clerk and Treasurer
Maghull Town Council
6 Damfield Lane
Maghull
Liverpool L31 7BA

The Prime Minister has asked me to thank you for your letter of 2 February about the closure of the Tate and Lyle refinery.

The Government is obviously concerned about the effect of this closure on an area which already has a high rate of unemployment. The Minister of Agriculture has been personally involved in discussions with the company and others in an effort to find some alternative to closure but, in the end, the company could see no other way of protecting their overall refining capability.

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/On

On the penultimate paragraph of your letter you will be aware that, since you wrote, the Company has announced that they will keep the refinery open at least till 3 April.

Private Secretary

dl

10 DOWNING STREET

From the Private Secretary

6 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 5 February, which I shall of course place before her at once. You will be sent a reply as soon as possible.

N. J. SANDERS

The Rt. Hon. Earl Jellicoe, D.S.O., M.C.

BK

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10 DOWNING STREET

From the Private Secretary

6 February 1981

I attach a letter which we have received this morning from Lord Jellicoe about the Liverpool refinery. I should be grateful if you could take it into account in preparing the replies we have commissioned to the various requests that the Prime Minister has received for her to meet deputations to discuss the future of the refinery. We shall of course also need a draft reply to Lord Jellicoe himself.

I am copying this letter and its enclosure for information to Richard Riley (Department of Industry) and Richard Dykes (Department of Employment).

N. J. SANDERS

Miss Kate Timms,
Ministry of Agriculture, Fisheries and Food.

BK

BF 9.2.84

Overseas aid (Part 1 ...)

10 DOWNING STREET

Tim

You should see where we've got to over Tate + Lyle. MAFF will let us have draft replies tonight or on Monday morning

MS
6/2

5

10 DOWNING STREET

From the Private Secretary 6 February 1981

I told you on the telephone this morning that we had received a further letter from the Chief Executive of the City of Liverpool. A copy is attached.

As I said to you I will seek the Prime Minister's reaction to the suggestion that she should meet the deputation, now that Lord Jellicoe is also to be included. But I have no reason to doubt that she will adhere to the decision she reached earlier this week, that it would be more appropriate for the Ministers primarily responsible to meet any delegations, at least in the first instance.

You said that you would let me have draft replies to the various requests for meetings as soon as you could.

Miss Kate Timms
Ministry of Agriculture, Fisheries and Food

MFJ

6 February 1981

I am writing on behalf of the Prime Minister to thank you for your further letter of 5 February about Tate and Lyle. I will of course inform the Prime Minister of its contents, and you will be sent a reply very shortly.

NJS

A.J. Stocks, Esq., C.B.E.

EPHONE:
01 26 6525

SUGAR QUAY
LOWER THAMES STREET
LONDON EC3R 6DQ

From the Chairman

5th February 1981

The Rt. Hon. Margaret Thatcher MP,
Prime Minister,
House of Commons,
London S.W.1.

Dear Margaret.

Thank you for your letter of 2nd February in connection with the announcement of the closure of Liverpool Refinery.

I confirm that we are expanding the capacity of our Silvertown Refinery to about 960,000 tonnes of sugar per year. The Westburn Refinery at Greenock has a capacity of about 140,000 tonnes, so that in total we shall be able to take 1.1 m tonnes of sugar from the ACP countries. If in any year the beet crop is small, we hope to be able to stretch the total capacity above 1.1 m tonnes, and to meet at least some of any deficit by buying more cane sugar.

We have now written to the major ACP suppliers (Swaziland, Trinidad, Fiji, Jamaica, Guyana, and Barbados) offering to renew their contracts with us for a period of five years from 1 July 1981. If these offers are taken up the total quantity, including a contract which has already been renewed with Mauritius, would be of the order of 1.225 m tonnes. Our contracts with the ACP countries will be backed by long-term agreements which we intend to negotiate with other continental buyers of raw sugar, particularly in France. The sugar will be refined for consumption within the EEC.

We are grateful for your statement that the Government will give help in Brussels to ensure that the commitment to the EEC under the Lome Convention would be honoured. Inter alia, this will require an ongoing market to be preserved in the United Kingdom for 1.1 m tonnes of cane sugar. Whilst

.../2

we are confident that after the closure of Liverpool Refinery there will be a reasonable balance between supply and demand in the UK which should enable us to operate profitably, we will still be at a considerable disadvantage to the UK beet industry because the EEC sugar regime gives a better margin for making sugar from beets than for refining cane sugar. We are grateful for the help which we have received from the Government in seeking to redress this situation, but the problem still persists and we trust that we can continue to count on Government help in overcoming this difficulty.

You will not be surprised to learn that since the announcement of the Liverpool closure we have been under very strong pressure indeed from our employees, from the Trade Unions both at local and at a national level, from the Local Authorities concerned and from MPs of all three Parties. I understand that there is a possibility of a representative delegation wishing to ask to be received by you in order to emphasise the grave consequences for Liverpool of the closure. I have made it absolutely clear to all concerned that from a commercial point of view the closure of Liverpool Refinery was vital unless there was to be a change of Government policy on the basic issues and I have said that I considered such a change of policy to be in the highest degree unlikely. I have also said that whilst we were prepared to keep the Refinery open a little longer - until 3rd April - in order to allow time for these proposed representations, we were absolutely not prepared to withdraw our notices to Liverpool employees as this would only raise false hopes. Subject to that, I have stated that I would, if invited, be prepared to join a delegation if you were to consent, as I hope you will feel able to do, to receive one.

Yours Ever

George

JELLICOE

City of Liverpool

A. J. Stocks, C.B.E. L.L.D. M.A.
Chief Executive
P.O. Box No. 88
Municipal Buildings
Dale Street
Liverpool L69 2DH
Telephone: 051-227 3911 Ext: 1

cc Press off.

Your ref
Our ref CX/SO
Date 5th February. 1981

N. J. Sanders, Esq.,
Private Secretary,
10 Downing Street,
LONDON, S.W.1

Dear Mr. Sanders,

In your letter dated 3rd February you refer to an earlier letter which I had written on behalf of the City Council dated 30th January in which, on behalf of the City Council, I was seeking the Prime Minister's agreement to her meeting a delegation concerned with the serious and deteriorating situation as regards Tate & Lyle's Sugar Refinery in Liverpool. You will by now have received my second letter which was dated 2nd February on the same subject.

I am now writing to say that earlier today the Leader of the City Council, together with the Leaders of the other political parties on the City Council, met Earl Jellicoe, the Chairman of Tate & Lyle, for an extended discussion of the present situation. The discussion covered such topics as the present market for refined sugar, the capacity in this country for refining both beet and cane sugar, the extent to which an over-capacity for refining existed, the relevance of the sugar beet quota, possible adjustments of the sugar beet quota, and the possibility (and the financial consequences) of exporting surplus refined sugar. In addition, we discussed the serious social consequences in the Liverpool area of throwing a further 1,500 people out of work in an area where the unemployment levels are frighteningly high and the rather separate topic of the obligations entered into by this country to the cane sugar producing countries in Africa, the Caribbean and the Pacific.

At the conclusion of the meeting, it was clear that, on behalf of his Board, Earl Jellicoe would wish to be associated with any delegation which the Prime Minister might be willing to see as outlined in my letter of the 2nd February. I am therefore writing straight away to notify you to that effect and to ask you to bring Earl Jellicoe's wish to the Prime Minister's attention when she is considering the request that she will be good enough to receive the deputation I have described.

Yours sincerely,

Alfred Stocks.

Chief Executive.

Overseas Aid

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. T. 19/81

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RESTRICTED
FRAME DEVELOPMENT
FM FCO 051618Z FEB 1981
TO PRIORITY SUVA
TELEGRAM NUMBER 9 OF 5 FEB
INFO SAVING UKREP BRUSSELS
YOUR TELNO 19 : CLOSURE OF TATE AND LYLE SUGAR REFINERY

1. PLEASE DELIVER FOLLOWING REPLY FROM PRIME MINISTER TO RATU MARA'S LETTER:

QUOTE. DEAR PRIME MINISTER,

THANK YOU FOR YOUR LETTER OF 26 JANUARY ABOUT THE CLOSUREOF THE TATE AND LYLE CANE SUGAR REFINERY AT LIVERPOOL.

I AM SURE YOU WILL UNDERSTAND THAT THIS WAS A COMMERCIAL DECISION FOR THE COMPANY TO TAKE. BUT THERE IS NO QUESTION OF THE CLOSURE OF THE REFINERY HAVING ANY EFFECT ON THE EUROPEAN COMMUNITY'S COMMITMENT TO ACCESS FOR ACP SUGAR TO THE COMMUNITY MARKET.

THE SUGAR PROTOCOL TO THE LOME CONVENTION IS AN OBLIGATION TO WHICH THE UNITED KINGDOM IS AND WILL REMAIN FULLY COMMITTED. WE ARE AWARE OF ITS IMPORTANCE FOR FIJI AND OF THE EFFORTS FIJI HAS MADE EACH YEAR SINCE 1975 TO ENSURE THAT ITS FULL QUOTA WAS DELIVERED. BUT THAT OBLIGATION DOES NOT REST SOLELY UPON THE UNITED KINGDOM. THE COMMITMENT WAS UNDERTAKEN BY THE EUROPEAN COMMUNITY IN 1975 WHEN THE FIRST LOME CONVENTION WAS NEGOTIATED. IT IS INDEED TRUE THAT THE UNITED KINGDOM INSISTED ON SATISFACTORY ACCESS FOR SUGAR EXPORTS FROM THOSE COMMONWEALTH COUNTRIES WHO SUBSEQUENTLY BECAME ASSOCIATED WITH THE COMMUNITY THROUGH THE LOME CONVENTION AS ONE CONDITION OF OUR ACCESSION TO THE COMMUNITY. BUT UNDER THE LOME SUGAR PROTOCOL WHICH IMPLEMENTS THAT COMMITMENT ACCESS IS GUARANTEED TO THE COMMUNITY AS A WHOLE, AND NOT SOLELY TO THE UNITED KINGDOM.

AS MR WALKER AND PREVIOUS MINISTERS OF AGRICULTURE HAVE MADE CLEAR TO COMMONWEALTH ACP SUGAR PRODUCERS, THE COMMITMENT TO ACCES FOR ACP SUGAR EXPORTS TO THE COMMUNITY IS NOT AFFECTED BY THE LEVE OF BEET SUGAR PRODUCTION IN THE COMMUNITY. THE COMMITMENT UNDER THE SUGAR PROTOCOL IS THAT THE COMMUNITY WILL PURCHASE AND IMPORT

SPECIFIC QUANTITIES OF SUGAR FROM THE ACP PRODUCERS AT GUARANTEED PRICES. THERE ARE NO CONDITIONS OR QUALIFICATIONS ATTACHED TO THAT COMMITMENT. THE COMMITMENT IS FOR AN INDEFINITE PERIOD, SUBJECT ONLY TO THE PROVISO THAT THE CONDITIONS FOR IMPLEMENTING THE GUARANTEE 'SHALL BE RE-EXAMINED BEFORE THE END OF THE SEVENTH YEAR OF THEIR APPLICATION', THAT IS BEFORE THE END OF FEBRUARY, 1982. AND IF ANY ACP SUGAR CANNOT BE MARKETED IN THE COMMUNITY, THE PROTOCOL EFFECTIVELY REQUIRES THE COMMUNITY TO BUY IT INTO INTERVENTION AT AT LEAST THE GUARANTEED PRICE.

IN PRACTICE OF COURSE THE UNITED KINGDOM HAS UP TO NOW TAKEN MOST (BUT NOT ALL) OF THE ACP SUGAR EXPORTED TO THE COMMUNITY. THERE SEEMS TO BE NO REASON WHY THIS SHOULD NOT CONTINUE.

AS FAR AS PRODUCTION OF BEET SUGAR IN THE UNITED KINGDOM IS CONCERNED, MR WALKER HAS MADE IT CLEAR THAT THE UNITED KINGDOM IS PREPARED TO ACCEPT A CUT IN QUOTA PROPORTIONATELY LARGER THAN THOSE FOR OTHER MEMBER STATES. IT MUST BE REMEMBERED THAT TATE AND LYLE HAS HAD TO FACE A CONTRACTION OF THE UNITED KINGDOM MARKET FROM 2.6 TO 2.3 MILLION TONNES SINCE 1973. BUT IF THE PROPOSED QUOTA OF 1.15 MILLION TONNES IS AGREED, THE UNITED KINGDOM WILL ONLY OCCASIONALLY PRODUCE A SURPLUS. THIS IS NOT LIKELY TO EXCEED 100,000 TONNES. SMALL AMOUNTS OF THIS SORT CAN BE STORED AND CARRIED OVER UNTIL THE FOLLOWING YEAR UNDER COMMUNITY ARRANGEMENTS.

TATE AND LYLE HAVE SAID THAT THEY ARE PREPARED TO CONTINUE TO BUY THE SAME AMOUNT OF ACP RAW SUGAR AS HITHERTO, AND THAT THEY WILL TRY TO FIND A MARKET ELSEWHERE IN THE COMMUNITY FOR THE SMALL AMOUNT OF SUGAR THAT THEY CANNOT REFINE THEMSELVES. THE DETAILED ARRANGEMENTS ARE OF COURSE FOR THE COMPANY AND THE SUGAR EXPORTERS TO NEGOTIATE. BUT IT SEEMS TO ME A HELPFUL OFFER.

YOURS SINCERELY,

(SGD) MARGARET THATCHER UNQUOTE

2. ORIGINAL FOLLOWS BY NEXT CONFIDENTIAL BAG.

CARRINGTON

DIST:	COPY TO:
FRAME DEVELOPMENT ECD(E) SPD	MR ROBERTS, SUGAR DIVISION, MAFF

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FRAME DEVELOPMENT

FM FCO 051618Z FEB 1981

TO PRIORITY SUVA

TELEGRAM NUMBER 9 OF 5 FEB

INFO SAVING UKREP BRUSSELS

YOUR TELNO 19 : CLOSURE OF TATE AND LYLE SUGAR REFINERY

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YOURS SINCERELY,

(SGD) MARGARET THATCHER UNQUOTE

2. ORIGINAL FOLLOWS BY NEXT CONFIDENTIAL BAG.

CARRINGTON

DIST:	COPY TO:
FRAME DEVELOPMENT ECD(E) SPD	MR ROBERTS, SUGAR DIVISION, MAFF

file BK

12 February 1981

I enclose a further letter the Prime Minister has received about the Tate & Lyle closure - this one from the Leader of the City Council.

I should be grateful for a draft reply by tomorrow, 5 pm. The draft should confirm that the Prime Minister is not prepared to see a delegation, but I think it should deal with the beet quota point.

T P LANKESTER

CS

Miss Kate Timms,
Ministry of Agriculture, Fisheries & Food

SUBJECT

cc Master OP

File

cc: FCO
ODA
MAFF

RH

Overseas aid

10 DOWNING STREET

THE PRIME MINISTER

4 February 1981

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T19/81

Dear Prime Minister,

Thank you for your letter of 26 January about the closure of the Tate and Lyle cane sugar refinery at Liverpool.

I am sure you will understand that this was a commercial decision for the company to take. But there is no question of the closure of the refinery having any effect on the European Community's commitment to access for ACP sugar to the Community market.

The Sugar Protocol to the Lome Convention is an obligation to which the United Kingdom is and will remain fully committed. We are aware of its importance for Fiji and of the efforts Fiji has made each year since 1975 to ensure that its full quota was delivered. But that obligation does not rest solely upon the United Kingdom. The commitment was undertaken by the European Community in 1975 when the first Lome Convention was negotiated. It is indeed true that the United Kingdom insisted on satisfactory access for sugar exports from those Commonwealth countries who subsequently became associated with the Community through the Lome Convention as one condition of our accession to the Community. But under the Lome Sugar Protocol which implements that commitment, access is guaranteed to the Community as a whole, and not solely to the United Kingdom.

As Mr Walker and previous Ministers of Agriculture have made clear to Commonwealth ACP sugar producers, the commitment to access for ACP sugar exports to the Community is not affected by the level of beet sugar production in the Community. The commitment under the

/Sugar

SK

Sugar Protocol is that the Community will purchase and import specific quantities of sugar from the ACP producers at guaranteed prices. There are no conditions or qualifications attached to that commitment. The commitment is for an indefinite period, subject only to the proviso that the conditions for implementing the guarantee ' shall be re-examined before the end of the seventh year of their application', that is before the end of February, 1982. And if any ACP sugar cannot be marketed in the Community, the Protocol effectively requires the Community to buy it into intervention at at least the guaranteed price.

In practice of course the United Kingdom has up to now taken most (but not all) of the ACP sugar exported to the Community. There seems to be no reason why this should not continue.

As far as production of beet sugar in the United Kingdom is concerned, Mr Walker has made it clear that the United Kingdom is prepared to accept a cut in quota proportionately larger than those for other Member States. It must be remembered that Tate and Lyle has had to face a contraction of the United Kingdom market from 2.6 to 2.3 million tonnes since 1973. But if the proposed quota of 1.15 million tonnes is agreed, the United Kingdom will only occasionally produce a surplus. This is not likely to exceed 100,000 tonnes. Small amounts of this sort can be stored and carried over until the following year under Community arrangements.

Tate and Lyle have said that they are prepared to continue to buy the same amount of ACP raw sugar as hitherto, and that they will try to find a market elsewhere in the Community for the small amount of sugar that they cannot refine themselves. The detailed arrangements are of course for the company and the sugar exporters to negotiate. But it seems to me a helpful offer.

Yours sincerely,

(sgd) Margaret Thatcher

The Rt Hon Ratu Sir Kamisese Mara KBE

R H

4 February, 1981

I am writing on behalf of the Prime Minister to thank you for your further letter of 2 February, which I will of course place before her. You will be sent a reply as soon as possible.

N. J. SANDERS

A J Stocks, Esq, CBE

RH.

10 DOWNING STREET

From the Private Secretary

4 February, 1981

I told David Jones on the telephone this morning that we had received a further letter, which I enclose, from the Liverpool City Council about Tate and Lyle. You will see that it asks the Prime Minister to receive a broadly representative delegation. The Prime Minister, as I said in my letter of 3 February, has concluded that in the first instance such a delegation should be received by the Ministers primarily responsible, but I should be grateful if you could take this latest letter into account in preparing the draft replies for which I asked yesterday.

I am sending a copy of this letter and enclosure for information to Richard Riley in the Department of Industry.

N. J. SANDERS

Miss Kate Timms
Ministry of Agriculture, Fisheries and Food

5r8

PH

cc FCO
CO
MAFF
Overseas
Aid

10 DOWNING STREET

THE PRIME MINISTER

4 February 1981

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T18/81

My dear Prime Minister,

Thank you for your letter of 22 January about the closure of the Tate & Lyle cane sugar refinery at Liverpool.

I am sure you will understand that this decision was a commercial one for the company to take. It would not be appropriate for the Government to seek to persuade them to alter their decision. But I can assure you that the closure of the refinery will have no effect on the Community commitment to access for ACP sugar to the Community market.

The commitment under the Sugar Protocol to the Lome Convention is that the Community as a whole will purchase and import specific quantitites of sugar from the ACP producers at guaranteed prices. There are no conditions or qualifications attached to that commitment. The commitment is for an indefinite period, subject only to the proviso that the conditions for implementing the guarantee "shall be re-examined before the end of the seventh year of their application", that is before the end of February 1982. And if any ACP sugar cannot be marketed in the Community, the Protocol effectively requires the Community to buy it into intervention at at least the guaranteed price. As Mr Walker and his predecessors have repeatedly made clear to the Commonwealth ACP producers, their exports to the Community cannot be affected by the level of beet sugar production in the Community.

The Sugar Protocol is an obligation to which the United Kingdom is and will remain fully committed. We are fully aware of the importance of the Protocol for the Commonwealth ACP producers.

/But

JS

But I would point out that that obligation does not rest solely upon the United Kingdom. The commitment was undertaken by the European Community in 1975 when the first Lome Convention was negotiated. It is true that the United Kingdom made satisfactory access for sugar from those Commonwealth sugar producers who subsequently became associated with the Community through the Lome Convention on condition of our accession to the Community. But under the Lome Sugar Protocol which put that commitment into practice, access is guaranteed to the Community as a whole, and not solely to the United Kingdom.

In practice the United Kingdom has up to now taken most (but not all) of the ACP sugar exported to the Community. I see no reason why this should not continue. It is true that one of the problems which Tate and Lyle have had to face is the contraction of the United Kingdom market from 2.6 to 2.3 million tonnes over the past seven years. But Mr Walker has made it clear that he is prepared to accept a reduction in the UK production quota under European Community arrangements to 1.15 million tonnes. If this substantial reduction is agreed, sugar surpluses in the United Kingdom will occur only occasionally, and are not likely to exceed 100,000 tonnes. Small amounts of this sort can be stored and carried over to the following year under Community arrangements.

You may have noted that Tate and Lyle have said that they are prepared to continue to buy the same amount of ACP raw sugar as hitherto, and that they will try to find a market elsewhere in the Community for the sugar that they cannot refine themselves. The detailed arrangements are of course for the company and the sugar exporters to negotiate. But it seems to me a helpful offer.

Yours sincerely

Margaret Thatcher

Dr The Rt Hon Sir Seewoosagur Ramgoolam, GCMG MLA

OR

Conservative Research Department

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9511

Director: ALAN HOWARTH

RBC/cc

Peter Mills, Esq., M.P.,
House of Commons,
LONDON, S.W.1.

3rd February, 1981.

Dear Peter,

Closure of Tate and Lyle's Liverpool Refinery

As you may know, there is supposed to be a lobby at the House tomorrow, in support of the workers at Tate and Lyle's Refinery in Liverpool.

I enclose a background note on this subject, which gives all the facts and figures and Government policy on this issue, as well as details of the EEC Sugar Industry and Quota proposals.

Yours ever

Robbie

ROBBIE BROWNE-CLAYTON

cc. Agricultural Back-Bench Committee and Ministers.

TATE AND LYLE'S LIVERPOOL REFINERY - BACKGROUND NOTE

TATE AND LYLE'S POSITION IN THE UK MARKET

1 Tate and Lyle refine most of the raw sugar imported from African, Caribbean and Pacific (ACP) countries under the Lome Convention Sugar Protocol. This sugar is sold in competition with that produced by British Sugar Corporation Ltd (a public company) from home grown beet and with white sugar imported from the continent. Home production of sugar from beet and imports of raw cane sugar each meet nearly half our needs. On accession to the Community our consumption was 2.7 million tonnes but has since declined; in 1979/80 the market balanced around consumption of 2.35 million tonnes. 1.16 million tonnes was supplied by ACP sugar, 1.15 million tonnes by UK beet sugar. There were some EC white imports, and a surplus of 100,000 tonnes held in stock.

COMMITMENTS TO THE ACP COUNTRIES

2 Under the Sugar Protocol of the Lome Convention the Community undertakes for an indefinite period to purchase and import, levy free at guaranteed prices, specific quantities of cane sugar originating in the ACP states and which these states undertake to deliver. Parallel arrangements apply to India and OCT countries. Each state has a fixed annual quota to which the Community's guarantee applies. Although the guarantee covering 1.3 million tonnes is provided by the Community actual imports are conducted through commercial contracts. At present Tate and Lyle, the traditional importers of cane sugar in the Community, are contracted to purchase annually 1.225 million tonnes of ACP sugar, ie the bulk of the committed amount. In fact, due to shortfalls and switching by ACP exporters of raws to other Community countries (especially France and Ireland) Tates have in the last two years taken less than the full contracted amount.

Year (Oct/Sept)	Total EC imports	(million tonnes wse) of which UK
1975/76	1.337	1.291 (96.6%)
1976/77	1.415	1.343 (94.9%)
1977/78	1.321	1.268 (96.0%)
1978/79	1.195	1.169 (97.8%)
1979/80 (provisional)	1.253	1.163 (92.8%)

The commercial arrangements are under-pinned by the Community, which undertakes to purchase through its intervention agencies at a guaranteed price any quantities, in their raw state, which cannot be commercially marketed at or above the guaranteed price.

3. TATE'S REFINING MARGIN

The 1980/81 guaranteed price for ACP raw sugar is £222.04/tonne. This is the same as that for Community raw beet sugar. In relation to the EC minimum price for beet this is high; but the fixing of the minimum price for raw cane sugar at the raw beet sugar intervention price resulted from the insistence of ACP suppliers. It is this high purchase price which has adversely affected Tate and Lyle's margin in the last few years, especially by comparison with the much wider margin between the minimum beet price and the white sugar price available to Community beet processors, because they normally process through from the beet to white sugar.

4. TATE'S REFINING CAPACITY

The basic problem is however one of over-capacity which has been of concern to the company since our accession to the European Community. The immediate effect of our accession to the EC was the loss of Australian sugar which reduced imports by some 300,000 tonnes. Moreover, since then price relativities between raw and white sugar on the world market have made their 200,000 tonnes of import/export refining unprofitable. With the contraction of the UK market Tates have recently been refining 1.16 million tonnes. Yet with Liverpool open and refining 3000,000 tonnes per annum their total capacity is 1.34 million tonnes. The closure of the Liverpool refinery will leave them the Thames refinery with 900,000 tonnes per year capacity (with scope to increase to nearly 1 million) and Greenock 140,000 tonnes. Thus the Company will, after the closure, have capacity to refine all but 60,000 tonnes of the 1,160,000 tonnes of ACP sugar that they have been recently refining; and they have said that they intend to get the balance refined elsewhere in the Community. This is no comfort for Liverpool, but it does indicate that all the ACP sugar contracted to Tates should continue to be refined and sold within the Community. The amount for refining above Tate's remaining capacity in the UK, ie a surplus of 60-100,000 tonnes, is not enough to keep the Liverpool refinery going. However, it must be emphasised that any decisions regarding where to refine is wholly the responsibility of Tates according to their own commercial judgement.

UK SUGAR PRODUCTION AND THE ROLE OF THE BSC

5 In the White Paper of 1975 "Food from our own Resources" the Labour Government said that the "first task is to raise the acreage sufficiently to produce 1,040,000 tonnes of sugar (the A quota). Thereafter we should aim for production of some 1.3 million tonnes ...". It was in this context that our total EC quota was set at 1.326 million tonnes in 1978. The same Government's follow-up White Paper "Farming and the Nation" February 1979 did not include quantitative estimates but said in relation to beet production, "Some further expansion of area may be expected given that the crop is likely to remain economically attractive compared with competing crops, and is justified in view of the efficiency of United Kingdom beet production and processing and the contribution it can make to our balance of payments." At the same time it was said "The sugar beet area has been showing an upward trend and it is assumed, with constant prices, that it will rise further to about 230 thousand hectares in 1983."

The growth of UK beet production since we joined the Community is not dramatic although the past three years have all produced over 1 million tonnes of sugar. This is on trend with production levels in 1969-1971 when the average annual production was 951,000 tonnes. Very low yields occurred in 1974, 1975, 1976 because of the exceptional effect of drought and disease. Thus claims of a very rapid increase in UK beet production in the last 6 years distort the picture.

The present Government has modified its view of beet sugar production possibilities as the UK sugar market has contracted. The production potential is now seen as 1.15 million tonnes. If in 1975 production had reached 1.3 million tonnes it would have represented about half total consumption. In 1979/80 production of 1.154 million tonnes represented about half total consumption. Under the present Government the sugar beet acreage is not being expanded. It is at a plateau of 213,000 hectares.

Both the previous Ministers of Agriculture and Peter Walker have assured the ACP countries that it is not their intention to adopt policies which in any way run counter to preserving the traditional outlets in the UK market for ACP sugar.

EC QUOTAS

6 Beet sugar production in the Community is limited by quotas. The present UK quota is 1.326 million tonnes. (This is based on a constant 'A' quota agreed in 1975 with annual 'B' quota variations which started with a total quota as high as 1.508m tonnes in 1975. This was agreed in the context of "Food from our own Resources".) In 1979 the EC proposed reducing this to 936.000 tonnes, a proposal which was supported by Tate and Lyle. This was rejected by the Minister as discriminating against the UK. In 1980 1.092 million tonnes was proposed for the United Kingdom quota whilst some of the surplus production countries were to get an increase. The Minister has rejected this latest proposal as discriminatory but has said publicly that he wants a cut in overall quotas and would accept 1.15 million tonnes for the United Kingdom, which represents our potential level of production and much less than our present quota. It would help the ½ and ½ balance to be maintained in our market betweeen beet and cane sugar, preserving access for the latter.

As a result of the White Paper "Food from our own Resources" which envisaged UK production of 1.3 million tonnes the British Sugar Corporation undertook an extensive capital investment programme (over £150 millions to increase its capacity to that level. Though production has never reached that figure (the record harvest being 1.154 million tonnes in 1979/80) a major effect of heavy cut in the UK quota would be a threat to employment at BSC factories with adverse effects on UK agriculture where beet is a profitable and useful break crop. Tates have said that if the Government were to accept the Commission's original quota proposal of 936,000 tonnes they could keep the Liverpool refinery open. But this is not really credible. With a total of 1.340 million tonnes capacity they would still have the ability to refine more than the available sugar they are contracted to buy (1.225 million tonnes) and if they could refine 1.340 million tonnes that would imply (with imports from the rest of the EC) a UK beet quota of 810,000 tonnes (compared with the present 1.326 million tonnes).

IMPORTS OF EC WHITE SUGAR

7 A small quantity of white sugar is imported from other Community countries by merchants and industrial users. Under the pre-accession arrangements of a market controlled through the Sugar Board such imports would not have been allowed but they now appear to be a permanent part of the market. Because of the cost of transport these imports become attractive only when the United Kingdom market has a worthwhile premium over continental prices but there is evidence that some will still come when the profit is marginal. The importers object is to keep a third force in the market and to safeguard supplies should there be any interruption of sugar from domestic sources. In 1977/78 (October-September) these imports amounted to 232,000 tonnes but they fell the following year to 159,000 and rose to 178,000 in 1979/80.

LIKELY UK MARKET SPLIT

8 Given recent levels of imports to the UK from EC countries and BSC's current production potential, which is unlikely to rise, the market split within UK consumption of 2.3 million tonnes is likely to be as follows:

ACP	up to 1.1m tonnes
BSC	up to 1.15m "
EC imports	up to .15m "

As BSC would reach its full production potential only in a year of good yields, there would not normally be a significant surplus; but any surplus arising can be dealt with under existing Community arrangements.

THE ROLE OF STABEX

9 STABEX is a system operated by the Community to guarantee returns to certain productions of primary products. It is not a guarantee of access but an income guarantee and a form of aid. It has been suggested that this might be appropriate for the ACP sugar arrangements. But such a change would be dangerous. There are a number of EC countries, who dislike the Sugar Protocol, who would be content to make payments to the ACP countries as a substitute for trade, leaving the Community market to be entirely supplied by Community sugar. The Sugar Protocol provides a much stronger guarantee than STABEX both of trade and returns.

Conservative Research Department,
32 Smith Square, LONDON, S.W.1.

RBC/cc
3/2/81.

3 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 28 January. This is receiving attention and a reply will be sent to you as soon as possible.

NJS

Robert Parry, Esq., MP.

JS

3 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 30 January. This is receiving attention and a reply will be sent to you as soon as possible.

NJS

A.J. Stocks, Esq.,

JS

CCD/1

10 DOWNING STREET

From the Private Secretary

3 February 1981

I attach copies of three letters which the Prime Minister has received about the Tate & Lyle Refinery in Liverpool: one from Mr. Robert Parry, MP, one from Liverpool City Council, and one from Maghull Town Council. I have discussed the issue with the Prime Minister, and she has made it clear that she does not wish to receive any deputations herself. In her view, such deputations should go in the first instance to the Minister or Ministers directly concerned. I should be grateful if you could let me have suitable draft replies for the Prime Minister to send to Mr. Parry and to the Chief Executive of Liverpool City Council, together with a draft Private Secretary reply for the Clerk of Maghull Town Council. Since you are to have some meetings yourselves with various representatives of the area, it would be helpful to have these drafts by Monday 9 February.

I am sending a copy of this letter and enclosures for information to Richard Riley in the Department of Industry.

N. J. SANDERS

Miss Kate Timms,
Ministry of Agriculture, Fisheries and Food.

JS

3 February 1981

I am writing on behalf of the Prime Minister to thank you for your letter of 2 February. This is receiving attention and a reply will be sent to you as soon as possible.

NJS

W.H. Easton, Esq.

O'Sey Bid Mag 79
Cover

Type for PM's signature
Rings

Foreign and Commonwealth Office

London SW1A 2AH

3 February 1981

Dear Michael,

ACP Sugar: Closure of Tate and Lyle Liverpool Refinery

// I enclose draft replies from the Prime Minister to the letter of 22 January from the Prime Minister of Mauritius and that of 26 January from the Prime Minister of Fiji. The drafts have been cleared with MAFF.

Both Sir S Ramgoolam (writing on behalf of all the Commonwealth ACP sugar producers) and Ratu Mara express their concern that the closure of Tate and Lyle's cane sugar refinery at Liverpool will have an adverse effect on the access of their sugar exports to the Community - Tate and Lyle refine all the ACP sugar exported to the UK. In 1979-80 they imported and refined 1.16m tonnes of ACP sugar. With the closure of the Liverpool refinery their refining capacity will be reduced ~~to~~ some 1.1m tonnes. However, the company have said that they are prepared to buy as much ACP raw sugar as hitherto and to try and find a market elsewhere in the Community for the sugar they cannot refine themselves.

In their letters both Sir S Ramgoolam and Ratu Mara imply that there is a specific UK commitment to import ACP sugar. This is often asserted by the Commonwealth ACP but it is not true and needs to be rebutted. We insisted on satisfactory access for Commonwealth ACP sugar as one condition of our accession to the Community. But access is to the Community as a whole, and the commitment embodied in the Sugar Protocol to the Lome Convention is a Community one.

As bags to both Port Louis and Suva are infrequent, and Sir S Ramgoolam is leaving Mauritius on 6 or 7 February for his visit to London (10-13 February), we recommend that the replies should be sent telegraphically with signed copies to follow (Sir S Ramgoolam's could then be given to his party on their arrival in London).

I am sending copies of this letter to Kate Timms (MAFF) and David Wright (Cabinet Office).

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

T 12/81
T 14/81

M O'D B Alexander Esq
10 Downing Street
LONDON

DSR 11 (Revised)

DRAFT: ~~minute~~/letter/tele~~letter/despatch/note~~

TYPE: Draft/Final 1+

FROM:
PRIME MINISTER

DEPARTMENT: TEL. NO:

Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

..................In Confidence

CAVEAT......................

TO:
Rt Hon Ratu Sir Kamisese Mara KBE
Prime Minister's Office
SUVA

Your Reference

Copies to:

SUBJECT:

Thank you for your letter of 26 January about the closure of the Tate and Lyle can sugar refinery at Liverpool.

I am sure you will understand that this was a commercial decision for the company to take. But there is no question of the closure of the refinery having any effect on the European Community's commitment to access for ACP sugar to the Community market.

The Sugar Protocol to the Lomé Convention is an obligation to which the United Kingdom is and will remain fully committed. We are aware of its importance for Fiji and of the efforts Fiji has made each year since 1975 to ensure that its full quota was delivered. But that obligation does not rest solely upon the United Kingdom. The commitment was undertaken by the European Community in 1975 when the first Lomé Convention was negotiated. It is indeed true that the United Kingdom insisted on satisfactory access for sugar exports from those Commonwealth countries who subsequently became associated with the Community through the Lomé Convention as one condition of our accession to the Community. But under the Lomé Sugar Protocol which implements that commitment, access is guaranteed to the Community as a whole, and not solely to the United Kingdom.

Enclosures—flag(s)..........

As Mr Walker and previous Ministers of Agriculture have made clear to Commonwealth ACP sugar producers, /the commitment to access for ACP sugar exports to the Community is not affected by the /level of level of beet sugar production in the Community. The commitment under the Sugar Protocol is that the Community will purchase and import specific quantities of sugar from the ACP producers at guaranteed prices. There are no conditions or qualifications attached to that commitment. The commitment is for an indefinite period, subject only to the proviso that the conditions for implementing the guarantee 'shall be re-examined before the end of the seventh year of their application', that is before the end of February 1982. And if any ACP sugar cannot be marketed in the Community, the Protocol effectively requires the Community to buy it into intervention at at least the guaranteed price.

In practice of course the United Kingdom has up to now taken most (but not all) of the ACP sugar exported to the Community. There seems to be no reason why this should not continue.

As far as production of beet sugar in the United Kingdom is concerned, Mr Walker has made it clear that the United Kingdum is prepared to accept a cut in quota proportionately larger than those for other Member States. It must be remembered that Tate and Lyle has had to face a contraction of the United Kingdom market from 2.6 to 2.3 million tonnes since 1973. But if the proposed quota of 1.15 million tonnes is agreed, the United Kingdom will only occasionally produce a surplus. This is not likely to exceed 100,000 tonnes. Small amounts of this sort can be stored and carried over until the following year under Community arrangements.

Tate and Lyle have said that they are prepared to continue to buy the same amount of ACP raw sugar as hitherto, and that they will try to find a market elsewhere in the Community for the small amount of sugar that they cannot refine themselves. The detailed arrangements are of course for the company and the sugar exporters to negotiate. But it seems to me a helpful offer.

DSR 11 (Revised)

DRAFT: ~~minute~~/letter/~~teleletter/despatch/note~~

TYPE: Draft/Final 1+

FROM:

Prime Minister

DEPARTMENT:

TEL. NO:

Reference

SECURITY CLASSIFICATION

Top Secret

Secret

Confidential

Restricted

Unclassified

PRIVACY MARKING

..................In Confidence

CAVEAT......................

TO: Dr The Rt Hon Sir
Seewoosagur Ramgoolam
GCMG MLA
Government House
Port Louis
Mauritius

Your Reference

Copies to:

SUBJECT:

Thank you for your letter of 22 January about the closure of the Tate & Lyle cane sugar refinery at Liverpool.

I am sure you will understand that this decision was a commercial one for the company to take. It would not be appropriate for the Government to seek to persuade them to alter their decision. But I can assure you that the closure of the refinery will have no effect on the Community commitment to access for ACP sugar to the Community market.

The commitment under the Sugar Protocol to the Lomé Convention is that the Community as a whole will purchase and import specific quantities of sugar from the ACP producers at guaranteed prices. There are no conditions or qualifications attached to that commitment. The commitment is for an indefinite period, subject only to the proviso that the conditions for implementing the guarantee " shall be re-examined before the end of the seventh year of their application" , that is before the end of February 1982. And if any ACP sugar cannot be marketed in the Community, the Protocol effectively requires the

/Community

Enclosures—flag(s)..........

Community to buy it into invervention at at least the g[illegible]anteed price. As Mr Walker and his predecessors have repeatedly made clear to the Commonwealth ACP producers, their exports to the Community cannot be affected by the level of beet sugar production in the Community.

The Sugar Protocol is an obligation to which the United Kingdom is and will remain fully committed. We are fully aware of the importance of the Protocol for the Commonwealth ACP producers. But I would point out that that obligation does not rest solely upon the United Kingdom. The commitment was undertaken by the European Community in 1975 when the first Lomé Convention was negotiated. It is true that the United Kingdom made satisfactory access for sugar from those Commonwealth sugar producers who subsequently became associated with the Community through the Lomé Convention one condition of ~~oru~~ our accession to the Community. But under the Lomé Sugar Protocol which put that commitment into practice, access is guaranteed to the Community as a whole, and not solely to the United Kingdom.

In practice the United Kingdom has up to now taken most (but not all) of the ACP sugar exported to the Community. I see no reason why this should not continue. It is true that one of the problems which Tate & Lyle have had to face is the contraction of the United Kingdom market from 2.6 to 2.3 million tonnes over the past seven years. But Mr Walker has made it clear that he is prepared to accept a reduction in the UK production quota under European Community arrangements to 1.15 million tonnes. If this substantial reduction is agreed, sugar surpluses ~~of~~ in the UK ~~beet sugar~~ will occur only occasionally, and are not likely to exceed 100,000 tonnes. Small amounts of

/this

this sort can be stored ~~or~~ and carried over to the following year under Community arrangements.

You may have noted that Tate & Lyle have said that they are prepared to continue to buy the same amount of ACP raw sugar as hitherto, and that they will try to find a market elsewhere in the Community for the sugar that they cannot refine themselves. The detailed arrangements are of course for the company and the sugar exporters to negotiate. But it seems to me a helpful offer.

Maghull Town Council

6, DAMFIELD LANE, MAGHULL, LIVERPOOL L31 7BA

cc Questions

Our Ref. WHE/JMJ
Your Ref.

W. H. Easton
Clerk and Treasurer
to the Council
Telephone: 051-526-3705

2nd February 1981

To the Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister
10, Downing Street,
LONDON.

13/2

Dear Prime Minister,

Announced Closure of the Tate & Lyle Sugar Refinery, Liverpool

Along with the majority of residents and organisations on Merseyside, where the acceleration in the levels of unemployment far exceed the general, unacceptable levels of unemployment in the Country as a whole, and, apart from Northern Ireland, is probably the worst black-spot in the Country, my Council strongly deplore the recent announcement by Lord Jellicoe that Tate & Lyle are to close their Refinery in Liverpool, with the loss, directly, of over 1,500 jobs, with the repercussive effect, possibly of worsening unemployment by as many as 6,000 jobs in the area.

Several hundred Maghull residents are affected by this distressing decision, which is a further hammer blow to the economic prospects of Merseyside, and an immediate personal blow to those unfortunate people involved, along with their families.

With unemployment here at nearly 16%, the closure of the Refinery will push the total up to around 17%/18%, which gives little hope for those thrown out of work, and those already unemployed, of ever re-establishing themselves in gainful and self-respecting employment.

As a humane and caring person, as well as the first Minister in the land concerned about the welfare of the people, you did use your influence and good offices in an endeavour to prevent the close-down of the Bowater Mill at Ellesmere Port, but unfortunately, the Management did not feel it could respond appropriately.

At a meeting of my Council on Wednesday, 28th January 1981, I was asked to write to you personally to enlist your help in endeavouring to prevent the closure of this Refinery, and the devasting effect it will have on the lives of people in the area, its general prosperity, and also the Mersey Docks.

Without the need for anyone to remind you, you will also be aware of the adverse effect closure would have on Third World countries supplying the Sugar Cane.

Could your Minister of Agriculture make appropriate representation with the E.E.C., to bring about an adjustment in the Agricultural Policy, which discriminates against Cane Sugar, and which we understand is the basic reason that has brought about the closure.

/Cont'd

If such a move would take time, perhaps in the interregnum, arrangements could be made for Government financial aid to be given to the Company, which would enable the Refinery to stay open until the quota of imported cane could be altered to levels which were economically viable.

My Council strongly urge that you do intervene, by asking the Company to reconsider the closure decision until further talks have taken place with your Ministers, that may bring about a solution to the problem.

Perhaps you would be kind enough to let my Council have your observations on their request to you.

Thanking you in ancitipation.

Yours sincerely,

W.H.Easton.

W.H.Easton
CLERK TO THE COUNCIL

PPS.

City of Liverpool

R3/2. CF 4/2

A. J. Stocks, C.B.E. L.L.D. M.A.
Chief Executive
P.O. Box No. 88
Municipal Buildings
Dale Street
Liverpool L69 2DH
Telephone: 051-227 3911 Ext: 1

cc Press off.

Your ref
Our ref CX
Date 2nd February 1981

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London.

Dear Prime Minister,

Not in CF

In a letter which I wrote to you last Friday, January 30th, on the instructions of the Liverpool City Council, I outlined the Council's serious concern and alarm on hearing of the decision to close the Tate and Lyle Refinery in Liverpool. My purpose in writing this further letter is to say that at the City Council's invitation a conference was convened urgently in Liverpool this morning in order to assess the responses which have so far been received from the Company itself and from relevent Government Departments and to plan how best to proceed in the light of those responses.

This morning's conference was broadly representative of all who are concerned locally with the situation which we face. There were political representatives from all the Merseyside District Councils, the Leader of the Merseyside County Council, Members of the European Parliament and of the Westminster Parliament, the Archbishop of Liverpool and the Bishop of Liverpool, the Merseyside Chamber of Commerce, the Mersey Docks and Harbour Company and representatives of the Trade Unions concerned both from the Refinery and from the North West T.U.C.

As a result of the conference I have been instructed to ask you to receive a broadly based delegation of some twelve to fifteen people - political representatives from the City Council, the County Council, and representatives of the Liverpool M.P.s at Westminster and in the European Parliament would be joined by the Archbishop of Liverpool, the Bishop of Liverpool, representatives of the Trade Unions, the Mersey Docks and Harbour Company and the Chamber of Commerce. The delegation would wish to explore further with you a number of aspects of the situation which has resulted in the Company taking the decision to close the Liverpool Refinery and to identify if at all possible what changes can be introduced into the situation to enable that decision to be changed. The delegation would in particular wish to take up:-

(a) the relationship between the overall market for refined sugar in this country and the beet sugar quotas which have been agreed by the Government; and

/Contd.

(b) the obligation which we understand is an integral part of the agreement between the EEC and the ACP countries for the import into the EEC of a given amount of cane sugar for refining. It appears that with the closure of the Liverpool Refinery it may only be possible to discharge this obligation by diverting cane sugar from Britain to other refineries on the Continent to the detriment of the British interest.

In my letter last Friday I sought an opportunity for representatives of the Liverpool City Council to meet you and to develop this matter with you. The City Council would wish, in view of the conference which I have now described, to take part in this more broadly based approach to you rather than to seek a separate appointment. You will I know appreciate something of the urgency which lies behind this approach. The redundancy notices served upon Tate and Lyle's employees have already begun to run their course and it is very much hoped that you will be able to receive a delegation such as the one I have described in the near future.

Yours sincerely,

A.J. Stocks.

Chief Executive

RH

C. MAFF
D/Ind.
D/Emp.

10 DOWNING STREET

THE PRIME MINISTER

2 February 1981

Dear George

Thank you for your letter of 22 January about the decision your Company has taken to close the sugar refinery at Liverpool. I share your regret that this has become necessary and that as a result employment prospects will have become even more difficult in Liverpool.

You have kindly kept Peter Walker informed and have also discussed with Keith Joseph's officials the possibilities for keeping or rebuilding some refining capacity in Liverpool. It is a pity that none of the projects seemed feasible, even with the aid of substantial Government grant. I understand that you intend to expand capacity at the Silvertown refinery in order to ensure that you have the capacity to refine 1.1m tonnes of sugar. It is encouraging that you are prepared to continue your present contractual commitments to take 1.225m tonnes of cane raw sugar. I hope that you will soon be able to turn that into a firm commercial deal with, as you suggest, a degree of flexibility as to where the quantity over 1.1m tonnes should be refined and sold. This should go a long way to help reassure the ACP Governments. For its part the Government will give you whatever help it can in Brussels to ensure that the commitments to the ACP under the Lome Convention, which were undertaken by the Community as a whole and not just by the United Kingdom, can be honoured.

Yours ever

Margaret

The Rt Hon Earl Jellicoe, DSO, MC

.. f.3

City of Liverpool

A. J. Stocks, M.A. (Cantab.)
Chief Executive
P.O. Box No. 88
Municipal Buildings
Dale Street
Liverpool L69 2DH
Telephone: 051-227 3911 Ext: 2

cc Press off.

Your ref
Our ref SA/133/RMK/LD
Date 30th January, 1981.

The Prime Minister (The Rt. Hon.
Margaret Thatcher),
10 Downing Street,
London.

a/ven Office
Questions

Dear Prime Minister,

Proposed Closure of Tate & Lyle Liverpool Refinery

You will of course know of the decision of Messrs. Tate & Lyle to close their Liverpool Refinery with the immediate loss of approximately 1,570 jobs in the inner areas of Liverpool. At its meeting last Wednesday my Council received with profound dismay news of the decision which is likely to affect a further 1,500 jobs causing both irreparable harm to the economic life of the city and the destruction of the cane sugar refining industry here. This had already suffered an enormous job loss throughout the United Kingdom. The closure will also have a dramatic effect upon the finances of the Mersey Docks & Harbour Company and is bound to lead to further job loss there. The loss of jobs at Tate & Lyle could also lead to job losses elsewhere in the area especially in those industries with closest links to sugar refining - for example biscuits and sugar confectionery accounted for over 9,500 jobs in the city according to the 1977 annual census of employment.

The work force at Tate & Lyle's Liverpool Refinery tended to be on the older side with long service and the skills of the work force are such that the employees must find great difficulty in obtaining alternative employment if the closure proceeds. This must be so in an area with such high unemployment and in this connection you will be conscious of the fact that the January unemployment statistics showed 50,175 registered unemployed in Liverpool alone and 109,483 in the Merseyside Special Development Area. Most of the work force of Tate & Lyle in

Cont'd ....

Liverpool did however live within a limited number of parts of the city, parts where unemployment was already higher than the city average and the proposed closure will lead to a tremendous amount of personal hardship. It will also lead to a further weakening of the economic base of Liverpool and Merseyside and is my Council thinks something which should be resisted in the strongest possible way.

The Council feels that a decision lies in the hands of the United Kingdom Government and has called upon the Government to do all it can to ensure the continued production of sugar from the Liverpool Refinery. It has further called upon the Government to take steps to maintain the Refinery in operation until such time as discussions have taken place between the Government, Tate & Lyle, the employees and the trade unions in view of the serious effect the closure would have on other related industries and the further more cumulative effects on the economies of already impoverished countries which depend on the sale of cane sugar as a basic source of their income, such as Zambia and Jamaica.

My Council would strongly urge you and the Government to give this matter the most earnest consideration and take the necessary steps which will secure the jobs of the work force at the Liverpool Refinery and which would serve to halt the serious decline in employment opportunities in Liverpool and on Merseyside. I am sending copies of this letter to the Secretaries of State for Employment and Industry and also to the Minister of Agriculture, Fisheries and Food.

You may wish to know that a City Council delegation will be seeing the Chairman of Tate & Lyle next week, it is writing to the European Commissioner for Agriculture and is calling upon all consumers, trade unionists and community groups to mount a protest campaign to boycott the purchase of Tate & Lyle products until they reverse their policy to close the Love Lane Refinery in Liverpool.

Representatives of all Parties on the City Council would like to have the opportunity of seeing you and your Ministers concerned to develop the case and emphasise Merseyside's situation.

Yours sincerely,

A. J. Stocks

Chief Executive.

bc MAFF

29 January 1981

Thank you very much for your letter of 27 January with which you enclosed some background notes on the Liverpool Refinery closure. I am sure this material will come in useful as Ministers are asked about the closure - you may have seen that the Prime Minister was questioned on it in the House this afternoon. We are most grateful to you for sending it.

C. A. WHITMORE

The Rt. Hon. Earl Jellicoe, DSO, MC

R. Parry M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

28.1.81.

R2/2

Dear Prime Minister,

I have been requested by a number of individuals and bodies to see a meeting with you concerning the proposed closure of Tate & Lyle refinery Liverpool situated in my constituency. You will be aware of the public outcry which this as caused. Perhaps you will have words with members of your cabinet. Peter Walker, Jim Prior

HOUSE OF COMMONS
LONDON SW1A 0AA

Sir Keith Joseph and also perhaps with Neil Marten. Any decision to close this refinery in an inner city area with a level of unemployment over 50% with the spin off effects need no spelling out. Its been suggested the broad deputation would all party local M.P's, The Bishop of Liverpool, The Archbishop of Liverpool, Leader of Liverpool City Council Sir Trevor Jones Liberal and the Leader of the Merseyside County Council

HOUSE OF COMMONS
LONDON SW1A 0AA

Neville Goldrein Conservative.
Also The Merseyside Chamber of Commerce, representatives of ACP countries and Lord Jellicoe of Tate + Lyle.
All have expressed publicly their grave concern and most have indicated their wish to join such a deputation.
We feel this is a matter which can be resolved by a political decision and would show the governments good faith and sincerity about the problem

HOUSE OF COMMONS
LONDON SW1A 0AA

in our regions. An all party group of Merseyside members are meeting Peter Walker on Wednesday February 11th and if you agree to meet our deputation perhaps any day the following week to suit your convenience. This is the first request from all party members to meet you in 21 months and in view of all factors involved hope you agree.

Sincerely
R Parry

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

GR – pls type and send copies of correspondence to
– Industry,
– Employment.

T P Lankester Esq
Private Secretary
Prime Minister's Office
10 Downing Street
London SW1

28 January 1981

Dear Tim,

Thank you for your letter of 22 January enclosing a copy of a letter to the Prime Minister from Lord Jellicoe, Chairman of Tate and Lyle, about the closure of their refinery at Liverpool. I understand that Lord Jellicoe also copied his letter to the Secretaries of State for Employment and Industry.

--- I attach a draft reply for the Prime Minister's signature.

Yours sincerely
Kate

KATE TIMMS
Principal Private
Secretary

DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO LORD JELLICOE

The Rt Hon Earl Jellicoe DSO MC
Chairman
Tate & Lyle Ltd
Sugar Quay
Lower Thames Street
London
EC3R 6DQ

Thank you for your letter of 22 January about the decision your Company has taken to close the sugar refinery at Liverpool. I share your regret that this has become necessary and that as a result employment prospects will have become even more difficult in Liverpool.

You have kindly kept Peter Walker informed and have also discussed with Keith Joseph's officials the possibilities for keeping or rebuilding some refining capacity in Liverpool. It is a pity that none of the projects seemed feasible, even with the aid of substantial Government grant. I understand that you intend to expand capacity at the Silvertown refinery in order to ensure that you have the capacity to refine 1.1m tonnes of sugar. It is encouraging that you are prepared to continue your present contractual commitments to take 1.225m tonnes of cane raw sugar. I hope that you will soon be able to turn that into a firm commercial deal with, as you suggest, a degree of flexibility as to where the quantity over 1.1m tonnes should be refined and sold. This should go a long way to help reassure the ACP Governments. For its part the Government will give you whatever help it can in Brussels to ensure that the commitments to the ACP under the Lome Convention, which were undertaken by the Community as a whole & not just the United Kingdom, can be honoured.

~~I am sending copies of this letter to Peter Walker, Jim Prior and Keith Joseph.~~

020

The Rt Hon Earl Jellicoe DSO MC

TELEPHONE: 01-626 6525.

SUGAR QUAY

LOWER THAMES STREET

LONDON EC3R 6DQ

From the Chairman

27 January 1981

C A Whitmore Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
London

Dear Whitmore

I attach some background notes which the Prime Minister may find helpful concerning our announced decision to close our Liverpool Refinery.

I am naturally at your disposal if you require any further information.

Yours Sincerely

George Jellicoe

JELLICOE

Tate & Lyle Limited

Closure of Liverpool Sugar Refinery

Background Notes

1. Why does cane sugar refining have a problem?

Since Britain's entry to the E.E.C. the opportunity for refining cane sugar has reduced by about 1 million tonnes, as shown below:

		'000 tonnes
(a)	Loss of in-transit export trade (The premiums which world market buyers paid for white sugar compared with raw sugar, which represented the margins on in-transit exports, have virtually disappeared as a result of white sugar surpluses of 3m. to 4m. tonnes produced by the E.E.C. and dumped on world markets)	200
(b)	Contraction of the U.K. sugar market (Loss of about 250,000 tonnes resulted from substitution by glucose, which until recently enjoyed a more favourable regime than sugar under the Common Agricultural Policy. About 100,000 tonnes is due to reduced per capita consumption in the U.K. and reduced demand from the U.K. food industry)	350
(c)	Increase in U.K. beet white sugar production (On entry to the E.E.C. the U.K. obtained a beet quota A of 1.040m. tonnes plus a B quota which at the present rate of 27½% is 286,000 tonnes. Under the Common Agricultural Policy farmers receive a high price for beet, and they have consequently increased production. British Sugar Corporation have invested £150m. in factory improvements to take the additional beets, and increase white sugar production)	400
(d)	Increase in white imports from Continental Europe (It is the policy of both Tate & Lyle and British Sugar Corporation to compete with imports on price. Food manufacturers seek white sugar imports as a third source of supply, and appear unwilling to reduce import levels to below present 150,000 tonnes.)	50
	Total loss of opportunity for Tate & Lyle refined sugar	1,000

2. Why does Tate & Lyle have to suffer all the reduction in U.K. sugar opportunity?

The sugar regime of the E.E.C. was constructed to facilitate beet sugar production, which was the only source of sugar in five of the original six countries in the Community. Although France had about 300,000 tonnes of cane sugar refining, this was used for cube manufacture, and was of little significance compared with France's very large beet sugar production. When Britain joined the E.E.C. there was no framework for obtaining a good margin on cane sugar refining, and this position still persists. The result is that beet enjoys a margin which is up to £30 per tonne more profitable than cane, and cane white sugar could not survive a price war with beet.

3. What has Tate & Lyle done about the loss of opportunity for its sugar?

Since 1976 Tate & Lyle has closed or reduced refining capacity with loss of jobs, as shown below:

		'000 tonnes	Jobs lost
Hammersmith	closed	130	294
Sankey	closed	160	352
Liverpool	reduced	250	734
Walker (Greenock)	closed	110	410
Total Capacity Reduction		650	1,790

4. What is the present position?

Tate & Lyle has a surplus of sugar refining capacity of about 300,000 tonnes, as shown below:

		'000 tonnes
U.K. market demand		2,300
Less U.K. beet production	1,100	
White imports from E.E.C.	150	
Total supplies from beet		1,250
Market available for cane sugar		1,050

Market available for cane sugar		1,050
Tate & Lyle Refineries Capacity:		
Thames	900	
Liverpool	300	
Westburn (Greenock)	140	
Total Refining Capacity		1,340
Surplus Capacity		290

N.B. The capacity reduced (650,000 tonnes),plus the present surplus capacity (290,000 tonnes) giving a total surplus capacity since 1976 of 940,000 tonnes, does not agree with the total loss of opportunity for Tate & Lyle refined sugar of 1.0 million tonnes. This is partly a result of rounding differences, and partly because capacity figures are shown in terms of manned plaintime capacities, whereas prior to 1976 part of refineries' production was obtained in overtime.

5. <u>What has been the effect of surplus refining capacity on Tate & Lyle's profitability?</u>

Refining profits have been depressed to levels which are well below the rates of return expected by the providers of capital (both loan and equity), and which do not justify replacement of plant. The figures are as follows:

Financial Year	Refining Profit £m.	Return on Capital Employed %
1978	1.2	1.8
1979	5.4	8.7
1980	5.6	9.3

6. <u>Can Tate & Lyle afford to carry surplus capacity of 290,000 tonnes and allow Liverpool to stay open?</u>

In the financial year 1980 losses were incurred on Liverpool refinery of more than £1.8 million. Liverpool operated at 277,000 tonnes (near to its capacity of 300,000 tonnes) but because the total demand on the company was only for 1.15m. tonnes against total capacity of 1.34m. tonnes, it was necessary to run Thames and Westburn considerably below capacity. This cost a further £7.5 million in addition to the Liverpool loss of £1.8 million.

Demand in 1980/81 is unlikely to be above 1.05m. tonnes, and at this level of working, unused capacity would cost over £10 million. Tate & Lyle simply cannot afford to carry this level of loss on under-utilised capacity, if the U.K. cane refining business is to survive.

7. Are there any ways in which opportunities for Tate & Lyle refined sugar could be increased?

Possibilities considered are:

(a) Increase U.K. sugar consumption.
(b) Win market share from British Sugar Corporation by aggressive marketing.
(c) Persuade British Sugar Corporation to export 300,000 tonnes of beet sugar, thereby leaving room in the U.K. market for the Tate & Lyle surplus capacity to be used.
(d) Reduce white sugar imports from continental Europe.

Although it is hoped that the decline in U.K. sugar consumption will bottom out, there are no grounds for expecting a recovery. U.K. population is now slightly in decline, and this, together with reducing per capita consumption for health reasons, is a factor tending towards a further fall in demand. It seems unlikely that sugar will recover much of the trade lost to glucose, as in many applications glucose is a technically superior product. There may be some recovery in demand for sugar from the U.K. food industry, but this is expected to do no more than balance the further decline from reducing population and per capita consumption.

Tate & Lyle would like to be able to fight for market share by aggressive marketing, but this would undoubtedly lead to a price war with British Sugar Corporation. With a margin disadvantage of £20 to £30 per tonne, it would be suicidal for Tate & Lyle to engage in such a price war.

British Sugar Corporation receives about £15 per tonne more for sugar sold in the United Kingdom than it would receive if it were to export white sugar. To eliminate Tate & Lyle's surplus capacity it would be necessary in an average year for British Sugar Corporation to export 300,000 tonnes which, at a loss of £15 per tonne compared with home trade, would cost £4.5 million. British Sugar Corporation shareholders and employees would hardly be happy with such a solution.

Efforts have been made both by political persuasion (John Silkin when Minister) and pricing to reduce white sugar imports from continental Europe. These efforts succeeded in reducing imports from 230,000 tonnes per annum to 150,000 tonnes per year, but U.K. food manufacturers appear to regard this as the irreducible minimum for security of supply.

8. If Tate & Lyle must reduce capacity further, why at Liverpool?

Compared with Thames refinery, Liverpool suffers from the very serious disadvantage that the refinery is not situated at the dock, and it is necessary to discharge raw sugar at Huskisson, and then carry it by road to the refinery. At Thames raw sugar is conveyed straight from ship into the process.

Liverpool also suffers from the problem that in an earlier rationalisation its manned capacity was reduced from 550,000 tonnes to 300,000 tonnes per annum. Using large scale plant for a smaller scale operation inevitably incurs cost disadvantages in maintenance, energy consumption and technical efficiency.

The combined effect of these factors can be seen by comparing costs. If both refineries were run at full capacity, then if it cost £40 to produce 1 tonne of sugar at Thames, on the same scale it would cost £60 in Liverpool.

Whilst no doubt the Liverpool operation could be improved by reduced manning and improved technical efficiency, the cost difference of £20 per tonne is too big to bridge.

Options have been examined of eliminating surplus capacity either by reducing Thames capacity by 300,000 tonnes, or by closing Westburn (140,000 tonnes) and reducing Thames by 160,000 tonnes. The next best option to closing Liverpool would give cost savings of at least £4 million per annum less than from the closure of Liverpool.

A detailed scheme was worked out to replace Liverpool refinery by a new 100,000/200,000 tonne refinery to be built at the Huskisson site. This would have supplied the demand for sugar by industry in the North West. Such a refinery would have cost £15/20 million to construct, and with earnings of no more than £1 million, would have been hopelessly uneconomic. This is without taking account of losses which would have been incurred by creating under-utilised capacity at the other refineries.

9. Why close Liverpool now? Why not wait for the new E.E.C. sugar regime and the verdict on the Berisford bid?

Tate & Lyle has already waited a long time before taking this step. The adverse effects are shown in the table of financial results in the answer to Question 5. The company gave maximum support to the E.E.C. Commission's 1979 proposals for a U.K. beet quota of 936,000 tonnes, as at that level Liverpool could just about have survived. These proposals were turned down by the Council of Ministers, and it is now clear that the U.K. will not receive a lower quota than the

Commission's new proposal of 1.092m. tonnes. In both 1979/80 and 1980/81 British Sugar Corporation has produced more than 1.1m. tonnes, and it seems probable that Mr. Peter Walker will succeed in obtaining a U.K. beet quota of 1.15m. tonnes, which he has indicated that he would accept.

It is far from clear whether Berisford would make another bid for British Sugar Corporation, even if they are allowed to do so by the Monopolies and Mergers Commission. Whilst Berisford is experienced in sugar exporting, the proceeds from export would be just as unsatisfactory to Berisford as to the present shareholders of British Sugar Corporation.

Postponing the closure of Liverpool refinery would only serve to prolong uncertainty and weaken further Tate & Lyle's financial ability to re-establish the remaining sugar refining business on a sound footing. There are no reasonable prospects of any change in the situation which would remove the need to close Liverpool.

10. <u>What will be the effects of closing Liverpool refinery on the ACP countries?</u>

The ACP countries have been sending less sugar for refining to the United Kingdom. In 1978/79 the quantity received by Tate & Lyle was just below 1.19m. tonnes, and in 1979/80 below 1.17m. tonnes. In 1980/81 the quantity will fall further to about 1.07m. tonnes, but this is partly because of cyclone damage to the Mauritius crop. The reason for the reducing quantity to the U.K. is that some of the ACP sugar has been sold to France by Mauritius, Guyana and Jamaica.

After closure of Liverpool refinery, Tate & Lyle will still be able to refine most of the ACP sugar, and it is confidently expected that markets for the balance will be found elsewhere in continental Europe.

11. <u>How will Tate & Lyle deal with Liverpool employees?</u>

Under the Company's special scheme, early retirement will be granted to male employees aged 60 and over and also to female employees aged 55 years and over in full-time employment. For employees who are not eligible for early retirement, leaving payments will be made which place particular emphasis on length of service with the Company. In total these payments will be substantially more generous than the State scheme.

The Company will give every possible assistance to its work people in planning for their future at this very crucial time, and in particular in seeking alternative opportunities, e.g. by retraining, wherever possible. It is encouraging that the company has already received a number of notices of availability of other jobs.

12. <u>What must be done to safeguard the future of cane refining?</u>

While Tate & Lyle will be able to continue to accept most of the ACP sugar which has traditionally come to Britain under the Lome Convention, and will endeavour to ensure that the balance finds a home elsewhere within the European Community, it is vital that the position of cane refining in the U.K. is not further eroded. Successive British Governments have given repeated assurances to the ACP producers which recognise the importance to them of their traditional outlet in this country, through which the vast bulk of the ACP imports find their way to market. If this outlet is further restricted by further expansion of U.K. beet production, there can be no way of giving practical expression to the undertakings of the Lome Convention.

It is equally vital that the E.E.C. cane refining margin, so markedly less generous than that available to beet processors, is set at a fair and equitable level.

FT/SJC
26.1.81

File

DSG

BF 10/2/81

10 DOWNING STREET

From the Private Secretary 27 January 1981

I enclose copies of letters which the Prime Minister received yesterday from the Prime Minister of Mauritius and the Prime Minister of Fiji about their countries sugar trade with this country. I should be grateful if you could let me have in due course draft replies which the Prime Minister might send to Messrs. Ramgoolam and Mara.

I am sending copies of this letter and its enclosures to Kate Timms (MAFF) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

KRD

File

DSG

27 January 1981

I am writing on the Prime Minister's behalf to thank you for your letter to her of 26 January. The letter which you enclosed from the Prime Minister of Fiji will of course be laid before the Prime Minister.

M. O'D. B. ALEXANDER

His Excellency Mr. J. D. Gibson, C.B.E.

FIJI HIGH COMMISSION

34, HYDE PARK GATE,
LONDON, SW7 5BN.
01-584 3661.

Our Ref: LM 14/1 26 January 1981.

Dear Prime Minister,

I have the honour to attach the text of a letter from my Prime Minister, a signed copy of which has been handed to your High Commissioner in Suva.

Yours sincerely,

J D Gibson

J. D. Gibson
High Commissioner

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister of Britain,
London.

SUBJECT

T14/81

26 January, 1981.

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister of Britain,
London,
United Kingdom.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T14/81

Dear Prime Minister,

I wish to follow up the letter you will have received from the Prime Minister of Mauritius, on behalf of all the ACP Raw Sugar Suppliers under the Lome Convention, conveying our very serious concern at the implications of the announcement by Tate and Lyle of their intention to close their Liverpool refinery on the security of our sugar market in the United Kingdom.

My purpose in writing is to emphasise, on behalf of the Government and the Sugar Industry of Fiji, the considerable importance which we place on the continuing assured access to the United Kingdom of Fiji's full quota under the Lome Convention.

The United Kingdom is the single biggest and the most important market for our sugar. As the Sugar Industry is the mainstay of our national economy, with sugar exports constituting 75% of all our earnings from abroad, the future economic well-being of Fiji is directly dependent on the maintenance of our traditional sugar market outlet in the United Kingdom. Indeed, the assurance of secure and continuing access to the United Kingdom market, on fair and reasonable terms, which Fiji has enjoyed under both the Commonwealth Sugar Agreement and under the Lome Convention has been the firm foundation on which our Sugar Industry has been able to develop and expand and so improve the welfare of the entire population of Fiji.

We are greatly indebted to the British Government for this assurance of access on fair and reasonable terms. Because of the overriding importance we attach to our sugar market in the United Kingdom, we have always endeavoured to fulfill our full supply obligation under the Commonwealth Sugar Agreement and its successor, the Lome Convention. We have done this even during years when due to fluctuating production we have had difficulty in fulfilling all our contractual supply obligations overseas, and also despite the particular disadvantage of high shipping costs Fiji suffers relative

......../Continued

to other raw sugar suppliers to the United Kingdom market because of its distance from the United Kingdom. In fact, in 1975, in order to ensure the successful conclusion of negotiations between the EEC and ACP countries, Fiji amongst other ACP sugar suppliers, undertook to sell to the United Kingdom, over and above its agreed quantity in the Sugar Protocol of the Lome Convention, an additional quantity of 25,600 metric tons to meet the then shortfall in sugar supply in the United Kingdom, and we willingly did this at the expense of, and at the risk of continuing assured access of our sugar exports to, other equally important overseas markets.

You will, therefore, understand why we in Fiji, along with the other ACP suppliers, view with very great concern the threat to our traditional outlet in the United Kingdom posed by the reduction in raw cane sugar refining capacity with the closure of the Liverpool refinery.

In all the negotiations the developing Commonwealth Raw Sugar Suppliers and then the ACP countries have had with the British Government from 1971 onwards, that is prior to the United Kingdom's entry into the EEC and subsequently within the context of negotiations with the European Economic Community itself, it has always been clearly understood that side by side with, and in addition to the collective guarantees and commitments given under the Lome Convention by the Community as a whole, there was also a parallel commitment by the British Government for the preservation of the traditional outlets in the United Kingdom for the agreed quantities of raw sugar from the ACP suppliers. In confirmation of this, successive British Governments, both prior to Britain's entry into the EEC and since then, have given repeated "bankable" assurances of a firm commitment on the part of the United Kingdom that there would be a secure and continuing market in the United Kingdom, on fair terms, for the full ACP quotas under the Lome Convention.

When, for instance, in March 1979 I personally called on the then United Kingdom Minister of Agriculture to convey, on behalf of the ACP countries, our concern and fear that the unlimited expansion of beet production in the United Kingdom could seriously jeopardise the security of continuing assured access to the United Kingdom for the full ACP sugar quota under the Lome Convention, your Government readily assured ACP

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suppliers not only that it would fully honour its obligations under the Lome Convention but also that proposals in a White Paper pertaining to the expansion of beet production within the United Kingdom did not represent the adoption of policies which ran counter to preserving the traditional outlets for ACP sugar in the United Kingdom market.

As the Prime Minister of Mauritius has fully explained in his letter, our present fears are that if the Liverpool refinery is closed, the traditional market for the full ACP quotas will, in fact, no longer be maintained.

In the circumstances, we would greatly appreciate an unequivocal statement by your Government that it will honour the assurances and undertakings which successive British Governments have given to ACP suppliers that traditional outlets in the United Kingdom market for the full quantity of ACP raw cane sugar under the Lome Convention would be assured and maintained.

Yours sincerely,

(K. K. T. Mara)
Prime Minister

CLOSURE OF LIVERPOOL SUGAR REFINERY BY TATE & LYLE LTD.
STATEMENT BY THE GOVERNMENTS OF THE PRINCIPAL SUPPLIERS OF CANE SUGAR TO THE UNITED KINGDOM.

The governments of the African, Caribbean and Pacific (ACP) countries which are the principal suppliers of cane sugar to the UK reacted strongly to today's announcement by Tate & Lyle Ltd that it is to close its sugar refinery in Liverpool. This closure will reduce UK cane sugar refining capacity to a level which is less than the quantity of their sugar traditionally imported each year into the UK and in respect of which firm undertakings were given by the British Government at the time of joining the EEC - undertakings which have been subsequently repeated by successive British Governments. This is a weakening of the only bridge over which cane sugar can gain its guaranteed access to the EEC.

The reduction in refining capacity comes at a time when, in the last six years, the proportion of the UK market taken by British grown beet sugar has risen from 26 per cent to 49 per cent. Its effect will be that some raw cane sugar seeking to maintain a home in the UK will be permanently shut out and if this trend continues it could eventually lead to the disappearance of cane sugar from the shops in Britain.

Speaking in London on behalf of the governments concerned Dr Cedric Grant, High Commissioner for Guyana, said: "This is a matter of profound concern to all the governments involved which we shall be taking up with the British government at the highest level. Our economies depend upon the sugar arrangements in the EEC's Lomé Convention. These arrangements, in turn, depend upon the preservation of the traditional British market for cane sugar and the capacity to refine it. For very many years we have collectively exported some 1.2m tonnes of sugar to the UK. If UK cane refining capacity falls below that level, our traditional British market for sugar will not have been preserved despite the undertakings we have so often been given by successive British governments."

He continued: "Our governments hope that the Liverpool closure decision can still be reversed. If that should prove impossible, we trust that the British government will nevertheless ensure the continued fulfilment of Britain's special commitments towards cane sugar that were acknowledged as a condition of the UK joining the EEC."

A note summarising the historical background and some additional information is attached

see further notes over

Issued on behalf of the governments of Barbados, Fiji, Guyana, Jamaica, Mauritius, St Kitts-Nevis, Swaziland` and Trinidad & Tobago by the High Commissioner for Guyana (Dr C H Grant), 3 Palace Court, Bayswater Road, London W2 4LP

Attachment to Press Statement by governments supplying cane sugar to Britain summarising the historical background and providing additional information

In 1971, when Britain was negotiating its entry into the EEC, the supplying countries were told by Mr. Geoffrey Rippon that the Community's offer to safeguard the interests of their countries, whose economies depended on sugar, represented "a firm assurance of a secure and continuing market in the enlarged Community on fair terms for the quantities of sugar covered by the Commonwealth Sugar Agreement in respect of all its existing developing countries." He further said "If quotas for beet sugar production were increased in such a way that imports from Commonwealth countries were threatened, it would be a breach of the undertakings by the Community. The Community's regulations clearly laid down that production in excess of quotas must be disposed of on the world market, and therefore could not be a challenge to Commonwealth cane sugar".

On the strength of this assurance, the countries concerned continued to plan their future production of sugar. Their acceptance of this assurance enabled Mr Rippon to secure in the House of Commons the support he needed on the sugar issue which had been one of the three conditions laid down by the British Government for its accession to the EEC.

In 1973, when Britain had just entered Europe, Mr Joseph Godber, as Minister of Agriculture, repeated the key words of the undertakings reached two years earlier and added: "... first, that the undertakings constituted a specific and moral commitment by the enlarged Community. Second, that it would be the firm policy of the British Government to ensure the proposal of the Community would be implemented in accordance with the agreed Commonwealth interpretation of it. The United Kingdom stands by all those assurances without reservation, and will continue to do so."

In February 1975, the Sugar Protocol of the Lomé Convention was concluded between the EEC and the ACP states, thereby giving practical effect to the British Government undertakings, thereby ensuring that cane sugar would continue to make good the deficit in supplies to the UK arising from the termination of the Commonwealth Sugar Agreement.

Two months later, in April 1975, the White Paper "Food from our own Resources"was published setting out, inter alia, the British Government's strategy for ensuring sugar supplies to the UK in the circumstances of Britain's membership of the EEC. The response of the British Sugar Corporation (BSC) to the recommendations of the White Paper was to introduce a capital expenditure programme designed to increase the capacity of its beet factories to 1.25m tonnes of white sugar. This target was reached by the end of 1978.

In February 1979/

In February 1979, another White Paper "Farming and the Nation" was published. In it the British Government noted the increases in beet area and in sugar yields which had taken place over the last two years and expressed the view that a further expansion of the beet area could be expected, and that it was justified in view of the efficiency of UK beet production and processing and the contribution it can make to the balance of payments.

In the intervening period between the two White Papers, the UK demand for sugar fell from the level of 2.65m tonnes, on which the original strategy was based, to 2.39m tonnes. On that basis, and taking into account UK imports of about 190,000 tonnes of white sugar from other EEC countries, it was no longer possible to fit into the UK market both the quantity of 1.25 m tonnes of ACP cane sugar contracted for with British refiners and an estimated BSC's production of 1.02m tonnes.

The supplying countries made representations to that effect to Mr. John Silkin, as Minister of Agriculture, in March 1979, pointing out the emerging state of over-supply in the UK market and the threat posed to them by the expansionist policy of the BSC. They stated that since the UK is the only Member State in the Community which has a major refining industry, it was inescapable that the practical implementation of the import commitment in the Sugar Protocol could not be maintained unless the UK continued to import, to refine and to consume the traditional quantity of cane sugar. Accordingly, it was essential that sufficient refining capacity continued to exist in the UK to process these imports. Otherwise, it could be seen as an act of overt bad faith if the British Government were to connive at the destruction by its own domestic industry of the only means by which the Community obligation concerning cane sugar could be effectively carried out. In the Press Statement issued after the meeting, Mr. Silkin said that the British Government fully accepted the importance for the supplying countries of their present access to the EEC market and in particular of their traditional outlets in the UK market; he gave the assurance that the British Government would fully honour the obligations it had undertaken in the Sugar Protocol and that the White Paper (Farming and the Nation) did not represent the adoption of policies which in any way ran counter to preserving the traditional outlets in the UK market for cane sugar.

Three months later, in June 1979, similar representations were made to Mr Peter Walker, the new Minister of Agriculture, who replied that he fully endorsed the assurances given by his predecessor.

In June 1980, when UK demand for sugar had dropped still further when the BSC was facing a second successive

record/

record beet crop and when the UK surplus was becoming larger, the supplying countries again met Mr Peter Walker and stressed that since their supplies had remained fixed, they could not be responsible for any part of any surplus in Britain. Accordingly, they considered that any sugar exported from Britain should be beet sugar and not cane sugar. Mr Walker agreed that cane sugar supplies had not increased and that the growth of the Community's exports had come from beet production. He undertook to have further consultations with the supplying countries should a situation arise in the UK market which was harmful to their interest.

The warnings given and the fears expressed to the British Government were not heeded. The British refining industry is the bridge which enables the guarantee on access for cane sugar to be given practical effect. With the closure of the Liverpool refinery this bridge will no longer be strong enough. And part of the traditional supplies may now be forcibly turned away.

For the countries concerned this cannot be a marginal matter. Their economies depend upon the Lomé Sugar Protocol which, in turn, depends upon the preservation of the traditional British market for cane sugar. If the assurances as to the preservation of this market can be breached once, what is to prevent this happening again?

It has been mentioned above that sugar was one of the three conditions laid down by the British Government for its accession of the Community. The other two were the British contribution to the EEC budget and New Zealand imports of dairy produce. The supplying countries have seen with what energy the present British Government has fought on the former issue. They know that the battle for New Zealand imports has unfortunately been far less successful. What they are asking now is that their sugar does not suffer the same fate.

The countries concerned ask from the British Government a reaffirmation of its full commitment without term to ensuring the absolute security of market outlet in the future as over the past thirty years. If their economies are to survive there must continue to be room in the UK for the whole of the traditional quantity of their sugar.

MFJ

Lord JELLICOE

29/1

p/s check with TPL that he doesn't want to acknowledge Lord J. NO need TPL 23/1

22 January 1981

I would be grateful if you let me have a draft reply for the Prime Minister to send to Lord Jellicoe in response to the enclosed letter.

TPL

Miss Kate Timms
Ministry of Agriculture, Fisheries
and Food.

CB

From The Rt Hon Earl Jellicoe DSO MC

TELEPHONE: 01-626 6525

SUGAR QUAY
LOWER THAMES STREET
LONDON EC3R 6DQ

22 January 1981

The Rt Hon Margaret Thatcher MP
10, Downing Street
LONDON
SW1

My dear Prime Minister.

I am writing with the greatest possible regret, to advise you that the Board of Tate & Lyle have today decided that we must close, as soon as possible, our sugar refinery in Liverpool. This closure, together with cessation of associated transport activities will cause the loss of some 1,570 jobs.

It is always sad to announce any factory closure. For us it is quite especially difficult in Liverpool, where we have refined sugar for more than one hundred years, and where many of our employees are the second and third generations of families who have been associated with our refinery. We have avoided the loss of people's jobs for as long as we possibly can. However, we are now in a situation where unless we trim our remaining capacity to the level of demand, which has fallen steeply over the last five years, the viability of the whole of our sugar refining business, and indeed of Tate & Lyle as a major industrial Group, will be at serious risk.

In making this announcement, we are only too fully aware of the high rate of unemployment on Merseyside. We have naturally considered very carefully whether there was any action which we could take which would avoid reducing refining capacity, and also whether we could make the cut elsewhere than in Liverpool.

Unfortunately, the combined effects of reduced market demand, and the expansion of the UK sugar beet industry (which, under the EEC institutional arrangements, enjoys a very much more advantageous margin than the cane industry), are forcing us to shed a further 300,000 tonnes of capacity. This is in addition to the 650,000 tonnes of capacity which since Britain's entry to the EEC, we have already closed at Hammersmith, Sankey, Liverpool and Greenock.

/contd. . .

The first cut at Liverpool was a reduction in capacity from 550,000 tonnes to 300,000 tonnes. At this level Liverpool is not cost efficient, and we are therefore, now left with no alternative but to make the further cut by closing Liverpool refinery. We shall do our utmost to alleviate the hardship caused to our employees in Liverpool, including doing everything possible to help them find alternative employment. Until the closure of Liverpool refinery, our total refining capacity will be 1.34 m tonnes, situated as follows:

	m tonnes
London	0.90
Liverpool	0.30
Greenock	0.14
TOTAL	1.34

You will appreciate that the suppliers of cane raw sugar from the ACP countries under the Treaty of Lome will be deeply concerned that in closing our Liverpool refinery, we shall reduce our total capacity to 1.04 m tonnes, which is well below the figure of 1.3 m tonnes of traditional Commonwealth sugar supplies to the United Kingdom. Our ACP suppliers believe that access for this tonnage to the UK market has been guaranteed by successive governments since Britain's negotiations for entry to the EEC. Whilst we sympathise with the concern of the ACP sugar producers, we shall endeavour to continue to take our present contractual commitments for cane raw sugar from them, provided that they will give us the option to sell cane raw sugar which is surplus to UK requirements for refining and consumption in other EEC countries. In taking this decision, it is our hope that with the widening of the Community, there could be sufficient room in EEC markets for the total ACP supplies to which the EEC is committed under the Treaty of Lome.

We are naturally in close touch with Peter Walker on these issues, and I am also advising Jim Prior and Sir Keith Joseph of our decision. My colleagues and I will do all in our power to minimise any problems which our decision may cause, and will naturally give full consideration to any representations which you or your ministers may wish to make.

Yours ever

George

JELLICOE

SUBJECT

T 12/81

Dr. The Right Honourable
Sir Seewoosagur Ramgoolam, G.C.M.G.,
Prime Minister and Minister of Defence and Internal
Security, Minister of Reform Institutions and
Minister of Communications

STELLA CLAVISQUE MARIS INDICI

Government House,
Port Louis,
Mauritius.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T12/81

22nd January 1981

My dear Madam Prime Minister,

On behalf of the Governments of countries which are principal suppliers of cane sugar to Britain I feel I must write to you in order to express our profound concern at the implications for our countries of the recent announcement by the British refiners that the refinery at Liverpool is to be closed. I am not unmindful of the serious problems that may be caused for those now employed at the Liverpool refinery but I think it is proper to restrict the subject matter of this letter to the concerns of the supplying countries.

The Lomé sugar arrangements have depended since their inception on two parallel sets of guarantees. Those contained in the Sugar Protocol itself, and,equally important, the repeated assurances of successive British governments, some of which are set out in the attached annex.

The closure of the refinery at Liverpool, is likely to mean that some ACP sugar, which has traditionally supplied the British market and which the suppliers still wish to send to Britain, willbe turned away. If this happens the traditional market for ACP sugar in Britain will not have been preserved and the assurances we have been given will have been breached.

Our concern is strenghtened by the fact that the clear warnings given by our spokesman at meetings with the previous Minister of Agriculture in March 1979 and with Mr Walker in March 1980 were not sufficiently heeded. At the first meeting the Prime Minister of Fiji said "If the expansion of beet sugar production is as proposed in the White Paper (Farming and the Nation) there will be a surplus of sugar in the UK market. We are seriously concerned therefore that the ACP access will be seriously jeopardised." At the second meeting the Minister of Agriculture of Mauritius said "We would be grateful if you could explain to us how, in actual practice, our outlet in Britain can be preserved if Britain's beet quota over the next five years were to be appreciably higher than that proposed by the Commission (in November 1979)." On both occasions we were assured by the UK Minister of Agriculture that any occasional surplus would be of a marginal nature and could be dealt with by appropriate marketing arrangements which would not be harmful to ACP interests.

However we are now/

The Rt Hon Mrs Margaret Thatcher
Prime Minister
10 Downing Street
London SW1
ENGLAND

However we are now faced with a situation in which part of the traditional quantity of ACP sugar may be forcibly shut out from Britain. I would like to make it clear that this, for us, cannot be a marginal matter. Our economies depend upon the Lome sugar arrangements. These, as has often been stated depend in turn upon the preservation of the traditional British market for cane sugar and of the capacity to refine it. If the assurances that have been given can be breached once, what is to prevent this happening again.

In recent months some of the supplying countries have arranged for part of the supplies traditionally sent to Britain to be supplied to another EEC country (France) on a temporary basis. These transfers have served to ease the immediate problem of the surplus caused by the exceptional British beet crop in 1979/80. It was hoped that adequate arrangements would be made in the future to export surplus beet sugar from Britain so as to preserve the traditional market for cane sugar. Any arrangements, even if they could be made, to transfer cane sugar to other countries on a longer-term basis would suffer from two fundamental disadvantages. In the first place, such supplies to other countries would not be covered by the special assurances of the British Government which, as I have already mentioned, we regard as one of the basic guarantees of continued access. In the second place, commercial arrangements are for a limited term unlike the British guarantees, which as in the case of the sugar Protocol itself, are without term. And real long-term access, through thick and thin and despite the vagaries of the world market, is of the essence of the Lome sugar arrangements as it was previously of the Commonwealth Sugar Agreement.

The supplying countries earnestly hope that it may prove possible, even at this late hour, to reverse the Liverpool/decision and to preserve the full UK market in its traditional form for ACP sugar. However if this should ultimately fail and if it should be necessary for us to seek out some new form of marketing arrangement for part of the traditional quantity, I would ask that your government should lend positive help to us in reaching such new arrangements.

/closure

Furthermore, for the reasons I have just explained, I would ask that the U.K's undelying commitment without term in respect of any quantity so displaced from the U.K. market should be reaffirmed. Thus your government would continue to recognise its special responsibility in respect of the full quantity of our traditional exports to the U.K. over and above its general commitment as a member of the EEC for the whole of the Community's preferential imports. I would also press that your government should guarantee that there will be no erosion of the market for cane sugar in Britain.

The quantity of cane sugar imported from the present Lome sugar countries into Britain has not increased for fifteen years. In the last six years British beet sugar has increased its share of the U.K. market from 26% to 49%. This is the reality against which I and my colleagues view with deep concern the impending closure of the Liverpool refinery. If implemented this will mean the reduction - despite the assurances we have so often been given in the past - of our

fundamentally/

fundamentally static quantity in favour of the expanding U.K. sugar beet industry and of imports of white sugar from other EEC countries.

In the past it has been felt in day to day dealings with British government departments that they regarded it as their duty to give equal weight to the unique responsibilities of Britain towards the ACP sugar suppliers as to other factors including the interests of Britain's domestic sugar producers. More recently it has been sensed that there has been a change of emphasis and that decreasing importance is now attached to Britain's special commitments towards cane sugar - commitments which were a condition of Britain's joining the EEC. I believe it is essential that any such trend should be halted and that your Government should ensure that all who deal with matters affecting sugar policy should be aware of the real importance which you attach to your Government's obligations concerning the preservation of the traditional ACP share of the U.K. market.

There have been two central points in the representations we have made to successive British Governments:

1. that the Sugar Protocol makes no sense unless room is maintained for the consumption of our sugar in the British market;

2. that our sugar cannot be held responsible in any way for Community surpluses because it has been coming here in present quantities for a great many years since before Britain joined the EEC.

I would add that the Sugar Protocol also makes no sense unless it is consistently and firmly backed by actions of the British Government in respect of access to the United Kingdom market.

----- In addition to the annex referred to earlier I attach a copy of the press statement issued by our Governments.

With warmest regards

Yours very sincerely

S. Ramgoolam

(S. Ramgoolam)
Prime Minister

File

CF/

cc FCO

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 124/80.

10 DOWNING STREET

THE PRIME MINISTER

9 June, 1980

subject copy filed on:- Costa Rica : UK/Costa Rican relations : May 80.

Your Excellency,

Thank you for your letter of 5 May and for your kind words about this country. Mr. Nicholas Ridley has told me how valuable he found his recent talks in San Jose, which provided an opportunity for an exchange of views on the current situation in Central America, over which we share your concern.

As you rightly say, Britain, in common with the other member states of the European Community, is playing a part in the discussions which constitute the North-South Dialogue. We hope that it will be possible to make progress through these discussions and so provide an improved basis for international economic relations. So far as the Lome Convention is concerned, the Community's relations with the African, Caribbean and Pacific (ACP) signatories of Lome have developed as they have for historical and traditional reasons. They arose naturally from the Member States' ties with their former dependent territories and the recognition that these imposed responsibilities on Member States for the development of those territories, many of which are among the poorest nations of the world.

But the Lome Convention is of course only one aspect of the Community's relations with developing countries. Central American countries can and do benefit from the Community's Generalised System of Preferences. This covers, for example, over 300 agricultural products and a high proportion of these are tropical products.

/ Moreover,

Moreover, the Community's Common External Tariff for farm products which are not covered by the Common Agricultural Policy is low. The tariff on coffee, for example, which is of great importance to Costa Rica, is only 5 per cent.

The Community is now extending its network of relations with Latin American countries. A new framework co-operation agreement was recently agreed with Brazil and it is hoped to open negotiations soon with the countries of the Andean Pact. We warmly welcome this trend towards closer relations between the Community and Latin America. It is evidence of the importance which the Community attaches to the strengthening of its relations with the non-associated developing world.

Yours sincerely

Margaret Thatcher

His Excellency Licenciado Rodrigo Carazo Odio

STS 113/80

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 102A/80

PRESIDENT OF THE REPUBLIC OF COSTA RICA

San José, 5 May 1980

Prime Minister,

subject copy filed on:- Costa Rica : UK/Costa Rican Relations : May 80.

It is a great honour and a great pleasure for me to express once again the high esteem in which the people of Costa Rica hold your country and the British people, a people endowed with a rare creative spirit that, throughout history, has often given cause for admiration. It is also a welcome opportunity to emphasize the remarkable ties of friendship and cooperation between Great Britain and Costa Rica.

Relations between the two countries have taken an especially significant course in the last few years and the visit to us of Minister of State Mr Nicholas Ridley bears eloquent witness to this promising trend.

Mrs Margaret Thatcher,
Prime Minister of the United Kingdom
of Great Britain and Northern Ireland

London, England

Guided by solidarity with the Third World, Costa Rica has in recent years favoured the attempt to establish a new international economic order based on equilibrium and justice, and is firmly committed, in a spirit of solidarity, to achieving that end.

Now that the Member States of the European Community have recognised the serious problems facing the Third World and, through the North-South Dialogue, have taken a positive step and set an example for relations between the industrialised countries and the developing countries, my country is once again appealing to reason, being confident that just and equitable means of rendering possible a better life for all peoples will be found.

I was prompted to write to you by my serious concern arising from the first Lomé Convention and its second amd most recent version.

Many of the countries left out in the cold by the provisions of the Lomé Convention have not yet realised the serious consequences for their foreign trade and their economic future of the preferential treatment, which puts the former colonies of the Member States of the EEC at an unfair advantage in relation to them, and that is why my country has spoken out, feeling sure that you will understand the serious consequences of being left out in this way.

It is extremely gratifying that the Lomé Conventions are inspired by a positive desire, on the part of the Community, to respond to the basic needs of those countries that in the past were part of the European colonial world, by improving their trade balances and balances of payments, alleviating their unemployment problems and generally seeking to improve their living standards and quality of life.

But the problems that so harshly afflict this important group of developing countries are common to all those countries that comprise what is known as the "Third World".

The fact that a large number of ACP countries are protected by the Lomé Conventions reinforces Costa Rica's concern over the future of Central America, riven by profound social, political and economic crises, in whose history there has never been more uncertainty as to the chances of remaining free, democratic countries, with governments guiding their peoples along the path of respect for security, justice and all those fundamental principles which promote the dignity of all human beings.

The lack among the rest of the developing countries of legal instruments, such as the Lomé Conventions, which would open the door to a better economic future and rational comprehensive development, portends an even grimmer future for the region and accentuates the historical crisis currently affecting the Central American isthmus. There is doubt about future prospects in regional trade relations, where these countries figure not only as suppliers of raw materials to Community markets but also as important consumers of the Community's exports.

If, as a result of the situation imposed by the Lomé Convention, whereby those States that are not parties to the Convention are placed at a disadvantage and left out in the cold, the rest of the developing countries have to take second best in their trade and cooperation with Europe, the consequences will be chaotic.

Costa Rica greatly desires to tackle this problem in the context of the Dialogue, and to look at the possible economic and political results for Latin America, and more precisely Central America, that may arise from the Lomé Conventions.

I am writing to Your Excellency in order to obtain your valuable opinion on our problem, to which we wish to offer solutions that will lead the whole of the Third World, in close harmony with the industrialised countries, towards a new society founded on and characterised by justice and equity.

Complimentary close.

Rodrigo Carazo

(stamp)

RC/hder

O verseas Aid

File

10 DOWNING STREET

From the Private Secretary 30 April 1980

<u>The New Lomé Convention</u>

Thank you for your letter of 30 April. We have no objection to the timetable for publication which you propose.

I am copying this letter to John Stevens (Chancellor of the Duchy of Lancaster's Office) and Peter Moore (Chief Whip's Office).

N. J. SANDERS

E.R. Worsnop, Esq.,
Foreign and Commonwealth Office

Foreign and Commonwealth Office

London S.W.1

30 April 1980

N Sanders Esq
10 Downing Street
London
SW1

Dear Nick,

THE NEW LOMÉ CONVENTION

We propose to publish as a White Paper on Wednesday 4 June the following documents connected with the New Lomé Convention:

(a) the Convention itself - the formal title being "The Second ACP-EEC Convention". This is a Convention between the Community and the Member States on the one hand, and 58 African, Caribbean and Pacific States on the other. It was signed at Lomé (Togo) on 31 October 1979;

(b) a "Agreement on products within the province of the European Coal and Steel Community";

(c) the "Internal Agreement of 20 November 1979 on the measures and procedures required for implementation of the new Convention";

(d) the "Internal Agreement of 20 November 1979 on the financing and administration of Community aid" under the new Convention.

This Command Paper will do no more than set out the full texts of uncontroversial documents which have already been agreed either within the European Community or between the Community and the ACP States.

I should be grateful if you and those to whom I am copying this letter, would kindly confirm that there is no objection to publication.

Yours ever,

Edric.

E R Worsnop
Parliamentary Clerk

cc: J Stevens Esq
Office of the Chancellor
of the Duchy of Lancaster
68 Whitehall
London
SW1

P Moore Esq
Government Chief Whip's Office
12 Downing Street
London
SW1

PM/Lynch meeting
Wed 5 September
at No10

CONFIDENTIAL

Original on
Ireland (Lynch)
May 1979

Overseas
Aid

would make life difficult for both the US and Egyptian Governments. Mr. O'Kennedy commented that Camp David no longer looked like a step towards the solution of the Middle East problem. He agreed with the Foreign and Commonwealth Secretary that the Nine might be able to establish a common position on the problem in Southern Lebanon but that a common position on self-determination for the Palestinians was not at present feasible.

The Lomé Agreement

Mr. O'Rourke said that the Lomé Agreement might give rise to problems at the next Foreign Affairs Council. The Presidency had just received a letter from (Mr. O'Rourke thought) Mr. Adams of Barbados asking that some of the agreed texts should be re-opened. Mr. O'Kennedy said that his position was that there was no scope for further negotiation with the ACP countries. The most he would be prepared to envisage would be, perhaps, some discussion of the interpretation of the texts. Unfortunately, the Caribbean members of the ACP, who had now inherited the Presidency of the Group, had much less interest than the Africans in seeing the fund become operative. Mr. Franklin said that it would be wrong to show flexibility and that to do so would not lessen the strains emerging among the ACP countries.

Portugal

Mr. O'Kennedy said that one of the issues the Irish Presidency hoped to resolve at the Foreign Affairs Council on 18 September was the outstanding negotiation with Portugal over imports of automobiles. The political situation in Portugal was very delicate and further delay would not be helpful.

Vietnamese Refugees

The Foreign and Commonwealth Secretary said that he understood that the Danish and Dutch Governments wanted to re-open the discussions about food aid for Vietnamese refugees. He was opposed to this until Waldheim's report on the refugees was available. Mr. O'Kennedy agreed and said that this was the position of the Community.

/On a different

CONFIDENTIAL

Overseas Aid

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TO IMMEDIATE F C O
TELNO 3331 OF 27 JUNE.
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INFO SAVING TO LUXEMBOURG, WASHINGTON, UKMIS NEW YORK, UKDEL OECD, LUANDA AND MAPUTO.

LOME RENEGOTIATION : ACP/EEC MINISTERIAL NEGOTIATING CONFERENCE, BRUSSELS, 25 TO 27 JUNE : GENERAL ASSESSMENT.

SUMMARY
1. TEXT OF NEW CONVENTION AGREED, SUBJECT TO USUAL TIDYING UP EXERCISE. ACP WITHHELD FORMAL ACCEPTANCE, PENDING CLARIFICATION OF TEXTS AND EXAMINATION BY INDIVIDUAL ACP GOVERNMENTS AND A LATER ACP MINISTERIAL CONFERENCE. COMMUNITY MADE PLAIN THAT IT HAD FORMALLY CONCLUDED NEGOTIATIONS.

2. TEXT OF NEW CONVENTION EMBODIES MAIN UK NEGOTIATING OBJECTIVES, BUT ACP WOULD NOT ACCEPT REFERENCE IN IT TO HUMAN RIGHTS. REVISED COMMUNITY FINANCIAL OFFER ACCEPTED BY ACP.

DETAIL
2. NEGOTIATIONS WITH 57 ACP STATES FOR A NEW CONVENTION TO REPLACE THE LOME CONVENTION TOOK PLACE IN BRUSSELS FROM 25 TO 27 JUNE. THE MINISTER OF STATE (MR HURD) LED THE UK DELEGATION. THE FRENCH FOREIGN MINISTER CHAIRED THE COMMUNITY SIDE UNTIL HIS DEPARTURE FOR TOKYO ON 26 JUNE, WHEN THE IRISH FOREIGN MINISTER TOOK OVER. ANCHOUEY (GABON) CHAIRED THE ACP SIDE.

4. THE CONFERENCE BEGAN IN AN INAUSPICIOUS ATMOSPHERE, THE PRESSURE OF THE FRENCH PRESIDENCY FOR A JUNE CONCLUSION BEING RESENTED BY MANY ACP WHO WOULD HAVE PREFERRED TO RESUME NEGOTIATIONS IN JULY. INSENSITIVE HANDLING OF CERTAIN OTHER

ISSUES BY THE FRENCH CAUSED FURTHER DISPLAY OF RESENTMENT DURING THE NEGOTIATIONS AND MAY HAVE PLAYED PART IN ACP DECISION TO WITHOLD FORMAL ACCEPTANCE OF NEGOTIATED PACKAGE ON LAST DAY.

5. THE PRACTICAL DIFFICULTIES INHERENT IN CONDUCTING WITH 57 STATES NEGOTIATIONS ON A DETAILED AND LENGTHY TREATY WERE ENHANCED BY INTERNAL ACP DISUNITY AND THEIR EXTREME DIFFICULTY IN CO-ORDINATING THEIR POSITION. THE COMMUNITY WAITED FOR TEN HOURS ON 26 JUNE FOR THE LATTER PROCESS TO BE COMPLETED. NEGOTIATIONS WERE THEN RESUMED AND CONTINUED FOR 26 HOURS, DURING WHICH PERIOD VIRTUALLY ALL POINTS WERE SETTLED.

6. MIFT'S (NOT TO ALL) DESCRIBE THE PRINCIPAL DEVELOPMENTS ON
(A) TRADE
(B) INDUSTRIAL COOPERATION AND INVESTMENT
(C) STABEX
(D) MINERALS
(E) FINANCIAL AND TECHNICAL COOPERATION
(F) THE FINANCIAL PACKAGE
(G) HUMAN RIGHTS AND DURATION -

7. ON SUBSTANCE, SALIENT POINTS OF INTEREST TO UK, WERE:-

(A) A SUCCESSFUL NEGOTIATION IN A CONFERENCE WORKING GROUP CHAIRED BY MR HURD AND THE ZAMBIAN FINANCE MINISTER, DURING WHICH THE WHOLE INDUSTRIAL COOPERATION CHAPTER WAS SMOOTHLY AGREED AND THE ACP WERE PERSUADED TO ACCEPT INVESTMENT PROVISIONS WHICH ARE A SIGNIFICANT INNOVATION IN THE ACP/EEC RELATIONSHIP.

(B) SPECIFIC INTERESTS OF COMMONWEALTH ACP COUNTRIES WERE WELL-SAFEGUARDED, BOTSWANA SECURING A MUCH IMPROVED REGIME FOR BEEF EXPORTS TO THE COMMUNITY AND THE CARIBBEAN RUM PRODUCERS OBTAINING A MORE FAVOURABLE RUM PROTOCOL.

(C) THE PROPOSED SCHEME FOR ASSISTANCE TO ACP MINERAL PRODUCERS WAS FINALLY AGREED, THE DESIRE OF SOME ACP STATES TO ALIGN THE SUBSTANCE MORE CLEARLY ON THE STABEX MODEL BEING SUCCESSFULLY RESISTED.

/ (D) THE UK

(D) THE UK HAVING AGREED TO ACCEPT 85Ø MUA AS ITS MAXIMUM CONTRIBUTION TO THE FIFTH EUROPEAN DEVELOPMENT FUND, THE COMMUNITY'S IMPROVED OVERALL FINANCIAL OFFER WAS ACCEPTED BY THE ACP, APPARENTLY WITH LITTLE FURTHER DIFFICULTY. SINCE PART OF THE OFFER WAS RESERVED FOR FURTHER POSSIBLE BARGAINING BUT THEN NEVER USED, UK CONTRIBUTION WILL NOW PROBABLY BE 837 MUA.

(E) THE DURATION OF THE NEXT CONVENTION WILL BE FIVE YEARS.

(F) ATTEMPTS TO SECURE A CLEAR REFERENCE TO HUMAN RIGHTS IN THE PREAMBLE OF THE NEW CONVENTION WERE UNSUCCESSFUL AND WERE HELPED NEITHER BY THE ATMOSPHERE NOR THE CIRCUMSTANCES PREVAILING AT THE END OF THE CONFERENCE. BUT THE COMMUNITY AGREED TO TAKE AT THE APPROPRIATE MOMENT AN INTERNAL DECISION TO ENSURE THAT AID WAS USED FOR OBJECTIVES CONSISTENT WITH THE MAINTENANCE OF HUMAN RIGHTS.

8. ON 27 JUNE IT BECAME CLEAR THAT THE ACP WERE DIVIDED, SOME WISHING TO ANNOUNCE FORMAL ACCEPTANCE OF THE NEGOTIATED TEXT, OTHERS REMAINING DISSATISFIED WITH THE COMMUNITY POSITION ON CERTAIN ISSUES. IN THE FORMAL CONCLUDING SESSION THE ACP DESCRIBED THE RESULTS AS NOT NEGLIGIBLE AND WELCOMED SOME OF THE INNOVATIONS: BUT A CERTAIN BITTERNESS HAD BEEN CAUSED BY COMMUNITY RELUCTANCE TO MOVE FURTHER ON SOME ISSUES NOTABLY IN THE TRADE AND FINANCIAL COOPERATION FIELDS. IN REPLY THE COMMUNITY STRESSED THE POSITIVE RESULTS ACHIEVED AND MADE IT CLEAR THAT, IN ITS VIEW, THE NEGOTIATIONS HAD BEEN FORMALLY CONCLUDED (SOME ACP DISSENTED FROM THE FLOOR).

9. IN A FINAL COMMUNITY COORDINATION, MINISTERS AGREED TO TAKE THE LINE WITH THE PRESS IN ANY CONTACT WITH THE ACP THAT NEGOTIATIONS HAD BEEN FORMALLY CONCLUDED, THAT THE VERY CONSIDERABLE PROGRESS MADE HAD SHOWN COMMUNITY WILLINGNESS TO ADVANCE ITS RELATIONS WITH THE ACP, AND THAT THE FINAL TEXT OF THE CONVENTION WOULD NOW BE COLLATED BY THE TWO SECRETARIATS.

1Ø. THE ACP PRESIDENT DID NOT GIVE A PRESS CONFERENCE, BUT THE SENEGALESE MINISTER TOLD THE PRESS THE ACP AMBASSADORS WOULD NOW VERIFY THE TEXT OF THE CONVENTION, THAT THIS WOULD BE SUBMITTED TO INDIVIDUAL ACP GOVERNMENTS AND THAT IN DUE COURSE AN ACP MINISTERIAL MEETING WOULD BE CONVENED TO TAKE A FORMAL POSITION.

/ 11. THIS

11. THIS PROCESS SEEMS LIKELY TO POSTPONE THE PROSPECT OF SIGNATURE TO THE AUTUMN (THE ACP HAVE STILL NOT TAKEN A POSITION ON SIGNATURE VENUE BUT KHARTOUM NOW APPEARS TO HAVE SLIGHTLY MORE SUPPORT THAN LOME).

12. AS COMMISSIONER CHEYSSON RECALLED IN THE FINAL COUNCIL SESSION, THE ACP MADE THEIR ACCEPTANCE OF THE TEXT NEGOTIATED FOR THE ORIGINAL LOME CONVENTION CONDITIONAL ON THEIR GOVERNMENTS GIVING FINAL APPROVAL. THE ACP DID NOT ON THAT OCCASION TAKE A FINAL DECISION UNTIL 12 DAYS BEFORE ACTUAL SIGNATURE.

FCO ADVANCE TO:-

FCO - PS/SOFS, PS/PLS, PS/MR HURD, PS/PUS, BUTLER, FRETWELL, FITZHERBERT

CAB - FRANKLIN, BIRD

DOI - CAMERON

DOT - KETCHELL

MAFF - GOODWIN

TSY - PERETZ

FCO PASS SAVING TO WASHINGTON, UKMIS NEW YORK, UKDEL OECD, LUANDA AND MAPUTO

MAITLAND

[ADVANCED AND REPEATED AS REQUESTED]

FRAME GENERAL

EID

Overseas Aid

Original in P/Rooms

cc FCO.

10 DOWNING STREET

THE PRIME MINISTER

26 June 1979

Dear Lord Bishop,

Thank you for your letter of 7 June and for telling me of your deep concern for people in the Third World and the importance of overseas aid.

It is a concern which is certainly shared by the Government. We recognise that there are powerful moral, economic and political reasons for assisting in the improvement of living conditions in developing countries. We are pledged to help the developing countries through our programme of aid and technical co-operation and by the encouragement of voluntary work. Nevertheless, as you point out, the level of overseas aid cannot be divorced from the wider one of public expenditure generally. The Government's first priority must be to ensure that our own economy is soundly based; it is in this way that a substantial programme of assistance to developing countries can be sustained most effectively.

That is why the aid programme has had to bear its share of the public expenditure cuts announced by the Chancellor of 12 June. The reduction of £50 million was a regrettable necessity, but even so we are still left with a very substantial programme which will have risen by about £75 million - or two per cent in real terms - over last year's level.

/We are not

We are not withdrawing from the previous Government's acceptance in principle of the United Nations aid target of 0.7 per cent of GNP, but, like the last Government, we are not bound to any timetable for reaching the target, progress towards which, as I am sure you will appreciate, must be conditioned by our financial and economic circumstances.

Yours sincerely

Margaret Thatcher

The Right Reverend The Lord Bishop of Southwark

Copied to the Strasbourg Euro. Council Briefing Folder

(Euro. Policy, May 1979)

FCS/79/118

CHANCELLOR OF THE EXCHEQUER

Re-negotiation of the Lome Convention

1. I came under heavy pressure from my Community colleagues in Paris yesterday to agree to a British contribution of 850 MUA to the European Development Fund (EDF) in the successor, for the period 1980-1985, to the current Lome Convention. Our offer of only 750 MUA has surprised and disappointed them.

2. It is my judgement that if we continue to stick to our present maximum of 750 MUA we could find ourselves in very considerable additional difficulties over achieving, at this week's European Council, our much more important objectives over the United Kingdom's contribution to the Community Budget as a whole. I would go so far as to say that amongst almost all the other eight Governments with whose Foreign Ministers I spoke yesterday, a refusal on our part to go as far as they had thought we were ready to go will sour the atmosphere at Strasbourg. I therefore think that we need to be ready at the European Council to indicate that we shall be able to agree to 850 MUA, so that the Community can improve its overall offer on the Fund when the Conference with the African/Caribbean/Pacific countries (ACP) resumes on 24 June. In such circumstances we shall have to find the additional 100 MUA from within the aid budget, though this will be very difficult. But the amounts we are talking about are not large: 100 MUA disbursed over, say, ten years, represents about £6.5 million a year and disbursements will not start until 1981-82, by which time I hope that some of the financial pressure on the aid programme will have eased.

3. I realise that 850 MUA will not represent the overall improvement in our present share of the EDF which we should have liked. But our share of the additional amount which the Community proposes to offer in excess of the 4540 MUA already agreed will, on present proposals, be more equitable than our current share. And in any

/ case

case, the EDF is poor ground from our point of view on which to fight about the UK's financial contribution to the Community since most member states regard the Lome arrangements as a benefit in aid almost exclusively to the ex-Anglo/French colonies.

4. I am sending a copy of this minute to the Prime Minister and to Sir John Hunt.

C

(CARRINGTON)

Foreign and Commonwealth Office

19 June 1979

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES.

Reference: CC(79) 4th Conclusions, Item 2

Date: 31 May 1979

Signed OWayland Date 11 August 2011

PREM Records Team