

PREM 19/4051

SECRET

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Confidential Filing

The Strategic Food Stockpile.

DEFENCE

June 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
		26.2.81					
16.7.79		3.8.81					
17.7.79		19.9.82					
23.7.79		14.10.86					
25.7.79		8.12.80					
27.7.79		22.2.93					
31.7.79							
7.8.79							
27.8.79							
4.9.79							
17.9.79							
26.9.79							
11.10.79							
12.12.79							
7.1.80							
25.1.81							
21.1.81							
4.2.81							
5.2.81							
20.2.81							

Series closed.

PREM 19/4051

AS



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 February 1993

Dear David,

REVIEW OF THE STRATEGIC FOOD STOCKPILE

The Prime Minister has seen the Minister of Agriculture's recent minute of the strategic food stockpile.

The Prime Minister is content with Mr. Gummer's proposals for running down the stockpile, leading to liquidation in 1995/96.

I am copying this letter to Private Secretaries to members of OPD.

+ ss Heath, Eng, Wales, Scotland, N. Ireland,
transport, Home Office, + FERS

James
Joseph

J. S. WALL

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

[Handwritten mark]



CC PA
Curt POT
MAFF note
ally

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

From the Minister

Rose Minister

CONFIDENTIAL

PRIME MINISTER

Good
4

This makes sense - see paras
6 and 7 of the note, in particular.

REVIEW OF THE STRATEGIC FOOD STOCKPILE

Spoke
2/2

When in July 1991 I announced my decision to reduce the size of the strategic food stockpile in Great Britain, phased over five years, I undertook to keep the need for continuing the stockpile under review.

This I have done. I attach a report on the outcome of a recent review with my conclusions. These are based on an updated assessment of food supply and as part of our integrated emergency planning, development of a method for locating and managing the distribution of food stocks. These obviate the need to maintain a food stockpile.

I have therefore decided on a more rapid run down of the stockpile, leading to liquidation in 1995/96. This will remove the main burden of my Department's Civil Defence Planning expenditure. These changes have been agreed with Ian Lang and David Hunt.

I intend to announce the decision to liquidate the stockpile within the next few weeks by means of an arranged Parliamentary Question. The text of the proposed question and answer is attached.

I am copying this minute to members of OPD.



J S G

Minister of Agriculture,
Fisheries and Food
February 1993

CONFIDENTIAL

A NOTE BY THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD

REVIEW OF THE STRATEGIC FOOD STOCKPILE

Purpose

1. Colleagues are invited to note the report of the outcome of an updated review of the strategic food stockpile, which concludes that a food stockpile is no longer required and that the current run down programme should be accelerated with liquidation achieved by 1995/96.

Background

2. A stockpile of food and feeding equipment has been maintained in the United Kingdom since 1938. Current defence planning assumptions agreed in 1991 are based on the possibility of a major war in Europe and assume that a minimum of 7 days will be available for the activation of essential plans and 3 months for other plans. The stockpile, along with commercial wholesale or retail stocks was intended to provide a necessary reserve to feed up to 40 million survivors, sufficient to cover a 60 day recovery period following a nuclear attack.

3. The stockpile was last reviewed in November 1990 when it was concluded that stocks on farms, in the distribution pipeline and in homes would be more than sufficient to provide food for the 60 day recovery period. However, in the absence of adequate means for locating and managing the distribution of commercial stocks a programme was agreed for scaling down the stockpile to one-third of its existing size by 1995/96. The residual stockpile would consist of 100,000 tonnes of ready to eat foods (Biscuits, Fat and Sugar) retained in stores in the 10 Home Defence Regions.

4. An assessment in 1990 of the value of centrally stored emergency feeding equipment concluded that it need not be retained. Local Authorities were offered first refusal and disposal of remaining stocks is underway. In order

to meet my continuing responsibilities for ensuring the provision of equipment, a new design for a purpose-built field cooker was commissioned. Now successfully trialled, the cooker could be manufactured as needed within current warning periods, at a unit cost of around £200.

5. In submitting the conclusions of the last review to the Committee, I undertook to keep future requirements under review and to reassess policy towards the end of the run-down programme in 1996. However, latest assessments of available food stocks and the development of new computer systems for locating and managing distribution have prompted me to bring this review forward.

Future of the Stockpile

6. In 1990, assessments of commercially available foodstuffs were made up of 45 days supply in the distribution pipeline, including the home, and at least 15 days supply on-farm. Since then, revised estimates show that on-farm stocks alone would be more than sufficient throughout the year to meet the 60 day requirement. The absence of a threat of all-out nuclear war is also likely to be reflected in revised planning assumptions, including extended warning times. Damage assessments are likely to be revised downwards and sufficient time allowed to secure a planned build-up of further stocks.

7. My Ministry has also been developing a computer modelling system capable of locating stocks held by manufacturers/processors and with retailers/distributors in addition to on farm resources. The system, the Food Vulnerability Model (FVM), is scheduled to come live in the Spring of 1993 and will be based initially on an existing survey commissioned from the Institute of Grocery Distribution and the June Farm Census for England. The system is being extended to cover the needs of Scotland and Wales and will additionally provide agricultural departments with contingency back up for integrated emergency planning responses. With the availability of more than sufficient stocks on farms and in the distribution pipeline and the means for managing their distribution I will be able to meet my statutory obligations without continuing to maintain a strategic food stockpile.

8. The Secretary of State for Northern Ireland is evaluating the relative costs/benefits of adopting a similar approach against the background of his separate responsibilities and the particular food supply conditions which apply in Northern Ireland.

Liquidation of the Stockpile

9. The reduction of the stockpile will need to be phased to ensure that the disposal of stocks does not disrupt the commodity markets. Staged stock reductions are planned in each of the financial years 1993/94 - 1995/96. Experience gained should enable liquidation to be achieved within the lifetime of the current sell-off programme, ending in 1995/96, without significant disruption to the market.

Cost

10. With the successful liquidation of the stockpile commitments would cease after 1995/96. The expected savings in expenditure over the life of the liquidation programme are summarised below:

	1993/94	1994/95	1995/96	1996/97
Number of Operational Depots	47	24	6	-
Stockpile Running Costs	£3.8 m	£3.0 m	£1.3 m	-
MAFF Accommodation Costs	£6.2 m	£4.8 m	£2.6 m	[£1 m]

Conclusions

12. On the basis of the latest analysis of available food stocks and the technological means for locating and managing distribution, I propose to initiate a programme for the liquidation of the strategic food stockpile to be achieved by 1995/96.

MINISTER OF AGRICULTURE, FISHERIES AND FOOD
February 1993

DEFREV18

CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

INSPIRED PARLIAMENTARY QUESTION

To ask the Minister of Agriculture, Fisheries and Food if he will make a statement on the future of the Strategic Food Stockpile.

MR GUMMER

Since World War II, the Government has maintained a Strategic Food Stockpile to help feed the civil population during a period of recovery should there be a major military attack. In July 1991 I announced a phased reduction over 5 years to achieve a smaller, more flexible stockpile consisting principally of ready-to-eat foods rather than raw commodities. This orderly run-down is now well underway as is the disposal of remaining emergency feeding equipment announced at the same time.

Latest assessments of food supplies suggest that there are more than sufficient stocks to meet expected needs in the aftermath of any conceivable attack on the UK. In the light of recently developed systems for locating on farm, and wholesale and retail stocks I have concluded that a strategic food stockpile is no longer justified. I am therefore putting in hand the necessary arrangements to secure liquidation of the stockpile by March 1996.

We shall continue to maintain plans for the recovery of the food and agriculture industries in the aftermath of war and to plan for the distribution of available foodstuffs in times of crisis. Future plans will be reassessed in the light of evolving Civil Defence Planning Assumptions.

DEFREV19

CONFIDENTIAL

STRATEGIC FOOD STOCKPILE: LIQUIDATION PROGRAMME

1. A detailed programme for the liquidation of the Strategic Food Stockpile by 1995/96 has been drawn up in consultation with the Market Testing and Procurement Advice Unit and the Cereals Committee Ltd on behalf of participating Millers. BEMD have advised on the programme for disposal of surplus depot sites.

2. The successful liquidation of the stockpile by 1995/96 will benefit the Department by reducing Vote 4 expenditure by £5.6m and increasing receipt income by £11.1m. Vote 5 expenditure on accommodation is forecast to reduce by £3.2m. Vote 4 receipt income from disposal of surplus depots will increase by £2.8m by 1995/96, with a further income of £4.1m in later years. Some of these savings have been taken account of in the Estimates for 1993/94 and subsequent baselines. In summary the liquidation of the stockpile is as follows:

	<u>93/94</u>	<u>94/95</u>	<u>95/96</u>	<u>96/97</u>	<u>97/98</u>
Stock disposal (tonnes)	88,000	75,000	35,713	N/A	N/A
	EM	EM	EM	EM	EM
Vote 4 receipt income (stock)	17.9 [17.9]*	16.4 [13.9]	7.2 [2.5]	N/A	N/A
Vote 4 Stockpile running cost	3.8 [3.9]	3.0 [4.9]	1.3 [3.5]	N/A	N/A
Vote 4 receipts from Depot disposals	4.7 [4.7]	7.9 [6.7]	6 [4.4]	2.9	1.2
Vote 5 accommodation running costs	6.2 [6]	4.8 [5.9]	2.7 [5]	0.9	0.4
Depot closures in Year	23	18	6	N/A	N/A

* [] indicates Estimate figures of 93/4 and PES 92 forecast for 94/95 onwards

3. The detailed stock liquidation and depot closure programme, which is a development of the existing rundown programme, is set out in Table 1. The annual level of stock disposals takes account of contract obligations where applicable and the best estimate of the capacity of the commodity markets.

The depot disposal programme has been prepared by BEMD and is summarised in Table 2 (forecast receipts) and Table 3 (accommodation running costs).

5. Receipt income from the disposal of stock and accommodation has been estimated at current market prices but will be subject to the market conditions prevailing at the time of disposal.

Emergencies & Food
Protection Division
January 1993

DEPOTS	YRS 1993/94 Commodities in Tonnes						1994/95 Commodities in Tonnes				1995/96 Commodities in Tonnes				ANNEX A. Table 1 Closing Date					
	Sweets	Biscuits	Sugar	Fat	Flour	Total	Biscuits	Sugar	Fat	Flour	Total	Biscuits	Sugar	Fat	Flour	Total	93/94	94/95	95/96	
RINGMER	30	355	1,192	-	-	1,577													1	
MARDEN	164	429	-	-	-	593													1	
SUNBURY	-	6	628	7	-	641													1	
TATTENHALL	-	3,186	-	-	-	3,186													1	
DALSTON	-	-	-	-	620	620													1	
NEWARK	-	-	1,016	910	-	1,926													1	
RATTLESDOM	-	-	-	16	-	16													1	
HUMSHAUGH	-	209	-	-	-	209													1	
HONEYBOURNE	20	-	327	-	1,826	2,173													1	
KIPPINGS CROSS	20	1,465	24	-	-	1,509													1	
RHYDMYMN	16	3,344	7,653	2,630	10,396	24,039													2	
ALTON	-	-	2,161	-	-	2,161													2	
INNERLEITHEN	-	820	-	-	2,886	3,706													2	
EARL SHILTON	40	743	933	-	-	1,716													2	
GUNTHORPE LOCK	-	-	-	-	641	641													2	
STRUBBY 1	-	-	-	-	-	-													2	
STRUBBY 2	-	2,250	1,425	474	-	4,149													2	
POLLINGTON	-	1,561	-	-	-	1,561													2	
WILSTEAD	103	1,224	3,187	4,184	1,396	10,094													2	
ADLINGTON	-	-	-	1,189	1,499	2,688													2	
TRING	-	-	-	-	2,101	2,101													2	
CLAUGHTON	34	1,912	-	1,754	4,382	8,082													2	
SELBY	30	708	554	825	987	3,104													2	
BADMINTON	32	-	-	-	-	32	3,292	1,458	791	-	5,541								1	
CLITHEREDE	-	-	-	-	-	-	-	2,618	881	-	3,499								1	
HALLATROW	-	-	-	-	-	-	-	1,372	-	-	1,372								1	
HAVERHILL	-	-	-	-	-	-	-	-	-	2,016	2,016								1	
WHELDRAKE	-	-	-	-	-	-	-	-	-	2,073	2,073								1	
TARPORLEY	70	-	-	-	-	70	2,190	1,105	5,171	-	8,466								1	
BISHOPS LYDEARD	70	-	-	-	-	70	1,336	-	392	-	1,728								1	
WHITLEY BRIDGE	20	-	-	-	-	20	-	1,020	-	-	1,020								1	
SOUTH LEIGH	-	-	-	-	-	-	-	1,922	-	-	1,922								1	
HODDESDOM	-	-	-	-	329	329	-	-	-	1,120	1,120								1	
QUAINTON	-	-	-	-	800	800	-	14	-	2,014	2,028								1	
MILFIELD	48	-	-	-	-	48	498	1,140	805	-	2,443								1	
CASTLE DOWNINGTON	-	-	-	-	-	-	-	952	-	-	952								1	
BRANSTON	-	-	-	-	4,011	4,011	-	4,355	2,040	7,043	13,438								2	
LONG HANBOROUGH	-	-	-	-	489	489	26	806	-	3,512	4,344								2	
LLANDOW	30	-	-	-	-	30	1,677	1,646	-	2,868	6,191								2	
AYLESFORD	-	-	-	-	-	-	-	-	-	5,344	5,344								2	
MARSTON MOOR	-	-	-	-	-	-	645	2,545	9	-	3,199								2	
HARLESCOTT	20	-	-	-	-	20	-	-	-	2,499	2,499	1,003	2,749	1,174	2,123	7,049			1	
LLANDOVERY	21	-	-	-	765	766	-	-	-	285	285	276	1,773	-	347	2,396			1	
ALMONDBANK 4	100	-	-	-	3,293	3,393	-	-	-	3,340	3,340	2,615	686	1,583	479	5,363			1	
ALMONDBANK 5	-	-	-	-	-	-	-	-	-	1,000	1,000	1,000	2,000	1,305	4,721	9,026			1	
POCKLINGTON	37	-	-	-	893	930	-	-	-	653	653	2,723	-	562	3,013	6,298			1	
UTTOXETER	90	-	-	-	-	90	-	-	-	-	-	3,285	2,002	294	-	5,581			1	
TOTALS	995	18,212	19,100	11,989	37,314	87,610	11,586	19,031	10,089	33,767	74,473	10,902	9,210	4,918	10,683	35,713	23	18	6	
Receipts	£70 per tonne	£70 per tonne	£400 per tonne	£150 per tonne	£192 per tonne															Key 1 = First Half Year Close
	69,650	1,274,840	7,640,000	1,798,350	7,164,288	17,947,128	811,020	7,612,400	1,513,350	6,483,264	16,420,034	763,140	3,684,000	737,700	2,051,136	7,235,976			Key 2 = Second Half Year Close	

Phase 1 run-down programme

14,000,000

13,900,000

2,500,000

Additional Receipt Income

3,947,128

2,520,034

4,735,976

1992 PES: STATEMENT OF BUFFER DEPOT DISPOSALS

PROPERTY	1992/3	1993/4	1994/5	1995/6	1996/7	1997/8
Abergavenny	92/3		200000			
Abergwili	91/2		300000			
Adlington	93/4			385000		
Almondbank 4	95/6					760000
Almondbank 5	95/6					300000
Alton	93/4			352500		
Aylesford	94/5				400000	
Badminton	94/5			0		
Barton U Needwo	91/2		292500			
Betchworth	91/2		600000			
Bishops Lydeard	94/5			250000		
Branston	94/5			0		
Burscough	92/3		180000			
Castle D	93/4			155625		
Chobham	92/3		-2000000			
Cloughton	93/4				650000	
Clitheroe	94/5			217500		
Culham	92/3	0				
Dalston	93/4		105000			
Earl Shilton	93/4				1000000	
East Fortune	91/2	280000				
Glen Parva	92/3			423750		
Grimsargh	93/4		337500			
Gunthorpe	93/4			112500		
Hallatrow	93/4				536250	
Harlescott	95/6					735000
Hatfield	92/3		1			
Haverhill	94/5			438750		
Hemel Hempstead	92/3		700000			
Hoddesdon	94/5			620000		
Honeybourne	93/4			562500		
Humshaugh	93/4		0			
Innerleithen	93/4			135000		
Kippings Cross	93/4		650000			
Lanark	92/3		75000			
Llandoverly	94/5				150000	
Llandow	94/5				250000	
Long Hanborough	94/5					1095000
Marden	93/4		640000			
Marston Moor	94/5				187500	
Millfield	94/5			0		
N Fitzwarren	92/3		1			
Newark	93/4		300000			
Pocklington	95/6				475000	
Pollington	93/4			1		
Quainton	93/4			525000		
Rattlesden	93/4		225000			
Redhill	91/2	500000				
Rhydymwyn	93/4					1200000
Ringmer	93/4		375000			

1992/3 1993/4 1994/5 1995/6 1996/7 1997/8

Selby	93/4			450000			
Sevenhampton	92/3		750000				
South Leigh	94/5			386250			
Strubby 1	93/4			290000			
Strubby 2	93/4			290000			
Sunbury	92/3			926250			
Tarporley	93/4			540000			
Tattenhall	93/4		125000				
Thirsk	91/2		187500				
Tring	93/4				720000		
Uttoxeter	94/5				375000		
Walton Le Dale	91/2	162500					
West Pennard	92/3			247500			
Westerham	92/3		637500				
Wheldrake	94/5			225000			
Whitley Bridge	93/4			375000			
Wilstead	93/4				1250000		
TOTAL		942500	4680002	7908126	5993750	2890000	1200000
PES 1992			4680000	6673000	4380000		

REVISED BUFFER DEPOT DISPOSAL PROGRAMME
COSTS OF RENT AND CILOR

PROPERTY	RENT 93/94	RENT 94/95	RENT 95/96	RENT 96/7	RENT 97/8	CILOR 93/94	CILOR 94/95	CILOR 95/96
Abergavenny	73009	0	0					
Abergwili	0	0	0					
Adlington	95376	109983				24749		
Almondbank 4	147390	147390	147390	147390		62763	65587	66899
Almondbank 5	104846	31376	31376	31376		41842	43725	44995
Alton	159462	159462				37955		
Aylesford	159891	159891	159891			17921	18728	
Badminton	122319	122319				27181	28404	
Barton U Needwo	0	0						
Betchworth	0	0						
Bishops Lydeard	40050	40050				12296	12849	
Branston	226840	226840	301697			78734	82277	
Burscough	34430	0						
Castle D	48407	49605				16012	16733	
Chobham	0	0						
Claughton	113362	113362	113362			19867		
Clitheroe	71134	71134				11213	11717	
Culham	0	0						
Dalston	30267	0				8962		
Earl Shilton	46952	122754	122754			35978		
East Fortune	0	0						
Glen Parva	66897	66897						
Grimsaragh	155623	0				28663		
Gunthorpe	49481	49481				12552		
Hallatrow	66131	78610	78610			25699	26855	
Harlescott	163368	163368	163368	163368		70615	73793	75261
Hatfield	0	0						
Haverhill	77679	77679				21729	22707	
Hemel Hempstead	114751	0						
Hoddesdon	72498	72496				34159	35696	
Honeybourne	144560	144560				40450		
Humshaugh	23708	0				9124		
Innerleithen	133807	133807				24077		
Kippings Cross	83835	83835				11918		
Lanark	0	0						
Llandoverly	30762	30762	30762			12391	12949	13201
Llandow	60156	60156	60156			8996	9401	
Long Hanborough	175978	175978	175978	175978		42065	43958	
Marden	70339	0				8539		
Marston Moor	43242	43242	79290			8105	8469	
Millfield	30533	34283				6270	6552	
N Fitzwarren	0	0						
Newark	139066	0				18780		
Pocklington	95224	95224	95224			12034	12576	1282
Pollington	5705	5705				6505		
Quainton	77665	77665				24346	25442	
Rattlesden	39827	0				14327		
Redhill	0	0						
Rhydymwyn	407299	407299	407299	407299	407299	89910		

	RENT 93/94	RENT 94/95	RENT 95/96	RENT 96/7	RENT 97/8	CILOR 93/94	CILOR 94/95	CILOR 95/96
Ringmer	105162	0				21130		
Selby	80171	80171				30047		
Sevenhampton	0	0						
South Leigh	36683	36683				16976	17740	
Strubby 1	54237	54237				9630		
Strubby 2	54236	54237				9631		
Sunbury	115326	115326						
Tarporley	78237	78237				21526	22495	
Tattenhall	36021	0				12034		
Thirsk	0	0						
Tring	167667	167667	167667			69742		
Uttoxeter	101415	101415	101415			29163	30476	31085
Walton Le Dale	0	0						
West Pennard	50535	50535						
Westerham	0	0						
Wheldrake	34900	34900				16210	16939	
Whitley Bridge	66796	66796				29256	30573	
Wilstead	185342	162136	162136			66242		
TOTAL	4968597	4157553	2398375	925411	407299	1258314	676641	244283

BF 8.12.86



10 DOWNING STREET

Refers to
CF SD(HD)(SG) 7

please return to me

Our comments from // SF
other departments are

in .

CFM

8/12 - wtb

SF ok. CFM

The only comments MAFF
have received were from Mr Tebbitt's
Office - he was contact. MAFF
are therefore assuming that all
departments are contact

C:U
8/12.



10 DOWNING STREET

From the Private Secretary

3 August 1981

Defence file KB
cc: Pro MIO
Tory D/N
DLI Chief Sec
Mod CO
NAFF
SO

Thank you for your letter to Michael Alexander of 17 July about strategic stockpiles and the difficulties of reporting on this subject within the timescale envisaged in Stephen Boys-Smith's letter of 5 February.

The Prime Minister has noted the progress being made by officials in developing the necessary assumptions and the preliminary views of the Department of Energy and of the Ministry of Agriculture, Fisheries and Food on their respective areas of responsibility. She is content that a comprehensive report on a wider range of home defence issues, including stockpiles and any reallocation of savings from their disposal, should now be submitted in the autumn. She trusts that this report will be available in time for it to be taken into account in the concluding stages of the 1981 Public Expenditure review.

I am sending copies of this letter to the recipients of yours.

W.F.S. PICKETT

CS

C. J. Walters, Esq.,
Home Office.

CONFIDENTIAL

Ref: A05336

CONFIDENTIAL

MR. ALEXANDER

Strategic Stockpiles

Mr. Walters's letter to you of 17th July reports a delay in completing the review of our strategic stockpile policy called for at the meeting chaired by the Prime Minister on 22nd January. ^{below} Apart from being delayed because of the complexity of the subject, the report has also been held up because of the limited resources available in Departments to follow up the many areas of work stemming from last year's Home Defence Review. Some progress has, however, been made, and the further report now promised will contain a wide ranging review of progress on civil preparedness and will specifically cover the points raised in your letter to Mr. Boys-Smith of 18th February.

2. If the Prime Minister is content, you may wish to reply to Mr. Walters on the lines of the attached draft.

REA

Robert Armstrong

27th July, 1981

CONFIDENTIAL

GR / PL tyne
WR
BFS

CONFIDENTIAL

written
DRAFT LETTER FROM MR. ~~M. O'D. B.~~ ALEXANDER TO
C. J. WALTERS, Esq., HOME OFFICE

by Michael Alexander
Thank you for your letter of 17th July about strategic
stockpiles and the difficulties of reporting on this subject within
the timescale envisaged in Stephen Boys-Smith's letter of
5th February.

IP The Prime Minister has noted the progress being made by
officials in developing the necessary assumptions and the
preliminary views of the Department of Energy and of the
Ministry of Agriculture, Fisheries and Food on their respective
areas of responsibility. She is content that a comprehensive
report on a wider range of home defence issues, including
stockpiles and any reallocation of savings from their disposal,
should now be submitted in the autumn. She trusts that this
report will be available in time for it to be taken into account in
the concluding stages of the 1981 Public Expenditure review.

IP I am sending copies of this letter to the recipients of
yours.

4



Prime Minister

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

A proper report. Agree that I should write as in the attached draft?

17 July 1981

Dear Michael

Pmt 22/7

Yes not

STRATEGIC STOCKPILES

In his letter of 5 February Stephen Boys Smith referred to the review of strategic stockpile policy which the Prime Minister on 22 January asked the Home Secretary to undertake.

The review has proved more complex than anticipated. The truth is that, since the reduction in home defence activity in the late 1960s, there has been no national policy on stockpiles. Oil stocks are maintained to meet peacetime statutory requirements, and certain food stocks are kept for survival after a nuclear war; but there is no provision for vital industrial material or components beyond commercial stocks, which have so far proved difficult to verify.

For food and for oil and other industrial essentials there has been no formally accepted yardstick of the adequacy of commercial and Government stocks. And there have been no working assumptions on the constraints in crisis and in war on demand and on overseas supply. Officials have therefore concentrated on developing these assumptions. A good deal remains to be done, but overall endurance targets have been agreed, as outlined in the next two paragraphs.

The Chiefs of Staff are unable to predict the duration of conventional war, which depends on a range of intermediate factors. For logistic planning purposes the Ministry of Defence have adopted working assumptions of 60 days of tension and 30 days of conventional war. It seems right that civil planning should be in line, and work is therefore going forward to determine civil needs for 60 days of tension and 30 days of conventional war.

However, civil endurance needs to exceed military endurance. Plans need to be made not only for a nuclear aftermath, but also for the possibility of hostilities ceasing short of general nuclear war. Plans need to ensure national survival in the period after cessation of conventional or limited nuclear war (which could have led to significant shipping losses and damage to ports etc.) and before anything like normal overseas supply might be resumed; and no such plans exist at present. A successful military defence would achieve little if it was followed by the collapse of the economy. Work is therefore now going forward to determine what would be needed to sustain the economy for 60 days after the end of hostilities. The needs of a nuclear aftermath will then be re-examined to determine what further stockpiling may be required. This is a major task and will take time.

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2.

Meanwhile, the Department of Energy see no need for special commercial oil stocks for war. The industry normally holds some 20M tonnes of crude and product, of which 14M tonnes is to meet statutory requirements. Some 10M tonnes (representing 40-50 days of normal supply) are expected to survive nuclear attack. But the adequacy of these stocks will be re-examined in the light of the agreed endurance targets.

The Ministry of Agriculture, Fisheries and Food do not believe that the endurance targets would affect their Minister's view that the flour stockpile should be sold off over three years. But they will re-examine the need for food stockpiles once the working assumptions are available from the review, so that he will be able to put definitive proposals to his colleagues later this year.

The examination of stockpile policy and other developments following last year's home defence review indicate the need for a more coherent and critical analysis of progress and the inter-relationship of planning and preparedness tasks. Officials are now working on this and will report further in the autumn. They will report also on any possible reallocation of savings from stockpile disposals in 1981-82.

I am sending copies of this letter to the Private Secretaries to the Secretary of State for Foreign & Commonwealth Affairs, the Chancellor of the Exchequer, the Secretaries of State for Industry and Defence, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Scotland, Northern Ireland and Energy, the Chief Secretary to the Treasury, and to Sir Robert Armstrong.

*Yours sincerely
C. J. Walters*

C. J. WALTERS

CONFIDENTIAL



✓ M.P.

Defence

Treasury Chambers, Parliament Street, SW1P 3AG

S W Boys-Smith Esq
 Private Secretary to the
 Secretary of State
 Home Office
 50 Queen Anne's Gate
 London SW1H 9AT

26 February 1981

Dear Stephen,

STRATEGIC STOCKPILES

The Chief Secretary has asked me to comment on a couple of points arising out of your letter of 5 February to Michael Alexander, and his reply of 18 February.

It is the Treasury's understanding that the measures agreed last summer as Priority 1 have now been generally provided for in Departments' programmes. We are not aware, for example, of any significant problem eg for Scottish expenditure on Home Defence (where special arrangements were made to ease problems) or for Department of Industry. We would be surprised, therefore, if any substantial problem of "shortfall" arises, although this could be looked at again by officials to establish any genuine difficulty. It is, of course, quite possible that Departments now take a more realistic view of the rate at which they can spend and achieve the plans - but of course that is not a funding gap.

The Chief Secretary naturally shares the Prime Minister's concern about public expenditure, and agrees that Departments must continue to seek savings to offset the cost of the Home Defence programmes. The public expenditure and PSBR prospects are as difficult now as they were in the summer of 1980, when Ministers agreed to only the Priority 1 items and decided that they should be accommodated within existing programmes. The Chief Secretary trusts, therefore, that the Home Secretary would agree that consideration should go no further than expenditure on Home Defence of the limited savings on current expenditure on the stockpiles. In present economic circumstances allocating any capital savings to Home Defence would be very difficult to justify, especially if the Priority 1 targets are met.

Finally, I should point out that the White Paper figures assume that the capital savings from the stockpile disposals will be taken in full towards the reduction of expenditure totals.

I am sending copies of this letter to the recipients of yours.

Yours ever,

Terry Mathews

T F MATHEWS

Private Secretary

CONFIDENTIAL

Defence



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~2300000~~ 218 2111/3

MO 21/8/5

20th September 1981

Lee

Staw Stephen,

to: [unclear]

STRATEGIC STOCKPILE

The Defence Secretary has seen a copy of Michael Alexander's letter to you of 18th February. Mr Nott, as you know, is interested in the review of our strategic stockpile policy and has asked me to record his particular request that MOD officials are kept in very close touch with the review. His initial view is that at least part of the capital proceeds of stockpile disposals might be allocated to the Home Defence improvement programme.

I am copying this letter to Michael Alexander (No 10), Francis Richards (FCO), Kate Timms (MAFF), Godfrey Robson (Scottish Office), Julian West (Energy), Terry Mathews (HM Treasury) and David Wright (Cabinet Office).

Yours sincerely
John Dawson

(J D S DAWSON)

S Boys Smith Esq

CONFIDENTIAL

CONFIDENTIAL

BK



FILE

cc: FCO
MOD
MAFF
SO
D/En
CO
CSO, HMT

Defence

10 DOWNING STREET

From the Private Secretary

18 February 1981

Thank you for your letter of 5 February about strategic stockpiles and the state of the home defence improvement programme.

The Prime Minister has noted that the proposed review of stockpile policy is expected to be ready by July. She assumes that it will by that stage then also be clearer what current expenditure savings are likely to result from stockpile disposals; and whether there will be any shortfall in Departments' ability to finance the Priority 2 home defence improvement items which you list. The Home Secretary should then be in a position to decide whether he would like further collective consideration given to the possibility, which the Prime Minister's meeting on 22 January left open, of some limited reallocation (to the home defence improvement programme) of part of the capital proceeds of stockpile disposals; or whether, given the extreme importance of restraining public expenditure, he would be content to rest for these purposes on the agreed reallocation of current expenditure proceeds.

Meanwhile the Prime Minister naturally hopes that Departments will make every effort to accommodate their contributions to the home defence improvement programme within their existing budgets.

I am sending copies of this letter to the recipients of yours.

M. O'D. B. ALEXANDER

S.W. Boys Smith, Esq.,
Home Office

CONFIDENTIAL

oas

Ref: A04270

Type for my signature

11

CONFIDENTIAL

Prime Minister

Content that I should ~~comment~~ comment

along lines proposed?

Yes no

Print = 17/2

MR. ALEXANDER

Strategic Stockpiles

(in March)

Mr. Boys Smith's letter to you of 5th February leaves one or two loose ends outstanding from the Prime Minister's meeting of Ministers on 22nd January. To ensure that these are properly tidied away in due course you may like, if she agrees, to reply on the following lines (to which the Treasury, at official level, would have no objection).

"Thank you for your letter of 5th February about strategic stockpiles and the state of the home defence improvement programme.

The Prime Minister has noted that the proposed review of stockpile policy is expected to be ready by July. She assumes that it will by that stage then also be clearer what current expenditure savings are likely to result from stockpile disposals; and whether there will be any shortfall in Departments' ability to finance the Priority 2 home defence improvement items which you list. The Home Secretary should then be in a position to decide whether he would like further collective consideration given to the possibility, which the Prime Minister's meeting on 22nd January left open, of some limited reallocation (to the home defence improvement programme) of part of the capital proceeds of stockpile disposals; or whether, given the extreme importance of restraining public expenditure, he would be content to rest for these purposes on the agreed reallocation of current expenditure proceeds.

Meanwhile the Prime Minister naturally hopes that Departments will make every effort to accommodate their contributions to the Home defence improvement programme within their existing budgets.

I am sending copies of this letter to the recipients of yours."

RA

(Robert Armstrong)

17th February 1981

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From: THE PRIVATE SECRETARY

Defence

CONFIDENTIAL



HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

5 February 1981

Dear Sir,

NRPN

Print - 5/2

STRATEGIC STOCKPILE

Thank you for your letter of 26 January recording the discussion chaired by the Prime Minister on 22 January.

The Home Secretary was asked to examine how far Departments might now be unable to carry through the home defence improvement measures agreed by the Government last year.

The cost of all items agreed by Ministers as Priority 1, which were included in the Home Secretary's statement to Parliament on 7 August 1980, is being found with two exceptions: these are that the Scottish Home and Health Department have a shortfall of £1.08M over five years for their share of improved UK Warning and Monitoring Organisation communications; and the Department of Industry have a shortfall of £0.5M over five years for the Post Office due functioning grant.

The total cost of Priority 2 items, which Departments were asked to find if they could but which was excluded from the Home Secretary's statement, was some £26M over the next five years. They comprised food control documents (£2M), improved emergency transport arrangements (£5M), emergency medical supplies (£5M), rations for the UK Warning and Monitoring Organisation and Regional Government staff (£4M) and additional staff in Scotland for local authority planning teams and fire services (£2.75M annually).

The Department of Energy and the Ministry of Agriculture, Fisheries and Food cannot yet say what or when current expenditure may be saved by the disposals. Savings will depend on the rate of disposal, which they are discussing with the trades concerned. Once it is known what savings are available, Ministers collectively will be advised through HDO how any savings might best be reallocated.

The Home Secretary was also asked to arrange for a comprehensive review of strategic stockpile policy. Officials here have initiated action to review this policy. The review will take a little time, since a number of fundamental questions need to be studied; but we expect that HDO will be able to put advice to Ministers in OD(HD) by early July.

I am copying this to the Private Secretaries to the recipients of your letter.

*Low,
S. W. Smith*

S. W. BOYS SMITH

M. Alexander, Esq.

CONFIDENTIAL



With the Compliments
of the
Private Secretary
to the
Secretary of the Cabinet

M. O'D. B. Alexander, Esq

M. O'D. B. Alexander

Cabinet Office,
London, S.W.1.

CONFIDENTIAL



Deferme

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref: A04185

4th February 1981

below

Your Secretary of State sent Sir Robert Armstrong a copy of his letter to Mr. Walker of 28th January about reductions in the flour stockpile. Mr Atkins may wish to be aware that Ministers discussed these reductions at an ad hoc meeting chaired by the Prime Minister on 22nd January. You will see from Michael Alexander's letter of 26th January, of which I attach a copy, that while Mr. Walker's immediate proposals to sell parts of the food stockpile were approved, any further disposals are to be looked at as part of a comprehensive review of one strategic stockpile policy under the supervision of the Home Secretary. This review will, of course, take into account the points made in Mr. Atkins's letter.

I am sending a copy of this letter to the Private Secretaries of those to whom your Secretary of State's letter was addressed and to Michael Alexander.

for file

D. J. WRIGHT

D. J Wright

R. A. Harrington, Esq

CONFIDENTIAL



Defence

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP
Minister of Agriculture
Fisheries and Food
Ministry of Agriculture
Fisheries and Food
Whitehall
London SW1A 2HH

NRDA
Nmt

29 January 1981

D. W.

STOCKPILE DISPOSALS

As envisaged at our discussion on 22 January your officials have been in touch with mine about the handling of the disposal of part of the strategic food stockpile. The immediate issue is how the proceeds should be dealt with in the Public Expenditure White Paper and in Estimates. The proceeds of regular disposals from the stockpile are brought fully within your Vote and your cash limit reduced accordingly.

However, for this major disposal, I propose that the proceeds should be included, along with the proceeds from the disposal of the oil stockpile, in the assets disposal line in the forthcoming Public Expenditure White Paper. For the purpose of calculating that line, I propose that we should continue to use the broad estimate of £25m per year at 1980 survey prices for 3 years to which you referred at the outset, though I recognise that this figure will have to be refined in the light of this year's experience and subsequent decisions.

The White Paper will reveal the source of past asset disposal receipts only, not of future receipts. The proceeds would need to be shown among the Consolidated Fund Extra Receipts referred to at the end of the relevant Vote perhaps under the heading "disposal of certain stocks no longer required" but they would not be attached directly to your civil defence provision and would not, therefore, prejudice the discussion we are to have on whether any part of these proceeds should be offset by other increases in civil defence expenditure. Nor would they affect your cash limit.

I am sending copies of this letter to the Prime Minister, the other Ministers who attended the ad hoc meeting on 22 January and to Sir Robert Armstrong.

L. W.

LEON BRITAN



Northern Ireland Office

Great George Street, London., SW1P 3AJ

Telephone: Direct Dialling 01-233.....

Exchange 01-233 3000

CONFIDENTIAL SECTION

I enclose as requested.

With Compliments

Colin Heath
SofS Private Office
5/2/81
233-3649.



RECEIVED BY
30 JAN 1981
PRIVATE OFFICE

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
LONDON SW1A 2HH

M. Higgins PA
J. M. S. 30/1

28 January 1981

Dear Peter,

Willie Whitelaw copied to me his letter to you of 16 January about your proposal to eliminate progressively the flour stockpile held for Home Defence purposes.

I fully share his reservations about our being seen to be reducing our capability of providing for the survivors of a nuclear attack at a time when we have publicly committed ourselves to increasing civil preparedness.

Northern Ireland is especially vulnerable insofar as wheat and flour are concerned. Very little wheat is produced locally and the import, storage and processing of wheat is concentrated in Belfast which is a potential target for both conventional bombing and a nuclear attack. The gradual rundown of the 9,000 tons stockpiled around the Province would have very serious implications for our wartime feeding capability. I would be strongly opposed therefore to any rundown in the flour stockpile here.

I am sending a copy of this to Willie Whitelaw, George Younger, Nicholas Edwards, Leon Brittan and Sir Robert Armstrong.

Yours ever

Humphrey

Hidden copies:

- PS/S of S (B & L) ✓
- PS/Mr Alison (B & L)
- PS/Lord Elton (B & L)
- PS/PUS (B & L)
- PS/Mr Bell
- Dr Young
- Miss Kelley
- Mr Spence
- Mr Buxton

CONFIDENTIAL



Defence

Re VS

*c FCO
MOD
MAFF
SO
BTIN*

*CO.
CSO, HWT*

SUBJECT

10 DOWNING STREET

From the Private Secretary

26 January 1981

Strategic Stockpiles

The Prime Minister held a meeting on 22 January to discuss the Minister of Agriculture's and Secretary of State for Energy's minutes to her of 19 and 20 January about the disposal of strategic stockpiles of food and oil. Sir Robert Armstrong's minute of 20 January was also before the meeting, which was attended by the Home Secretary, the Foreign and Commonwealth Secretary, the Defence Secretary, the Minister of Agriculture, the Secretaries of State for Scotland and Energy, the Chief Secretary, Treasury, Sir Robert Armstrong and Mr. Wade-Gery.

The Minister of Agriculture said that the strategic stockpiles of food maintained by his Department were worth perhaps £130-140 million. With the Prime Minister's agreement he had invited Sir Hector Laing to examine both the arrangements for managing and controlling them and also the rationale for maintaining them in their present form. In the light of Sir Hector's reports, and of changed national circumstances since the stockpiles were established, he was now proposing the immediate sale of about one third (120,000 tons) of the flour stockpile and about 20,000 tons of sugar. This might constitute a first step towards disposing of all or most of the food stockpiles, including fats; but he would wish to consider further whether it might be wise, for instance, to replace part of the flour stockpile with wheat to be stored in parts of the country which in the event of war might be temporarily cut off from the large commercial stocks available elsewhere. European Community intervention stocks in the United Kingdom although not the Government's property, would also be a relevant factor in time of war. He had agreed with Treasury Ministers that food stockpile disposals could make a helpful contribution in the context of public expenditure reductions; but that since security issues were involved the matter should be referred to the Prime Minister. He was aware of Treasury requirements for particular disposals to be achieved in particular timescales; but he hoped that this could be flexibly handled, in the light of market factors, by his officials in consultation with the Treasury. Even apart from public expenditure considerations, he had no doubt that stockpile disposals were the right policy. He was aware that the food stockpiles were regarded as potentially valuable for mitigating some of the possible effects of industrial action, but it was doubtful whether they could in practice be mobilised in such circumstances, and whether the existing stockpiles, which were large but limited in coverage, would ever have been thought worthwhile establishing for that purpose.

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/ The Secretary of

JJS

The Secretary of State for Energy said that the Government's oil stockpile, worth about £60 million, was a survival from an earlier era. It was now very small in proportion to the stocks which the oil industry were for other reasons required to hold commercially. It should therefore be disposed of. For market reasons, however, a year or more might be needed to complete this process.

Both Ministers were satisfied that stockpile disposal would not require reference to Parliament under the terms of the 1938 Essential Commodities Reserve Act. They were free to manage the stockpiles as they thought best and to dispose of anything which in their judgement was no longer needed for its original purpose.

The Home Secretary said that the potential value of the food stockpile in a civil contingencies context should not be underestimated. Experience during the road hauliers' strike in 1979 had led to a decision to add a stockpile of salt, shortage of which had at one stage threatened to have critical consequences for food processing. Experience during the 1972 dock strike had highlighted the importance of the flour stockpile, which the Government of the day had thereupon increased. But he accepted that this could not be an overriding consideration. On the other hand, he attached major importance to the current national campaign, agreed by the Government in 1980, to devote more effort and more resources to Home Defence. A continuing struggle was involved, against inertia and against the Government's critics. But success was essential, because improved Home Defence was a vital element in strategic deterrence. In these circumstances, it would be politically unacceptable for the Government to be seen to be running down the stockpiles and diverting the proceeds away from Home Defence. Even if no announcements were made, the fact that disposals were taking place was likely to become public knowledge. As a minimum, therefore, he would need to be able to say that some part of the resources released were being devoted to other Home Defence purposes. This would be all the more necessary if, as seemed probable, a number of Departments were going in present circumstances to prove unable to fund from their existing resources some of the Home Defence improvements which had been agreed upon in 1980.

The Chief Secretary said that public sector disposals, and consequent reductions in the Public Sector Borrowing Requirement, were a key element in the Government's economic strategy. The agreed target for such disposals in the current financial year was £500 million, of which £100-150 million had still to be achieved. Moreover the public expenditure reductions to which the Government were now committed involved a contribution from the Minister of Agriculture which Treasury Ministers had accepted that he could not make without selling at least part of the food stockpile. Little if any of the food stockpile and none of the oil stockpile appeared to serve any really useful Home Defence purpose. He knew from previous experience the importance of the current campaign to improve Home Defence preparedness. But the programme of improvements, on which the Government had agreed in 1980, was concerned with current expenditure and had no claim on capital windfalls. The difficulty to which the Home Secretary had drawn attention could be met by diverting to other Home Defence purposes items of current expenditure which might be eliminated through a reduction in maintenance costs following stockpile disposals. Perhaps £1 million per annum might be eligible for reallocation in this way.

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- 3 -

In discussion there was considerable support for the view that at least part of the proceeds of stockpile disposals should be devoted to other Home Defence purposes; and in view of Britain's unpreparedness in the Home Defence field, particularly by comparison with other Western countries, it was argued that there would be a good case for the whole of any such proceeds being so used. Improved Home Defence was vital to the strategic deterrence on which Britain's national security depended. Improvements in the Territorial Army and the establishment of a stockpile of strategic minerals were other deserving candidates for Home Defence resources which could be released from the existing stockpiles. On the other hand it was recognised that the current targets for expenditure reductions and public sector disposals had been agreed on by the Government collectively and could only be achieved by the sustained support of all Ministers. No new programme for additional Home Defence expenditure had been put forward. A thorough review of stockpile policy, not limited to food and oil, was overdue. But this need not and should not delay a start being made with the particular disposals now proposed.

Summing up, the Prime Minister said that the proposed disposals were agreed. Any consequential savings in current expenditure should be reallocated to other Home Defence purposes. In the present financial year there would be little scope for such reallocation in respect of the proceeds of capital realisations. The Home Secretary should, however, examine urgently how far the various Ministers concerned might now be unable to carry through Home Defence improvement measures on which the Government had agreed in 1980. In the light of his report further consideration could be given to the possibility of some limited reallocation of capital proceeds. Meanwhile stockpile disposals should not be referred to publicly. The Home Secretary should also arrange with other Ministers concerned for a comprehensive review of policy in respect of strategic stockpiles. This should cover, inter alia, the Minister of Agriculture's considered proposals for disposals in 1982/83 and 1983/84, and any proposals from the Secretary of State for Energy for the establishment of a commercially held oil stockpile for wartime use.

I am sending copies of this letter to the Private Secretaries to the other Ministers present at the meeting and to Sir Robert Armstrong.

Yours sincerely

Michael Alexander

J.F. Halliday, Esq.,
Home Office.

CONFIDENTIAL

CONFIDENTIAL

1. Sir Robert Armstrong.
2. Mr. Alexander (No. 10).

Ans

23/1/81

Draft letter from Mr Alexander to the Private Secretary to the Home Secretary

Strategic Stockpiles

Type's mic

Ans

The Prime Minister held a meeting on 22nd January to discuss the Minister of Agriculture's and Secretary of State for Energy's minutes to her of 19th and 20th January about the disposal of strategic stockpiles of food and oil. Sir Robert Armstrong's minute of 20th January was also before the meeting, which was attended by the Home Secretary, the Foreign and Commonwealth Secretary, the Defence Secretary, the Minister of Agriculture, the Secretaries of State for Scotland and Energy, the Chief Secretary, ^{rearing,} Sir Robert Armstrong and Mr Wade-Gery.

The Minister of Agriculture said that the strategic stockpiles of food maintained by his Department were worth perhaps £130-140 million. With the Prime Minister's agreement he had invited Sir Hector Laing to examine both the arrangements for managing and controlling them and also the rationale for maintaining them in their present form. In the light of Sir Hector's reports, and of changed national circumstances since the stockpiles were established, he was now proposing the immediate sale of about one third (120,000 tons) of the flour stockpile and about 20,000 tons of sugar. This might constitute a first step towards disposing of all or most of the food stockpiles, including fats in particular; but he would wish to consider further whether it might be wise, for instance, to replace part of the flour stockpile with wheat to be stored in parts of the country which in the event of war might be temporarily cut off from the large commercial stocks ~~now~~ ^{elsewhere} available. European Community intervention stocks in the United Kingdom, although not the Government's property, would also be a relevant factor in time of war. He had agreed with Treasury Ministers that food stockpile disposals could make a helpful contribution in the context of public expenditure reductions; but that since security issues were involved the matter should be referred to the Prime Minister. He was aware of Treasury requirements for particular disposals to be achieved in particular timescales; but he hoped that this could be flexibly handled, in the light of market factors, by his officials in consultation with the Treasury. Even apart from public expenditure considerations, he had no doubt that stockpile disposals were the right policy. He was aware that

the food stockpiles were regarded as potentially valuable, ^{for mitigating some of} ~~in the context~~ ^{possible} of countering the effects of industrial action, but it was doubtful whether they could in practice be mobilised in such circumstances; and whether the existing large stockpiles, ^{which were large but limited in} with limited coverage, would ever have been thought worthwhile establishing for that purpose.

for other reasons } The Secretary of State for Energy said that the Government's oil stockpile, worth about £600 million, was a survival from an earlier era. It ^{was} ~~now represented only a~~ ^{very} small ⁱⁿ proportion ^{to} of the stocks which the oil industry were required to hold commercially. It should therefore be disposed of. For market reasons, however, a year or more might be needed to complete this process.

Both Ministers were satisfied that stockpile disposal would not require reference to Parliament under the terms of the 1938 Essential Commodities Reserve Act. They were free to manage the stockpiles as they thought best and to dispose of anything which in their judgement was no longer needed for its original purpose.

for food pretensions } The Home Secretary said that the potential value of the food stockpile in a civil contingencies context should not be underestimated. Experience ^{during} of the road hauliers' strike in 1979 had led to a decision to add a stockpile of salt, shortage of which had at one stage threatened to have critical consequences. Experience ^{during} of the 1972 dock strike had highlighted the importance of the flour stockpile, which the Government of the day had thereupon increased. But he accepted that this could not be an overriding consideration. On the other hand, he attached major importance to the current national campaign, agreed by the Government in 1980, to devote more effort and more resources to Home Defence. A continuing struggle was involved, against inertia and against the Government's critics. But success was essential, because improved Home Defence was a vital element in strategic deterrence. In these circumstances, it would be politically unacceptable for the Government to be seen to be running down the stockpiles and diverting the proceeds away from Home Defence. Even if no announcements were made, the fact that disposals were taking place was likely to become public knowledge. As a minimum, therefore, he would need to be able to say that some part of the resources released were being devoted to other Home Defence purposes. This would be all the more necessary if, as seemed probable, a number of Departments were going in present circumstances to prove unable to fund from their existing resources ^{some} a number of the Home Defence improvements which had been agreed upon in 1980.

The Chief Secretary said that public sector disposals, and consequent reductions in the Public Sector Borrowing ^{Requirements,} ~~Requirements,~~ were a key element in the Government's economic strategy. The agreed target for such disposals in the current financial year was £500 million, of which £100-150 million had still to be ^{achieved.} ~~found.~~ Moreover the public expenditure reductions to which the Government were now committed involved a contribution from the Minister of Agriculture, which Treasury Ministers had accepted that he could not make without selling at least part of the food stockpile. Little if any of the food stockpile and none of the oil stockpile appeared to serve any really useful Home Defence purpose. He knew from previous experience the importance of the current campaign to improve Home Defence preparedness. But the programme of improvements, on which the Government had agreed in 1980, was concerned with current expenditure and had no claim on capital windfalls. The difficulty to which the Home Secretary had drawn attention could be met by diverting to other Home Defence purposes items of current expenditure which might be eliminated through a reduction in maintenance costs following stockpile disposals. Perhaps £1 million per annum might be eligible for reallocation in this way.

In discussion there was considerable support for the view that at least part of the proceeds of stockpile disposals should be devoted to other Home Defence purposes; and in view of Britain's ~~extreme~~ unpreparedness in the Home Defence field, particularly by comparison with other Western countries, it was argued that there would be a good case for the whole of any such proceeds being so used. Improvements in the Territorial Army and the establishment of a stockpile of strategic minerals were other deserving candidates for ~~any~~ Home Defence resources which could be released from the existing stockpiles. On the other hand it was recognised that the current targets for expenditure reductions and public sector disposals had been agreed on by the Government collectively and could only be achieved by the sustained support of all Ministers. No new programme for additional Home Defence expenditure had been put forward. A thorough review of stockpile policy, not limited to food and oil, was overdue. But this need not and should not delay a start being made with the particular disposals now proposed.

Improved Home Defence was vital to the strategic deterrence on which Britain's national security depended.

Summing up, the Prime Minister said that the proposed disposals were agreed. Any consequential ~~savings~~ in current expenditure should be reallocated to other Home Defence purposes. In the ~~current~~ ^{present} financial year there would be little ~~if any~~ scope for such reallocation in respect of ~~the proceeds of~~ ^{the proceeds of} ~~funds released by~~ capital realisations. The Home Secretary should, however, examine urgently how far the various Ministers concerned might now be unable to carry through Home Defence improvement measures on which the Government had agreed in 1980. In the light of his report further consideration could be given to the possibility of some limited reallocation of capital ~~resources~~ ^{proceeds}. Meanwhile stockpile disposals should not be referred to publicly. The Home Secretary should also arrange with other Ministers concerned for a comprehensive review of policy in respect of strategic stockpiles. This should cover, inter alia, the Minister of Agriculture's considered proposals for disposals in 1981/82 and 1982/83, and any proposals from the Secretary of State for Energy for the establishment of a commercially held oil stockpile for wartime use.

I am sending copies of this letter to the private secretaries to the other Ministers present at the meeting and to Sir Robert Armstrong.



J F Halliday Esq.



Ref. A04054

PRIME MINISTER

Strategic Stockpile

BACKGROUND

Your ad hoc meeting with a group of OD Ministers on Thursday will discuss a minute of 19 January by the Minister of Agriculture and a minute of 20 January by the Secretary of State for Energy concerning the disposal, in whole or in part, of their strategic stockpiles of food and oil. The meeting will also have before it my minute of 20 January, with which I forwarded a short background note by the Official Committee on Home Defence informing Ministers about our strategic stockpiles (ie stockpiles maintained by the Government for civilian use in a wartime emergency and particularly in the aftermath of nuclear attack) and discussing the financial options which any disposals might present.

2. Mr Walker wants to sell about £25 million worth of his food stockpile in the current financial year (mainly flour but also some sugar); and, subject to confirmation when he has considered the matter further, to sell the rest over the next two years, raising about £25 million in each. He wants to score the proceeds to his Department's budget, in which case they would - by strange coincidence - pretty exactly constitute the public expenditure savings he has been asked to make.

3. As part of the background to this issue, you will recall that in 1979 at Mr Walker's suggestion 45,500 tonnes of sugar was added to the sugar stockpile and paid for from Ministry of Agriculture underspend. This partly replaced sugar drawn from the stockpile by the previous Government in a civil contingencies context. The timing was dictated by a change in our European levy obligations at the end of 1979.

4. The Secretary of State for Energy puts forward, without clearly indicating his own attitude, a paper by his officials recommending disposal of the whole oil stockpile (worth about £60 million) as quickly as is possible without depressing its commercial value. This probably means by the end of the 1981/82 financial year but might take longer. It cannot be done in this financial year. The paper assumes that the proceeds would be used to reduce the PSBR. There is no suggestion that they would be specifically needed to enable the Department of Energy to meet its share of public expenditure cuts.

5. The Home Secretary may argue against any disposals on the grounds that they would reduce our home defence preparedness; and he may also refer to their potential usefulness during Civil Contingencies (though he is likely to accept that this is an uncovenanted benefit which should not dictate policy). But his main concern is likely to be that any money realised by selling what are essentially Home Defence assets should be devoted to other Civil Home Defence purposes, in view of the Government's commitment to devote more resources to Home Defence. You will recall that, when OD discussed Civil Home Defence policy on 8 July last year, there was general agreement on the gravity of the threat and the need to do more. Public and parliamentary concern on the subject was much in Minister's minds. The main difficulty was - and remains - how to meet the cost of the measures identified as necessary by the Home Secretary. This problem has worsened since the Government's approach was set out by the Home Secretary in a statement to Parliament on 7 August.

6. Treasury Ministers, who originated the idea of stockpile disposal, attach importance to it both because it would reduce the PSBR (which it will only do to the extent that the money is not redirected to other Home Defence purposes) and because it would contribute to the Government's target for disposal of public sector assets (which it will do in any circumstances). They are very anxious that there should be significant food disposals before the current financial year ends (though they accept that for market reasons this will not be possible in the case of oil); hence the need for urgent decision.

HANDLING

7. Since the proposals raise largely the same issues of principle, you may find it convenient to consider them as two aspects of a single item, rather than as two items.

8. You could begin by asking the Chief Secretary, Treasury, to describe the background to the current proposals, in terms of public sector disposals as well as public expenditure.

9. You could then invite the Minister of Agriculture, Fisheries and Food and the Secretary of State for Energy successively to introduce their specific proposals. You will wish to establish whether either would feel constrained, in the absence of fresh legislation, by the requirements of the 1938 Essential Commodities Reserve Act; Mr. Howell's officials suggest that he need not, but Mr. Walker's position is not clear. Subject to this, the case for disposal per se is likely to prove convincing, since there is no clear rationale for the stockpiles in their present form. But you will want to offer the Home Secretary and the Secretary of State for Scotland the chance of arguing against disposal on general Home Defence preparedness grounds if they wish; to ask the Foreign and Commonwealth Secretary to comment on the NATO angle; and to see if the Secretary of State for Defence has anything to add.

10. This will leave the problem of deciding how to use the proceeds of disposal. On this you will want the Home Secretary's comments and those of the Secretary of State for Scotland. You will want to know whether the Priority I additional Home Defence measures agreed by OD last summer can be funded whatever happens; and how strongly they feel about the need to find extra resources to cover Priority II measures as well within the next five years. You will want to judge the meeting's general reaction as between their arguments and the Chief Secretary's case that reduction of the PSBR must be overriding. It may well be that the Treasury view will prevail in present circumstances. Alternatively, a compromise view may emerge that a proportion, perhaps 25 per cent, of the proceeds of disposal should be devoted to other Home Defence measures. If so, you will need to establish whether that would leave either Mr. Walker or Mr. Howell short of their expenditure reduction targets; and if so what is to be done about the shortfall?

11. The discussion will probably by this stage have generated a feeling that a proper review of stockpile policy as a whole is overdue; and that there may well turn out to be no case for retaining the other stockpiles if the two main ones are to be sold. A general policy review could most appropriately be conducted in OD(HD) under Mr. Whitelaw; and Mr. Walker's provisional ideas for disposing of the rest of the food stockpile in 1981-82 and 1982-83 could be swept up into that, as well as the Department of Energy's ideas for encouraging the oil industry to establish a strategic stockpile.

12. Finally, the meeting will need to decide who should announce any disposals agreed on. If part of the proceeds are to go on other Home Defence purposes, it may be best for Mr. Whitelaw to make one announcement covering the two disposals and the resource reallocation arrangements. If there is to be no such partial reallocation, the alternatives would be two separate announcements by Mr. Walker and Mr. ~~Brittan~~^{Howell}; or (less preferably) a single one by Mr. Brittan.

CONCLUSION

13. Subject to discussion, the meeting might be guided -

- (i) To agree that the Minister of Agriculture should proceed with the immediate proposals contained in his minute of 19th January.
- (ii) To invite the Minister of Agriculture to prepare a report for OD(HD) on his longer-term plans for the food stockpile.
- (iii) To agree that the Secretary of State for Energy should dispose of the Government oil stockpile on the terms proposed in the paper attached to his minute of 20th January.
- (iv) To invite the Secretary of State for Energy to report to OD(HD) on his plans for a commercially held oil stockpile for wartime use.
- (v) To agree either that the full proceeds of disposals should be applied to reducing the PSBR or that a fixed proportion (e.g. 25 per cent) be reallocated to other Home Defence purposes.
- (vi) To agree that Parliament should be informed either by the two Ministers directly concerned or (if there is to be some reallocation) by the Home Secretary.
- (vii) To invite the Home Secretary to review in OD(HD) the overall policy for strategic stockpiles.

21st January, 1981

REA

PRIME MINISTER

DISPOSAL OF PUBLIC SECTOR ASSETS: GOVERNMENT OIL STOCKPILE

I understand that it has been arranged for an ad hoc group of Ministers to meet under your chairmanship next Thursday 22 January, to consider, among other matters, the future of the Government oil stockpile. Following a proposal from the Financial Secretary before Christmas we have been reviewing the case for retention or disposal of the oil stockpile and I was on the point of circulating the attached note by officials to colleagues. Perhaps this could form the basis of our discussion on Thursday.

I am copying this minute and the attached papers to the Home Secretary, Foreign Secretary, Secretary of State for Defence, Secretary of State for Scotland, , Minister of State for Agriculture, the Chief Secretary and Sir Robert Armstrong.

SECRETARY OF STATE FOR ENERGY

20 JANUARY 1981

C O N F I D E N T I A L

THE GOVERNMENT OIL STOCKPILE

Note by Officials

1. In response to the Financial Secretary's request the issues which need to be considered in deciding whether or not the Government oil stockpile should be sold are set out in the annex to this note, which has been prepared in consultation with other interested Departments. The disposable stockpile consists of 500,000 tonnes of gas oil and is valued at about £60m.
2. The Government has since the war maintained a strategic stockpile intended, in recent years, for use in the survival and recovery period after a nuclear attack. At its present level it represents about 2½% of total stockholdings in the UK. Assessments, which are necessarily speculative, suggest that after a nuclear attack the stockpile might form about 4% of national surviving stocks and 10% of surviving gas oil. Given the physical difficulties at such a time of extraction and distribution from the group of cavities where it is held the stockpile is unlikely to be available in the early stages of recovery and then perhaps only for localised use.
3. The financial case for selling the oil is set out in paragraphs 7-9 of the annex. Disposal of the stockpile would contribute some £60m towards the targets for the sale of public sector assets in 1980-81 and 1981-82. In addition, there would be further interest savings to the PSBR of some £8m a year (at current interest rates) in subsequent years because the cash received from selling the stockpile would enable the Government to forego an equal amount of borrowing.
4. As paragraph 13 of the Annex indicates the stockpile may have its origins under the provisions of the Essential Commodities Reserves Act 1938. Under this Act we need to be satisfied, if we wish to dispose of the stockpile without reference to Parliament, that the stockpile is no longer required for its original purpose. It seems to us that the retention of the Government oil stockpile owes more to reluctance to disturb established insurance arrangements than to rigorous analysis of its effectiveness in the role for which it is designed. No definition exists of the precise purpose the stockpile might serve, of the desirable product mix

or of the locations at which stocks should be held. The figures quoted in paragraph 2 above indicate that in practice in a post strike period we would largely have to rely upon the dispersed stocks held by industry and its customers throughout the country. The stockpile might play a useful but limited role at a later stage, or it might not be needed at all. It is clear that the imposition of compulsory stockholding requirements on the oil industry represents a major change of circumstances since the stockpile was created.

5. Our judgement is that the contribution the Government oil stockpile is likely to make to our capacity to survive and recover in a post nuclear period does not outweigh the case for realising its value now by disposal. Disposal could, if necessary, be defended by reference to the large scale obligatory stocks now held by the oil industry, to the substantial industry stocks held in protected storage and the argument that the dispersal of peacetime stocks, both by the industry and by consumers, now provides a more acceptable and effective kind of insurance. Sale of part of the stockpile in the coming months would be consistent with our recent commitments in the International Energy Agency to run down stocks during this period. It would not in our view conflict with our overall civil home defence policies nor with our support for NATO. We are not aware of any NATO country which maintains strategic oil stocks specifically for the post nuclear period, although the US and Germany do maintain Government stockpiles, parts of which are kept in protected storage.

6. The annex emphasises that the sale of the Government stockpile should be handled in such a way as to maximise the commercial return; we should not forgo income from the sale in order to increase returns in the very short term. We endorse this strongly and could not agree to any other course. Moreover, we must register a claim on the Contingency Reserve should this disposal result at some future time in uncovered deficits on the operation of the Government oil pipeline and storage system which could otherwise have been covered by limited oil disposals at the time they arose. Such deficits are not, however, anticipated.

7. Finally, it has been suggested that, having disposed of the Government stockpile, we might induce the industry to hold an equivalent volume in protected storage, either by attractive commercial terms or by legislation. We would not regard it as

politically defensible to seek to add, for strategic reasons, to the stocking obligations already uniquely carried by oil companies, while disposing of our own strategic stock for short term financial purposes. The commercial inducement already offered is strong, is working and can be expected to increase in effect as Government stocks are withdrawn and more capacity is released.

Recommendation

8. We are satisfied that the 0.5m tonnes stockpile is no longer required for its intended purposes, and recommend that we should decide to dispose of it, the sale to be achieved as quickly as possible consistent with realising the full commercial value.

DEPARTMENT OF ENERGY

20 JANUARY 1981

The Oil Stockpile

1. The primary purpose of the Government stockpile, which is held in protected storage, is for use in the survival and recovery period after a general nuclear attack. The stockpile currently consists of about 680,000 tonnes of oil products. With the agreement of the Treasury any stocks of oil over a reserve level of 500,000 tonnes (at present 180,000 tonnes) are earmarked to cover the cost of the deficit on running the Government pipeline and storage system until 1984/85 when it is expected to become self supporting. Ministers have agreed to a proposal by the Financial Secretary that officials should report on the case for retention or disposal of the reserve holding of 500,000 tonnes, and this note has been prepared by the Department of Energy in consultation with the Treasury and the Home Office and a number of other interested Departments. The question of the stockpile can be considered separately from the future of the pipeline and storage system.

Strategic and Political Considerations

2. A strategic stockpile has been held since World War II. When, in the mid-70s, statutory obligations began to be placed on the oil industry to maintain minimum stocks it was decided that the reserve stockpile could be run down to its present level. In recent years there has been increasing pressure within the North Atlantic Alliance for member nations to take action to maintain their economies in war and to provide for survival and recovery thereafter, including the maintenance of adequate stocks of vital materials of all kinds,

including oil, for which they are heavily dependent upon overseas supplies. The United States have warned their European allies that they should not rely on access to North American stocks in such circumstances.

3. For these reasons Ministers were advised during their review of civil preparedness for home defence earlier this year that the stockpile should be retained at its present level. Subsequent World developments have not lessened the need to maintain strategic oil stocks; neither however have these developments in themselves significantly increased the likelihood of the circumstances in which the stocks are designed to be used, i.e. after a general nuclear attack. Politically, any decision now by Ministers to run down, or altogether dispose of stockpiles for short-term financial advantage could be seen, both nationally and by other members of the Alliance as contradictory to their intention expressed to Parliament to increase their expenditure on civil preparedness for home defence. In particular, any decision to sell off assets worth more than the recently announced increase in civil defence expenditure might cause political embarrassment, although this difficulty would be reduced if Ministers were able to point to alternative arrangements (see paras 6 and 7 below). The long-term home defence purpose and value of the oil stockpile needs to be weighed carefully against the financial advantage of disposing of it.

Home Defence Value of the Stockpile

4. The reserve stockpile consists of gas oil valued at about £60 m, which is suitable for transport and heating purposes. An assessment of its value in a post-nuclear situation rests on an analysis of what this stock would represent as a proportion of total accessible and usable oil across the country as a whole. This in turn depends on the extent to which the stockpile might survive a nuclear strike, its likely availability to users in the post-strike period and the quantities surviving in relation to other surviving stock. The first of these questions is fairly easy to answer in that the stockpile, being held in underground cavities, is unlikely to suffer damage from a nuclear strike.

5. Its accessibility is more difficult to assess. Whilst above ground areas of all protected and underground sites could be affected by fallout, the radiation levels would decay fairly quickly and so would not invalidate the longer-term value of underground stocks in assisting national survival and recovery; in the immediate survival period survivors would draw on local dispersed stocks as and when local radiation levels permitted. Extraction from salt cavities is normally a slow process - some 4 months being needed to extract all of the 500,000 tonnes. Even so, a relatively slow extraction rate does not of itself invalidate the value of the stockpile since it is held as a source of replenishment of dispersed stocks and as an insurance against protracted interruption of overseas supplies, or of national refining capability. Moreover, if in a nuclear aftermath preservation of the cavities was not an overriding consideration, extraction could be quicker. Extraction is however dependent upon electricity and so, to provide against delay in restoration of main supplies post-attack, a decision to retain the stockpile would imply the need to provide generators for pumping. This could be done either by requisitioning and relocating pre-attack or by purchase in peacetime. Distribution of the stockpile throughout the Regions after an attack might be difficult initially but, again, a slow extraction rate would be consonant with the gradual restoration of land communications throughout the Regions.

6. The likely significance of the stockpile in relation to other surviving stock can be assessed as follows. The oil industry currently holds commercial stocks of crude oil and product amounting to about 19 m tonnes, of which over 15 m tonnes is required by statutory direction. Much of this is held at refineries where the prospects of survival are not good and where access to surviving stocks may suffer more than elsewhere from the effects of fallout. The main sources of oil likely^{to} be immediately available to the country as a whole in a post strike period will be the stocks held by the oil industry and oil consumers at widely dispersed locations across the country. About 4 m tonnes is normally so dispersed and to this can be added about 1 m tonnes of industry oil in the Government pipeline below ground. If conditions permit, attempts would be made by the industry to top up the dispersed product stocks in the pre-strike period. (The creation from scratch of a stockpile in the cavities during a period of tension is not an option due to the slow filling rate comparable to the extraction rate referred to above). On the other hand, a period of oil shortage prior to war could diminish the size of these stocks. But in

any event substantial quantities of product at dispersed locations are likely to survive a nuclear strike. A very broad estimate of the survivability of both Government and industry oil stocks is at Annex A. This indicates that the Government reserve might amount to some 4% of total surviving stocks (including crude and product), and around 11% of stocks of gas oil/derv.

7. It has been suggested that it would be possible to dispose of the Government stockpile and yet achieve the same strategic purpose by inducing or requiring the industry to keep comparable stocks at all times in protected storage. To encourage this, maximum incentive short of free storage is already available to the industry for use of the cavities (where the economic rent is about £0.40 per tonne year as compared with normal storage costs of about £12 per tonne year) and currently about 400,000 tonnes of industry product is held there. Short of new legislation to force oil companies to maintain stocks at specific protected locations, there is no way of achieving a given level of stocks in the cavities at all times. However, legislation in this context is undesirable since it would be politically difficult to defend action to add, for strategic reasons, to the stocking obligations already uniquely carried by oil companies, while disposing of our own strategic stock for short term financial purposes. Such legislation would certainly be hotly contested by the industry. Nor should it be necessary to resort to such action, since we expect some increasing use to be made of this storage by the oil industry, especially if sale of the reserves releases some more convenient cavity capacity; and to the extent that this happened, the sale of the stockpile would not reduce the amount of stocks held in protected storage.

The Financial Case for the Sale

8. Disposal of the stockpile would benefit the PSBR and reduce the public expenditure planning total in the period of sale by some £60 m. This would provide a useful contribution to Ministers' objective of reducing the PSBR as part of the strategy to reduce the growth of the money supply and thereby inflation. In addition, there would be a further interest saving to the PSBR of some £8 m a year (at current interest rates) in subsequent years because the cash received from selling the stockpile would enable the Government to forego an equal amount of borrowing.

9. The sale of the stockpile, or even a substantial part of it, this financial year would make a useful contribution to bridging the gap of

at least £80 m between prospective proceeds in 1980-81 for the special sales of public sector assets and the Government's target of £630 m (in outturn prices); sale of the stockpile is perhaps one of the few options now available if there is to be any prospect of achieving the disposals target published in the last Public Expenditure White Paper. Even if, as is probable, the sale of all the oil could not be made this financial year, the proceeds of the sale in 1981-82 would count towards the sale of assets target in that year, which will be equally difficult to achieve.

10. In the view of the Treasury officials, the £60 m tied up in the oil stockpile does not represent a cost-effective use of taxpayers' money; the unquantifiable advantage of its retention in the event of nuclear war, which was judged to be neither imminent nor inevitable during the home defence review, must be weighed against the very real and substantial benefits to the PSBR in the year of its disposal, and the continuing benefit to the PSBR thereafter in terms of interest savings.

Likely proceeds from any sale

11. The considerations affecting a quick sale are set out at Annex B. To obtain maximum revenue, sale of the oil would need to take place over a period of at least one year to make the best of market opportunities. On this basis around £60 m should be realisable. Any attempt to secure cash very quickly over the coming months would certainly require the offer of a significant discount in the price. The full possibilities would only be known as the result of negotiations, with Shell or Burmah as the most likely buyers due to their physical proximity to the oil (and Shell's control of the pipeline which would need to be used). If some system of forward sale could be achieved a sum of £45 m might be realised in the current financial year, but such sales are a remote prospect - a once-for-all sale of surplus stock is not the sort of transaction which warrants such unusual payment terms, unlike access to crude on a secure and continuing basis.

12. In the view of the Department of Energy, any disposal of oil from the stockpile should not be made at knockdown prices simply in order to secure the proceeds very quickly. The Department believe that the oil should be sold on no less than full market terms. If there was an early decision for disposal, it is possible that some sales might be made

in 1980-81, though the bulk of the oil would have to be sold in the following financial year. Treasury officials agree that the aim should be to sell the oil at no less than full market prices.

Legal Position

13. The stockpile almost certainly has its origins in the Essential Commodities Reserves Act 1938. S 2(3) of this Act sets out conditions for varying or disposing of reserve stocks. Legal advice is that the provisions of the Act would not present a constraint to the sale of the 500,000 tonnes stockpile without reference to Parliament provided Ministers are satisfied, on the basis of the arguments set out in Paras 2-7 above, that sale would not prejudice the vital needs of the community in the event of war.

14 January 1981

POSSIBLE SURVIVAL OF OIL STOCKS AFTER NUCLEAR ATTACK

LOCATIONS	MILLION TONNES			
	Crude	Fuel Oil	Gas Oil/Derv Kerosene	Petrol
<u>A Refineries</u>				
Surviving and accessible	3	1	1.5	0.6
<u>B Hardened sites</u> (including Govt. stockpile)				
Surviving and accessible in time (Note 4)	Nil	Nil	0.8	Nil
<u>C Consumers, Distributors</u>				
Surviving and accessible	Nil	2	1.1	0.2
<u>D Pipeline fill</u>				
Surviving and accessible	Nil	Nil	1.0	Nil
TOTALS	3	3	4.4	0.8
Of which, accessible only in time			0.8	

Notes

The above figures have been arrived at on the following bases:

1. Stocks other than at refineries are at roughly peacetime levels.
2. One third of total refining stockholding capacity survives. (This figure is dependent upon attack assumptions and might have to be reduced if refineries were a prime target)
3. Of stocks held by consumers and distributors, 75% of petrol (always stored underground) and 60% of other products survives.
4. Almost all products in hardened storage survive, but extraction equipment is not operable immediately post-attack.* (In the absence of special measures, no petrol is likely to be in hardened storage, although at present some 100,000 tonnes is)
(The latter two assumptions are not materially affected by attack assumptions)

* and the extraction process would take several months.

Possibilities for selling the oil

1. UK demand for gas oil is about 400,000 tonnes per week, whilst for the whole of North West Europe it is about $3\frac{1}{2}$ million tonnes per week. Of this, about 5% to 10% is traded on the spot market. Against this background, quick disposal of 500,000 tonnes would be impracticable for market reasons. However if sales were extended over a year or so, full market price should be achievable. If all the oil were sold at present spot prices, this would realise a little over £60m. It should be possible to arrange sales, with ENOC acting as our agent, so that most of the revenue could be collected in 1981/2, but the total achieved would naturally depend on price movements in the market. As a guide, if the oil had been sold over the last year realisations would not have been less than £54 million; and, generally speaking, we could expect prices to rise, not fall. Better prices might be achieved if sales could also be arranged to take advantage of favourable selling opportunities although this would in all probability extend the selling period to something like two years.

2. However, if the intention is to maximise revenue in the current financial year an entirely different market approach would be needed which would set a premium on cash now rather than later. An extreme form of such an approach would be to seek forward payments for deliveries which would (of necessity) have to be made over an extended period. Though it has been possible to sell crude oil forward in this way, in tight world market conditions, this was possible partly because companies were willing to pay a premium for security of long term supply. No such commitment can be involved in this case and it is unlikely that such a sale can be arranged.

3. In the estimation of the Department of Energy, there is no prospect of raising the full current spot value of the gas oil in the financial year 1980/81. No buyer would make an advance payment to this full extent in case the spot price dipped later in the year. Additionally, the buyer(s) would certainly seek a discount to reflect the cost to them of financing the early payment. At best, if forward sales prove possible, they might raise £45m in this financial year, with some balance coming later.

But the wisdom of seeking forward sales needs very careful consideration. In particular, the much more important forward sales of crude oil by BNOG have so far been put in place without recognition of the cost to buyers of lost interest on the pre-payment; to recognise this on product sales could prejudice the terms of any future forward sales of crude.

4. To sum up, in the view of the Department of Energy there would be high risk attached to seeking early payment for some or all of the oil and considerable discounts might be necessary to achieve forward sales. The most commercial approach would be to seek sales over a period of a year or so, securing full market price and obtaining the major portion of the revenue in the 1981/2 financial year.

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PRIME MINISTER



Home Defence Stockpiles: General Considerations

The Minister of Agriculture's minute to you of 19th January on the food stockpile and the Secretary of State for Energy's minute to you of 20th January on the oil stockpile are to be discussed at your ad hoc meeting of Ministers at 5.45 pm on 22nd January. As background to that discussion Ministers may wish:-

- (a) to note that there are other stockpiles held by or on behalf of Departments for home defence purposes, and to bear in mind the general rationale for their existence;
- (b) to note that any decision to reduce or eliminate stockpiles would raise the further question of whether other parts of the Government's home defence programme should have first call on any resources so released.

The Official Committee on Home Defence has therefore prepared the attached background note on both subjects.

2. As the note shows, there are, in addition to the oil and food stockpiles, publicly owned stockpiles of water supply plant, emergency transport and cargo handling equipment, medical supplies, fire-fighting equipment, and radiation monitoring equipment. These stocks are all held primarily to assist national recovery after a nuclear strike, and their maintenance has been haphazard. There has been no clearly co-ordinated stockpile policy in the past. It now seems probable that renewed interest within NATO will prompt a general review of European stockpiles, though this is likely to concentrate on the support required by the United States in a lengthy period of conventional war.

3. The stockpiles are one aspect of civil home defence preparedness. Their future therefore poses the following financial dilemma. On the one hand, if any funds released by running down stockpiles were devoted to other home defence purposes, there would be no net saving in public expenditure.

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On the other, if funds were not so redirected, there would to that extent be a diminution in the volume of resources which the Government devote to home defence. The need to reduce public expenditure therefore has to be weighed against the Government's policy, announced last summer, of increasing home defence preparedness, and the difficulty Departments may face in providing for measures then contemplated from the resources they now expect to have available.

4. A further point, not covered in the note by officials, is the existence of the Essential Commodities Reserve Act 1938 which is still in force and prohibits the disposal, without further legislation, of any stockpile unless either it was not established under the powers of the Act or stockpiles are maintained at a level considered by the Government to be necessary for the purpose of giving effect to the aims of the Act. The Department of Energy and the Ministry of Agriculture, Fisheries and Food have still to determine the precise application of the 1938 Act to their respective stockpiles. But it seems clear that substantial disposals would be permissible without fresh legislation provided Ministers were satisfied that any residual stockpile was adequate.

5. I am sending copies of this minute and the attached paper to the Ministers who have been invited to attend your meeting on 22nd January: viz. the Home Secretary, the Foreign and Commonwealth Secretary, the Secretary of State for Defence, the Minister of Agriculture, the Secretaries of State for Scotland and for Energy and the Chief Secretary.



Robert Armstrong

20th January 1981



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

PRIME MINISTER

Robert Carr *MB*

STRATEGIC FOOD STOCKPILE

1. On 7 December 1979 I wrote to you about the cost of managing the strategic food stockpile and you and my other colleagues concerned agreed that Sir Hector Laing should carry out an independent review of the stockpile.

2. Sir Hector subsequently made two reports to me. The first was a detailed study of ways of reducing maintenance costs in managing the existing stockpile and I need not go into it here. I received the second report last October which went further: after proposing on financial grounds that a stockpile of wheat should be kept rather than flour, it asked whether it was any longer necessary to keep a wheat or flour stockpile at all and argued that it was not. It estimated that disposal of the flour stockpile might yield some £25m annually for three years.

3. The need to cut public expenditure between 1981/82 and 1983/84 added point to Sir Hector Laing's question especially as his estimate of savings was very close to the figure of about £26m annually which the Chancellor is anxious to obtain by cuts in my Department's programme. I therefore told the Chancellor that I would examine Sir Hector Laing's proposals as quickly as I could and I understand that the Treasury consider it essential for a decision to be reached within the next week or so, to enable figures to be included in the 1981/82 estimates and the Public Expenditure White Paper.

4. The proper size and composition of the food stockpile is a matter of judgement. On the one hand we have to bear in mind its possible value if there were a war and food distribution broke down, and, on the other hand the cost of maintaining the stocks indefinitely during peace time. Broadly my judgement is that the degree of risk and the relatively limited value of the stockpile in an emergency do not justify the very real cost of the stockpile and that we ought seriously to consider winding it up altogether. I would however want time for further consideration before I could feel sure about that. Nevertheless I am certain that savings could be made straight away without incurring any significant risk from the standpoint of defence policy.

5. The principle commodities in the stockpile are flour (360,000 tons), sugar (123,000 tons), fat (48,000 tons) and biscuits (29,000 tons). There are smaller quantities of some other commodities together with items such as hammer mills and

/field cookers.

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field cookers. The size of the flour stockpile derives from our historic dependence on imported wheat and the vulnerability of the ships carrying it. But over the past 20 years the home grown wheat crop has increased in volume and has also become more suitable for bread making. It is now most improbable that at an outbreak of hostilities the country as a whole would ever be without a stock of wheat and flour equivalent to nearly two months consumption. It is nonetheless arguable that we ought to keep some wheat, together with emergency milling equipment, in those areas where there are unlikely to be commercial stocks in case these areas were cut off temporarily. I have therefore asked my officials to study this further but, even if we do need some wheat in the stockpile, it would almost certainly be no more than one third to one half of the present flour stockpile and we could therefore make a first move by disposing of one-third of the flour in 1981/82.

6. As to sugar, from the dietary point of view it is much less important than cereals. It has been kept in large quantities partly because of its assumed morale value in an emergency. I believe however that we could and should dispose of some of it in 1981/82 without incurring any significant defence risk. We need not take an immediate decision on whether to eliminate it altogether. I would prefer to reserve judgement on fats and biscuits until we have considered more fully whether there need be any stockpile at all, and I would therefore not propose to begin selling them at present.

7. In sum, therefore, my proposals are that the Government should sell up to 120,000 tons of flour in 1981/82 as the first step towards eliminating the flour stockpile over three years. The exact rate of sale and the price would have to be negotiated with the millers who supplied the flour in the first place, but the savings should not be less than £20m (this is somewhat lower than Sir Hector Laing's first estimate but that may have been optimistic). We should also sell about 20,000 tons of sugar to yield £5-6m. In making these proposals I have had regard to the Chancellor's wish to reach a quick decision on public expenditure savings but I will make further and more definitive proposals on stockpile policy in due course.

8. If my immediate proposals are agreed, I would be prepared to see estimated savings in the Public Expenditure White Paper of £25m to £27m for each of the next three years as broad planning figures but it follows from what I have said above that the figures for 1982/83 and 1983/84 must be regarded as provisional and subject to review in the light of my definitive proposals on the future of the stockpile. This would leave only small adjustments to be made to the PES figures for the Agricultural Departments which have been proposed by the Treasury.

9. I am copying this to the Home Secretary, the Foreign Secretary, the Secretary of State for Defence, the Secretary of State for Scotland, the Secretary of State for Energy and the Chief Secretary.


PETER WALKER

January 1981

CONFIDENTIAL

CONFIDENTIAL
jfh

BF 23/1

SIR ROBERT ARMSTRONG

Strategic Stockpiles

I have shown the Prime Minister your minute AO4019 of 16 January about strategic stockpiles, and she is content to proceed in the way you propose.

We will therefore go ahead and set up a meeting with the Ministers listed in paragraph 4 of your minute for 1745 on 22 January.

CAW

19 January 1981

CONFIDENTIAL

52

Ref. A04019

MR WHITMORE

*Agreed**Yes my*Strategic Stockpiles*From Minister.**Agree that we should proceed
in this way and in particular
write the Minister before we proceed
to your meeting?**Still**16:*

After Cabinet yesterday the Minister of Agriculture had a word with the Prime Minister about the arrangements for considering his proposals for disposing of strategic stockpiles of food. He was anxious to restrict as far as possible the circulation over Whitehall of papers on this sensitive subject.

2. The Prime Minister considered whether OD might be the most appropriate forum, but eventually agreed that the matter should be considered by an ad hoc meeting of OD Ministers.

3. There is another strategic stockpile disposal proposition which also requires early consideration by Ministers. This relates to the home defence oil stockpile, on which a paper by the Secretary of State for Energy is ready. This paper and Mr Walker's proposals on the food stockpile should clearly be considered in parallel. Since both stockpiles are home defence assets we had thought of putting both issues to the Ministerial Sub-Committee on Home Defence Policy (OD(HD)) under the Home Secretary's chairmanship. But in view of the procedure now agreed between the Prime Minister and Mr Walker, I recommend that both should be taken by the proposed ad hoc meeting of OD Ministers.

4. I suggest that this meeting might involve the following under the Prime Minister's chairmanship: Home Secretary, Foreign and Commonwealth Secretary (or Lord Privy Seal if he were not available), Defence Secretary, Chief Secretary (rather than the Chancellor of the Exchequer, given the public expenditure and public sector disposals aspect), Secretary of State for Scotland (who has a major departmental interest in home defence matters), Minister of Agriculture and the Secretary of State for Energy. The Secretary of State for Trade would have been another good candidate but will be abroad the whole of next week.

5. If the Prime Minister is content with this, the next steps would be -
- a. for you to let Mr Walker know and invite him to circulate a minute setting out his proposal to the Prime Minister and other Ministers who will attend the meeting;
 - b. for me to arrange for Mr Howell to circulate a similar minute on his proposals (in place of the paper he had been going to put to OD(HD)).
6. I would also inform the Home Secretary, who has to-day written a letter (copy attached) to Mr Walker suggesting that his proposals ought to be considered by OD(HD), in view of their implications for the Government's announced policy on home defence.
- You are free or 1745.*
7. If it suited the Prime Minister we could use the slot at 5.45 pm on 22 January provisionally assigned to the OD(HD) meeting, when we know most of the Ministers required are available; or 5.00 pm if she preferred. Forty-five minutes should be enough. If the Prime Minister agrees with this proposal, I will tell those Ministers who are members of OD(HD) that the stockpile question is now to be dealt with at a separate meeting chaired by the Prime Minister. The Treasury are pressing for very early decisions to enable any food disposals to be scored in this financial year (oil disposals will probably take longer).
8. If we proceed in this way I hope also to circulate to Ministers attending the meeting a short background paper which the Official Committee on Home Defence has [↑]prepared on stockpiles generally and their implications for home defence preparedness.



ROBERT ARMSTRONG

16 January 1981

~~CONFIDENTIAL~~



QUEEN ANNE'S GATE LONDON SW1H 9AT

16 JAN 1981

CABINET OFFICE
A 9347
16 JAN 1981
FILING INSTRUCTIONS
FILE No.

~~at H. B. G. - Gery~~
~~W. R. - Smith~~
~~M. L. - Smith~~

SW 16/1

I was glad that Leon Brittan copied to me his letter to you of 8th January, indicating the desirability of your explaining to myself and other colleagues your proposal that the flour stockpile held for home defence purposes should be progressively eliminated.

The difficulty is that, if this proposal was agreed, the decision would be seen as running counter to our determination, which I expressed to Parliament last summer, to increase our civil preparedness for home defence. If any reduction in your stockpile was agreed to be prudent, there are other civil preparedness activities which might be judged to have a prior call on any financial savings that could be made.

I therefore very much hope that you can arrange for the issues involved to be examined by Ministers in O.D.(H.D.) (which is now to meet on Thursday 22nd January) before the Treasury finalise the relevant expenditure programmes or the text of any statement on stockpile savings that might become public.

I am sending a copy of this to George Younger, Nicholas Edwards, Humphrey Atkins and Leon Brittan, and to Sir Robert Armstrong.

London

The Rt. Hon. Peter Walker, M.B.E., M.P.

~~CONFIDENTIAL~~

SECRET



10 DOWNING STREET

From the Private Secretary

7 January 1980

STRATEGIC FOOD STOCKPILE

The Prime Minister has seen your letter to me of 31 December on this subject and has noted with approval the measures summarised in it.

I am sending copies of this letter to the Private Secretaries to the other members of OD, to Roger Watts (Chief Secretary's Office) and to Martin Vile (Cabinet Office).

M. O. L. ALEXANDER

Garth Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

JS

28

Defence

TR

Ref A0106S

MR ALEXANDER

Strategic Food Stockpile

You asked for advice on the letter to you of 31 December from Mr Waters in the Ministry of Agriculture.

2. In June last year the Official Committee on Home Defence recommended that the strategic food stockpile should be replenished and marginally enlarged by the purchase of 80,000 tons of sugar and smaller quantities of yeast and salt; a programme of re-refining fat in the stockpile was also recommended. Ministers were later invited to decide which of these recommendations should be implemented in the financial year 1979/80, and how the expenditure was to be funded. A major consideration was the prospect (for technical EEC reasons) of obtaining sugar at a favourable cost if supplies could be imported before the end of 1979. Against this background the Prime Minister decided in her minute of 29 August that some \$8.5 million, a predicted underspend on one of the Ministry of Agriculture's other programmes, should be spent on the stockpile. This was expected to allow about half the proposed quantity of sugar to be bought, as well as some salt and yeast, and to enable fat re-refining to start. The Prime Minister also decided that this partial rebuilding programme should be enhanced later in the year to the extent that further firm underspendings became apparent in the programme of the relevant Departments.

3. The Ministry of Agriculture's letter reports the completion of action on the first of the Prime Minister's decisions. The Ministry have done well. They have met the end-December deadline and have managed to purchase rather more sugar than they had expected with the money available. The timing of the August decision meant that the Ministry were able to enter the market early in the buying season and obtain supplies at less than three-quarters of the price now current. The subsequent rise in the price has resulted in a reduction in the EEC levy payable and hence in the fraction of it (rather less than one quarter) which was a net charge to the Exchequer. So the sugar has been bought on very satisfactory terms.

4. The delayed start in the fat re-refining programme is attributable to the fact that capital equipment will have to be installed by the successful tenderer. The Ministry of Agriculture expects shortly to let a contract for the re-refining of 5,000 tons of fat a year for three and a half years, starting in mid-1980. This rate of re-refining is in line with the earlier recommendations of officials and has Treasury approval.

5. On the second of the Prime Minister's August decisions, the Ministry's letter makes clear that no additional firm underspendings on Departments' programmes emerged. The opportunity to enhance the stockpile rebuilding programme while sugar was obtainable on favourable terms has now passed. The Ministry of Agriculture remains alert to the possibility that some funds may yet become available in what remains of the current financial year for further purchases for the stockpile, and they will accordingly be approaching Departments again.

6. After the end of the present financial year, there will remain (a) the continuation of the fats re-refining programme and (b) the need at some stage to complete the rebuilding of the stockpile by buying a further 35,000 tons of sugar and smaller quantities of salt and yeast. The Ministry of Agriculture have a PES provision to cover (a) in 1980/81 and have made similar provision for later years in the normal way. They will also bid for an adequate provision to cover (b), phased over several years.

7. For the present the Prime Minister might simply take note that in the current financial year the money available for rebuilding the stockpile has been well spent.

M.J.V.

M. J. VILE

4 January 1980

PRIME MINISTER

I have pointed out to the Her Majesty's Office that the Prime Minister has already decided that the exercise should go ahead (my letter of 17 December). ^{NFA +} ~~WFA~~

STRATEGIC FOOD STOCKPILE

1/1

I have seen Peter Walker's letter of 7 December seeking your approval to a review of the management of the strategic food stockpile.

I would of course be happy to co-operate in this exercise. The second part of it however will make a demand on PSA's staff resources which are already hard pressed.

If you decide that the exercise should go ahead, I would like to look carefully at what my people will have to do. Perhaps we can look at this aspect again when the first part of the exercise is completed.

I am sending a copy of this minute to Peter Walker and to the Secretaries of State for Defence and for the Home Department.

M.H.

M.H.

- 3 JAN 1980



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

From the Minister's Private Office

M O' B Alexander Esq
Private Secretary
10 Downing Street
London SW1

31 Decembe 1979

Prime Minister (2)

Paul

Dear Michael,

STRATEGIC FOOD STOCKPILE

Your letter of 29 August recorded the Prime Minister's decision that funds should be made available for purchases of sugar, salt and yeast for the Strategic Food Stockpile.

My Minister had pointed out to his colleagues that if the decision were taken in time the sugar purchases could be made on the world market before the end of 1979, and that would enable the EEC levy to be paid into the Exchequer and not to the EEC as will be necessary from 1980 onwards.

I can now report that 45,500 tonnes of sugar has been purchased and landed at an average price of £136 per tonne (the current price is about £187 per tonne) and that the whole of the EEC levy (about £5.2m) has been paid. Thus, the job has been completed in time for the Exchequer to obtain the levy. In addition to the sugar, 8,000 tonnes of salt and 200 tonnes of yeast have been purchased, of which 2,000 tonnes of salt are now in store, and the rest of the salt and the yeast will be received early in the New Year.

It was not possible for technical reasons to begin the long-term programme of re-refining fat, but this will begin in 1980.

Although it was envisaged that any firm underspendings in the programmes of other Departments might be used for the stockpile, there were none available in the event.

--- I am sending copies of this letter and its enclosure to the Private Secretaries to the other members of OD, to the Private Secretary to the Chief Secretary, and to Martin Vile (Cabinet Office).

Your sincerely,
Francis Thompson

H. G R WATERS
Principal Private Secretary

24.

~~SECRET~~



cc 100
#10
#06
#00

2A
Defence

10 DOWNING STREET

From the Private Secretary

17 December 1979

Dear Garth,

Strategic Food Stockpile

The Prime Minister has seen the Minister of Agriculture's letter to her of 7 December on this subject. She is content that Mr. Walker should put in hand a review of the efficiency and economy of the management arrangements for the stockpile.

I am sending copies of this letter to Brian Norbury (Ministry of Defence), Tony Battishill (HM Treasury), John Chilcot (Home Office), David Edmonds (Department of the Environment) and Martin Vile (Cabinet Office).

Yours sincerely

Michael Alexander

Garth Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

~~SECRET~~

Ref: A0965

SECRET

MR. ALEXANDER

Strategic Food Stockpile

In his minute to the Prime Minister dated 7th December, Mr. Walker seeks her agreement to the appointment of Sir Hector Laing to carry out a two part review of the management of the strategic food stockpile. The Prime Minister will recall the correspondence in the summer about the replenishment and marginal enlargement of the stockpile.

2. The first part of the proposed review is essentially a matter of good housekeeping and as such should raise no issues requiring inter-departmental consideration. On a point of detail, however, the draft remit is strictly incorrect in referring to '... constraints required by Defence policy'. The stockpile exists as part of the Government's arrangements for home defence. We believe that the Secretary of State for Defence's office will be making the same point and proposing an appropriate amendment to the remit.

3. The second part of the review promises to be more wide-ranging. If significant proposals for change emerge it will probably be necessary to subject them to inter-departmental scrutiny, using the Official Committee on Home Defence, which is chaired by Mr. Wade-Gery. There is, however, nothing in this part of the remit on which the Prime Minister need comment.

M. J. Vile
(M. J. Vile)

14th December 1979

Prime Minister
Agree to Walker's proposals.
23
-14/12/79

SECRET

22



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-252 2222 218 2111/3

SECRET

14th December 1979

MO 21/8/5

How South

STRATEGIC FOOD STOCKPILE

Your Minister's letter of 7th December to the Prime Minister was copied to my Secretary of State, who has no objection to the proposed review of the strategic food stockpile. I think that you already appreciate that the Services have their own separate arrangements for wartime rations.

On a point of detail I should be grateful if you could consider a small amendment to the proposed terms of reference, which is to change the first line to read "Home Defence" rather than simply "Defence" in order to reflect more accurately the policy responsibility in this area.

I am copying this letter to the Private Secretaries to the Prime Minister, the Home Secretary and the Secretary of State for the Environment.

Yours sincerely
J D S Dawson
(J D S DAWSON)

G R Waters Esq
Ministry of Agriculture, Fisheries and Food

SECRET

SECRET

21



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

7 December 1979

PRIME MINISTER

STRATEGIC FOOD STOCKPILE

As you know, I am responsible for the management of the strategic food stockpile which is kept in 135 depots all over the UK and costs about £5 million a year to maintain. Stockpile management is therefore a big operation, and I think it is time that the efficiency and economy of the management arrangements were reviewed. Because these are largely commercial in character I propose to ask a leading figure from the food industry to undertake the job. I now hope to have the investigation started early next year provided a suitable man can be found and the purpose of this letter is to ask for your agreement before I take things further.

The remit for the review would be in two parts. The first would be concerned wholly with actual management and should not take too long to complete. It would be as follows:-

"Against the background of constraints required by Defence policy, to examine and report on the efficiency and economy of

- (i) the storage operation;
- (ii) the arrangements for movement and turnover of stock;
- (iii) the arrangements for stock control;
- (iv) the arrangements for determining and controlling payments in respect of storage, turnover and acquisition of stock."

The second part of the remit would be undertaken after completion of the first and would be a study of the suitability of the present

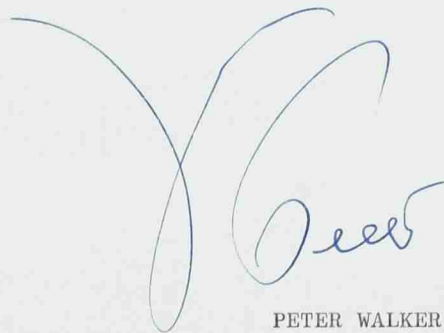
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depots for their purpose from the point of view of siting, number, size etc. This part of the remit would be "to examine and report on the suitability of the existing stockpile facilities for their purpose in the likely circumstances of the next twenty years and the scope for change in their number, size and siting and the financial implications of any such change." This part impinges on the responsibility of the Secretary of State for the Environment since the depots are Property Services Agency (PSA) buildings and the investigator would need PSA's co-operation. I should therefore be grateful for his agreement to it.

The man I have in mind to carry out the investigation is Sir Hector Laing. I believe that his long experience of all aspects of the food industry and sympathy with our objectives would make him an ideal choice and, once I have your agreement, I will approach him straightaway.

I am copying this to the Secretaries of State for the Environment, Defence, and the Home Department.

A handwritten signature in blue ink, appearing to read 'Peter Walker', with a large, stylized flourish above it.

PETER WALKER

SECRET

COVERING SECRET

VB

Defence

B/F 14.12.79.

MR. VILE
CABINET OFFICE

We spoke a moment ago about two minutes which had not been copied to you but on which we agreed the Cabinet Office might wish to comment. The minutes deal with:

- (a) the strategic foods stockpile; and
- (b) the interdepartmental review of the British Council.

I enclose copies of both minutes.

M O'D B A

7 December 1979

*Original filed
for Pol Dec 79*

Defence

20

SECRET



HO
LCO
FCO
HMT
MOD
LPO
LPSO

D/Trade
Fin. Sec
CO

28

10 DOWNING STREET

From the Private Secretary

11 October 1979

Strategic Food Stockpile

The Prime Minister has seen your Minister's letter to her of 8 October on this subject. She has taken note of its contents.

I am sending copies of this letter to the Private Secretaries to the other members of CD, to Mrs. Diggle (Financial Secretary's Office) and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

Garth Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

KRB

SECRET



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

19

(2)

SECRET

Prime Minister

ant

Hand s/p

PRIME MINISTER

8 October 1979

Des B...

STRATEGIC FOOD STOCKPILE

I have now looked into the points raised in your Private Secretary's letter of 17 September. The first of these asks whether it is right to stockpile fats for longer than ten to twelve years. The fats stockpile now stands at 48,500 tons of which 26,000 tons is between 17 and 22 years old. The fat is derived from ground nut oil of very high quality; its keeping quality is excellent in ordinary unrefrigerated storage and it could be used for bread making, as cooking fat, or if necessary as a spread.

Despite the age of some of it the fat remains quite usable but our scientists have advised that the older fat must now be dealt with. As fat ages, there is a build up of "free fatty acids" and "flavour volatiles". These are not actually dangerous but they give the fat an unpleasant taste and smell. The process of re-refining takes out the free fatty acids and flavour volatiles and restores the fat to its original condition except that about 5% of it is lost during the process. There appears to be no reason why fat should not be re-refined more than once although there would be some loss each time. However, we cannot at present be sure about that and any future decision on re-refining would have to depend on examination of the fat.

The reason for choosing to re-refine rather than to make new purchases is that it is estimated to be very considerably cheaper, as my letter of 14 September said. The background is that high quality ground nut oil is very difficult to obtain - indeed it has recently been almost unobtainable - and it is therefore extremely expensive. Ministry scientists are now trying to find a way of obtaining a good fat for the stockpile made from other materials such as palm oil, soya oil, etc. Until we have at least found a good alternative, the economic case for keeping the fat we already have is strong and there is no reason to doubt its quality once it has been re-refined.

SECRET

SECRET

The second issue is that of access to EEC intervention stocks in an emergency. Stocks held in intervention are legally the property of the National Intervention Board or, in some cases, of a private owner; but they may only be taken out of intervention with the agreement of the Commission.

I am confident that we could get the stocks out of store if they were needed in emergency since a shortage (which is what emergency implies) is the very case in which the Commission would be most likely to agree to their release. That is what they would almost certainly say if we were to approach them now (and they would surely also assume that in a real emergency we would get the stock one way or another so that there would be little point in their refusing). If the Commission did not take this line it would probably be because they had instead decided to begin work on draft regulations laying down in advance the exact conditions in which intervention stock could be released, and those conditions would probably be more restrictive than any arrangements likely to be agreed under the pressure of an actual emergency. My conclusion therefore is that it would be better not to approach the Commission at this state.

While I am confident that we would be able to use intervention stocks during an emergency, we should not exaggerate the importance of this. The fact that the CAP has generated large surpluses at a heavy cost to the UK does not necessarily mean that the UK has large stocks: in fact the only large intervention stock at present in the UK is of butter.

I hope this answers your two points, but I ought also to comment on the Financial Secretary's letter of 26 September. I entirely agree with him that it would be quite wrong to try to hold intervention stocks for strategic purposes and a major objective of our policy is of course to prevent the conditions which lead to the need for large scale intervention in the first place. For this very reason it would be difficult to treat intervention stocks as a major factor in strategic stockpile policy. Since we want intervention stocks to be run down and since in any case a change in market conditions could dispose of them, they cannot be regarded in the same light as normal commercial stocks - "normal" being an essential point in long term planning.

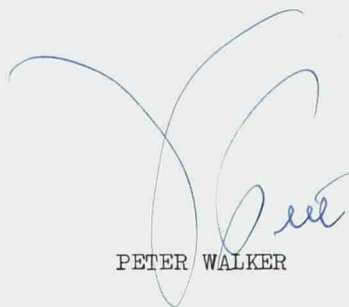
I agree that the existence in 1980 of a large intervention stock of butter would be relevant in considering any change in the fat stockpile in that year. However we have already agreed (HDO(79)1(Revised)) that officials should reconsider the size and composition of the fats stockpile in the light of a NATO study and we should not prejudice that reconsideration.

SECRET

SECRET

Butter is not suitable for a permanent strategic stockpile partly because it cannot be stored for long periods except under refrigeration.

I am sending copies of this to members of OD, to the Financial Secretary and to Sir John Hunt.

A handwritten signature in blue ink, appearing to read 'Peter Walker', is written over the typed name. The signature is stylized with large loops and a long horizontal stroke.

PETER WALKER

SECRET

Defence



Has been noted.

Treasury Chambers, Parliament Street, SW1P 3AG

Private Secretary to the
Secretary of State for
Agriculture

Ministry of Agriculture,
Fisheries and Food

Whitehall Place

Whitehall

LONDON

SW1

26th September 1979

Dear Private Secretary,

I would be grateful if you would classify and treat as SECRET the Financial Secretary's letter to the Secretary of State for Agriculture on the Strategic Food Stockpile dated 26 September 1979.

I am copying this letter to the Private Secretaries to the members of OD and to Martin Vile.

Yours sincerely

H. Cottrell

H COTTRELL
Private Secretary

SECRET

18



Treasury Chambers, Parliament Street, SW1P 3AG

26 September 1979

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries and Food
Ministry of Agriculture, Fisheries and Food
Whitehall Place
Whitehall
LONDON

NBPA

Phws
-26/5

I have seen a copy of your minute of 14 September to the Prime Minister. I welcome your assurance that expenditure in 1980-81 will be held within agreed totals and that you will not anticipate any PES transfers which may take place in 1979-80.

On the question of the relevance to stockpile policy of EEC intervention stocks hold in the UK, my view is that we should certainly take account of these, along with normal commercial stocks, in deciding the size of our strategic stockpile. In particular, I would regard our butter intervention stocks, if they remain at anything like their present level, as a complete answer to any proposal which may be made to increase the fats stockpile in 1980. But I would be opposed to our deliberately seeking to hold intervention stocks for strategic purposes. It is our money, not the Community's, which is tied up in them and I should like to see us do all we can to run them down.

I am sending copies of this letter to the recipients of your minute.

1/12/79
Nigel

NIGEL LAWSON

SECRET

SECRET

file 10-17
Food



10 DOWNING STREET

From the Private Secretary

17 September 1979

~~BF 24.9.79~~

BF 5/10/79

Strategic Food Stockpile

The Prime Minister has seen the Minister of Agriculture's minute to her of 14 September on this subject.

The Prime Minister remains unhappy on two aspects:-

- (a) she is not convinced that it is right to stockpile fat for longer than 10-12 years. I should be grateful if you could let me have a note giving further background on the re-refining process; and
- (b) she wishes to pursue further the question of our access in an emergency to EEC intervention stocks. The Prime Minister believes that since we are financing the stockpiles we should have secure access to them. I would therefore be grateful if this aspect could be investigated in more detail and if proposals could be submitted on how it might best be followed up, e.g. with the Commission.

I am sending copies of this letter to the Private Secretaries to the members of OD, to Mrs Diggle (Office of the Financial Secretary, HM Treasury) and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

G.R. Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

SECRET

DISTRIBUTION

HO
LORD CHANCELLOR
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TSY
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LORD PRESIDENT
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FINANCIAL SEC., TSY
CO



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

(2)

From the Minister

SECRET

PRIME MINISTER

Prime Minister
This is most
understandable & you can't
blame the fact for 10-12 years
(2) We must take up
the EEC matter. We are
in a jam. Some should
be available to us.
14/5
MS

14 September 1979

I am grateful for the early decision on the enlargement of the strategic food stockpile notified in your Private Secretary's letter of 29 August. I have set in hand the consequential action, particularly in regard to the purchase of sugar. Expenditure in 1980/81 will be kept within the totals agreed. If additional funds should become available as a result of the transfer of underspendings I will, of course, arrange for further purchases; but you and the Financial Secretary may be assured that I will not enter into any commitment in anticipation of underspendings.

You asked for clarification on a number of issues.

To take the question of the size of the stockpile first, the Official Committee in the review it undertook in July noted that the target figures for the size of the stockpile were based on the earlier strategic assumptions underlying defence policy, namely that there would be a period of 90 days during which there would be no imports of food and raw materials. They concluded that the current assumptions reinforced the need for a stockpile of at least the size mentioned in their paper and they therefore recommended the restoration of sugar stocks to the former level of 160,000 tons.

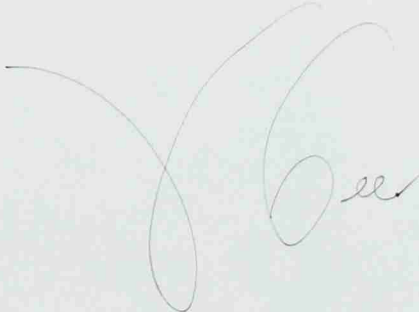
The amounts of flour, fats and sugar kept in the stockpile are such as to bring total stocks up to about the 90 day consumption level taking into account stocks in commercial hands and those that might be available at the time under EEC intervention arrangements. The strategic stocks are held in a number of depots located throughout the country with defence considerations in mind. Intervention stores in the UK are not of course located in this way and intervention stocks are inevitably variable. They may vary seasonally, by reason of market factors and as a result of CAP policy decisions. These stocks are financed and owned by the Community and their use is, at any rate theoretically, under the control of the Commission. In practice we could expect in time of need to be able to draw on those that happened to be held in the UK, but it would be risky to base our defence planning on the assumption that they would necessarily be available

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in substantial quantities when a defence (or civil) emergency might occur. At the moment there are large intervention stocks of butter and wheat in the Community as a whole, of which some 75,000 tons of butter but no wheat are in the UK. There is no sugar or flour in intervention. If we succeed in our objectives for the CAP, surpluses should, of course, be reduced in future.

The fats in the defence stockpile are of vegetable origin and are much more stable - both in store and in use during an emergency - than butter would be. They are specially prepared for the purpose and will keep satisfactorily for many years. But unless they are turned over, deterioration is bound in time to set in. Under our previous arrangements, stockpile fat was sold back into the trade after 10 to 12 years and new fat purchased. More recently, however, we have developed a re-refining process which enables the fat to be kept for a further long period. There are considerable financial savings from this. The cost of re-refining is much less than the net expenditure involved in sale into the trade. Our aim has been to turn over the older fat by a regular annual programme of re-refining. Because of the inevitable financial stringency, the programme for this year and next has had to be on a limited scale, but we will need to keep the turnover in future at the appropriate level and I have made my bid in the PES programme accordingly.

I am sending copies of this reply to members of OD, to the Financial Secretary and to Sir John Hunt.

A large, stylized handwritten signature in dark ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Peter Walker



15
Deben

Treasury Chambers, Parliament Street, SW1P 3AG

4 September 1979

Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Ministry of Agriculture, Fisheries
and Food
Whitehall Place
LONDON
SW1

NRPN

Phd - 4/5

STRATEGIC FOOD STOCKPILE

I have seen a copy of a letter dated 29 August sent on behalf of the Prime Minister to your Private Secretary.

Naturally I accept the Prime Minister's decision on the use of the reduced charge on the Contingency Reserve in 1979-80 and of any transfers of PES provision which may be made available for stockpile purposes by other Ministers, provided of course that no expenditure commitments are made before these transfers take place.

I should, however, be grateful if you would confirm that you will confine expenditure in 1980-81 within the total agreed in July, subject to any savings on the UK contribution to the Community in that year which arises in consequence of your purchase of sugar being made available to you.

I am sending copies of this letter to the Prime Minister, to the other members of OD and to Sir John Hunt.

NIGEL LAWSON



c.c. DTrade
LPSeal
Ld.Pres
MOD
HMT
FCO
LCO
Ch.Sec.
HO
Cab.Off.

JFH

14

10 DOWNING STREET

From the Private Secretary

29 August 1979

BF 10.9.79

Strategic Food Stockpile

The Prime Minister has seen the report on this subject prepared by the Chairman of the Official Committee on Home Defence (I enclose a copy for you and for the other recipients of this letter).

The Prime Minister agrees that an immediate decision is required. She has decided:

- (a) that the Ministry of Agriculture underspend should be regarded as available for purposes of rebuilding the stockpile;
- (b) that it should be spent in the manner proposed in paragraph 9 of the HDO paper enclosed; and
- (c) that, as proposed in paragraph 10 of the HDO paper, the partial rebuilding programme should be enhanced later in the year to the extent that further firm underspendings become apparent in the programmes of relevant Departments.

In connection with points raised in the HDO paper, the Prime Minister has asked for clarification on a number of issues. Noting the existence of butter mountains, sugar surpluses and beef stocks in EEC countries, she asks to whom, in practice, they belong. Given that so much of the finance for these surpluses comes from the UK, could not HMG lay claim to some part of such sugar surplus as exists without having to pay for it? Alternatively, does not the existence of this source of supply reduce the need for a UK national stockpile?

The Prime Minister has expressed considerable surprise at the need, referred to in paragraph 2 of the HDO paper, for fats in the stockpile to be re-refined. Is there any need for the fats in question to be retained in the stockpile for such a long period? Should not the oldest of the stocks be used while still in good condition and constantly replaced?

The Prime Minister has asked how the size of the relevant stockpile is determined and when it was last calculated.

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I should be grateful for guidance on these points in due course.

I am sending copies of this letter and its enclosure to the Private Secretaries to the other members of OD, to the Private Secretary to the Chief Secretary and to Martin Vile (Cabinet Office).

MO'DBA

Garth Waters, Esq.
Ministry of Agriculture, Fisheries and Food

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THE STRATEGIC FOOD STOCKPILE

Note by the Chairman of the Official
Committee on Home Defence

1. The Minister of Agriculture, Fisheries and Food wrote to the Prime Minister on 6 July 1979 reporting the recommendations of the Official Committee on Home Defence for rebuilding and slightly enlarging the strategic food stockpile. Most Ministers concerned agreed in principle with the proposal and the Prime Minister subsequently asked (her Private Secretary's letter of 25 July 1979) that the Official Committee should make a recommendation as to where, on the basis of the Government's normal financial procedures, the cost should fall. The present Note has been prepared in response, with the agreement of the Official Committee on which all Departments concerned are represented under Cabinet Office chairmanship.

2. A decision is urgent and must be taken by the end of August. Otherwise there would not be time to complete purchase of the major item, sugar, by the end of the year without forcing prices up against us. This year, for the last time, we can import sugar from non-EEC sources and recover most of the EEC levy payable on it. For technical EEC reasons, we shall under this procedure also be entitled to a reduction in our 1980/81 contribution to the Community Budget. But neither of these benefits would arise on any sugar imported after 31 December. Another urgent factor is that provision must be made for re-refining fats already in the stockpile, which may otherwise begin to go bad.

Current financial arrangements

3. Expenditure on the food stockpile is borne on the Ministry of Agriculture, Fisheries and Food Vote (III,5), the funds being provided under Programme 9 of the Public Expenditure Survey (PES) - law, order and protective services. The sub-programme concerned covers civil defence expenditure, which totals about £20 million. The current PES provision for the food stockpile is £4.5 million a year which is to cover routine expenditure on maintenance and turnover. The extra funds needed to meet the proposals set out in the letter from the Minister of Agriculture would be £16-£17 million in 1979-80 (two thirds of which would be spent on sugar), £0.5 million in 1980-81 and £2.6 million per year thereafter. These figures are net. They assume that, as is recommended, the Ministry of Agriculture should also be allowed to spend in 1980-81 the £2.5 million saving on our contribution to the Community Budget arising from this year's proposed sugar import.

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4. The stockpile is maintained by staff of the Ministry of Agriculture, Fisheries and Food on behalf of the Minister in his capacity as Minister of Food for the United Kingdom under which, both in war and peacetime emergencies, he is concerned with implementing policy on food supply and distribution. To include the expenditure on the Vote of a different Department could involve an awkward arrangement under which the staff concerned would be working as agents for another Minister and could lead to difficulties over Accounting Officer responsibilities. Normal Government financial procedures indicate that all expenditure on the food stockpile should be borne on the Ministry of Agriculture Vote. Both the Treasury and the Ministry of Agriculture endorse this.

Source of extra funds

5. Given that the Vote responsibility lies with the Ministry of Agriculture, Fisheries and Food, however, the problem remains that extra funds as set out in paragraph 3 will have to be found if the food stockpile is to be rebuilt. The Minister of Agriculture, Fisheries and Food has registered a bid on the Contingency Reserve; but Cabinet have already decided that the 1979-80 level of the Reserve should be reduced and that new expenditure should not be financed from it unless the Chief Secretary or Cabinet itself decide otherwise. If Ministers decide that the Contingency Reserve should not meet the cost, the extra funds would have to be created by offsetting savings by the Ministry of Agriculture or other Departments.

6. It would be normal PES practice to look first to the Ministry of Agriculture for such offsetting savings. But the Minister has taken the view that any savings made by his Department should not be used to finance a project which he regards as a collective responsibility. Other possible candidate Departments are the Home Office and those other Departments incurring civil defence expenditure under PES Programme 9, and the Ministry of Defence. None of these Departments can, however, offer any savings at present.

7. If deliberate savings are not available, it might be possible to offset the costs against firm forecast underspending which might take place in the current year either on a Ministry of Agriculture programme or the programmes of other Departments. But it is early in the year for Departments to be able to predict likely underspending, and at present there is no evidence that underspending will occur except on one Ministry of Agriculture item. Because the

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effects of a strike by computer staff were less than expected the Ministry of Agriculture now predict that about £8.5 million of their allocation will remain unspent in 1979-80. This particular element originally formed a claim on the Contingency Reserve and the surplus should strictly be added back to the Reserve. But Ministers may feel that it could reasonably be used for part of the food stockpile rebuilding.

Conclusions

8. If Ministers confirm

- a. that the stockpile should be rebuilt as proposed;
- b. that advantage should be taken of the lower 1979 price for sugar;

then unless they are prepared to authorise use of the Contingency Reserve the only possibility would seem to be to ask the Minister of Agriculture to find offsetting savings in 1979-80, notwithstanding his view that the project is a collective responsibility.

9. Failing that it would be possible to complete at least part of the programme, provided Ministers agree to treat the Ministry of Agriculture's underspend as available. That would allow about half the proposed quantity of sugar to be bought, as well as a minimum quantity of salt and yeast, plus the necessary action to be taken on re-refining fats.

10. A decision on the lines of para 9 above could be complemented by a further decision in principle now to enhance the partial rebuilding programme to the extent that in the course of the autumn further firm underspendings become apparent in the programmes of any of the relevant Departments. The Ministry of Defence have already said that they would be prepared to transfer £2-£3 million from their cash limit if, in early October, their forecast out-turn showed that the risk of programme cuts on Defence seemed low. But there could be no certainty that any windfalls of this kind would become available in time for sugar purchasing to be completed this year.

11. The only essential expenditure in 1980-81 will be on further re-refining of fats. This could be accommodated within the Ministry of Agriculture's existing

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PES total, provided that money is also available from a reduction in our Community Budget contribution as a result of at least half the programme of sugar purchase being carried out this year. Stockpile expenditure in 1981-82 and later years should be considered in the next stage of the PES process.

12. The immediate problem is therefore what action to authorise now for 1979-80. Ministers are invited to decide between (i) the course in paragraph 8 above and (ii) the course in paragraph 9; and in the latter case to decide whether or not to endorse paragraph 10 as well.

23 August 1979

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See back of this note in T.

Prime Minister 13 1

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Ref: A.0157

MR CARTLEDGE

The arguments in favour of option (a), set out in para. 3 of this minute are strong. If you agree with them, I shall embody them in a letter to Mr. Walker's office asking him to find the savings required.

Done 24/8

[attached]

I enclose the report from the Official Committee on Home Defence for which you asked in your letter to Garth Waters of 25 July about the financing problem. It has been circulated at official level to Departments concerned but has not yet been considered by Ministers.

2. As you will see, a decision is needed next week on whether in 1979/80 (a) to carry out the whole stockpile rebuilding programme as originally recommended, which would involve persuading the Minister of Agriculture to modify his present financial attitude (para 8 of the report) or (b) to carry out only about half of it (para 9 and possibly 10 of the report).

3. If the PM favours (a), she could consider holding a short meeting next week with Mr Walker (who is in London) and Ministers from the other departments principally involved (Treasury, Home Office and Ministry of Defence). Alternatively she could write to Mr Walker indicating that she would like him to agree to find the necessary savings. On his argument that the stockpile is a collective responsibility she could make the following points:-

- (i) What is needed is an urgent decision enabling us to proceed now.
- (ii) It would be a pity to miss the present opportunity to rebuild the whole stockpile on favourable terms. This can only be avoided if the Minister primarily concerned is prepared now to underwrite the whole 1979/80 expenditure, in case it should in the end prove impossible to meet part of it from other sources.
- (iii) It is too early in the year for Ministers less directly concerned to be able to say for certain that they could help. But some of them may well in fact be able to do so in the end; c.f. the conditional MOD offer in para 10 of the report.

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(iv) It might perhaps be possible for Mr Walker, after embarking now on the whole programme in the hope of securing help from others in the course of the autumn, to truncate it somewhat if no such help materialised by say November.

(v) She hopes that the Chief Secretary will in any case not press the point that the £8.5 m. underspend already identified by the Ministry of Agriculture should strictly be returned to the Contingency Reserve (the Treasury at official level are content with that), and that Mr Walker will accept this gesture as some immediate indication that his colleagues are trying to help.

4. Such a letter should no doubt be copied to the other Ministers involved in last month's correspondence: viz. all members of OD plus the Chief Secretary. But given the deadline it would probably be better to assume their concurrence rather than solicit it, except in the case of the Chief Secretary.

5. If the Prime Minister favours (b), she might like to write to Mr Walker asking him to proceed on that basis. In copying her letter to other colleagues she could also urge them to help if they find they can on the lines of para 10 of the report; and to do so as early as possible, in the hope of enabling Mr Walker to increase his purchases before the end of the year. Again, it would be important (given the deadline) to point towards a firm decision rather than another inconclusive round of Ministerial correspondence.

6. In either case, the letter from the Prime Minister (or from you on her behalf) could usefully enclose the HDO report for the information of all addressees. I enclose 10 spare copies for this purpose.



B G HILTON

23 August 1979

There are a number of things about this
stockpiling question that I do not understand
and which I should have clarified earlier. Had we
failed to do so and we must therefore have a
decision immediately.

Decision: Should approximately half the
stockpile in accordance with para 9 and 10.
If the £5 million can be authorized for
the A.J. 1941 spent on the Reserve etc. it
would help the B.M.

Points to be cleared up.

1. I understand that there are large
Buller Mountains, Sugar supplies -
Deep stores in Europe. Who do they
belong to. As most of the Juncos for
them come from us can we not claim
title to some of it without having to
pay to get the sugar. Alternatively does the
existence of that source of supply not reduce
the need for us to stockpile.
2. I am horrified to hear that the Tote
oils have to be re-refined. What are
we doing keeping them so long as this.
The oldest should be used while that in good
condition - constantly replaced by new stock
3. How is the size of the relevant stockpile
determined - when was it last calculated & how.
D.S.

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Superseded
Z

THE STRATEGIC FOOD STOCKPILE

Note by the Chairman of the Official
Committee on Home Defence

1. The Minister of Agriculture, Fisheries and Food wrote to the Prime Minister on 6 July 1979 reporting the recommendations of the Official Committee on Home Defence for rebuilding and slightly enlarging the strategic food stockpile. Most Ministers concerned agreed in principle with the proposal and the Prime Minister subsequently asked (her Private Secretary's letter of 25 July 1979) that the Official Committee should make a recommendation as to where, on the basis of the Government's normal financial procedures, the cost should fall. The present Note has been prepared in response, with the agreement of the Official Committee on which all Departments concerned are represented under Cabinet Office chairmanship.

2. A decision is urgent and must be taken by the end of August. Otherwise there would not be time to complete purchase of the major item, sugar, by the end of the year without forcing prices up against us. Any sugar bought this year will (for the last time) attract a large EEC levy rebate, which will accrue in 1980; but we shall lose the rebate on any purchases not completed in 1979. Another urgent factor is that provision must be made for re-refining fats already in the stockpile, which may otherwise begin to go bad.

Current financial arrangements

3. Expenditure on the food stockpile is borne on the Ministry of Agriculture, Fisheries and Food Vote (III,5), the funds being provided under Programme 9 of the Public Expenditure Survey (PES) - law, order and protective services. The sub-programme concerned covers civil defence expenditure, which totals about £20 million. The current PES provision for the food stockpile is £4.5 million a year which is to cover routine expenditure on maintenance and turnover. The extra funds needed to meet the proposals set out in the letter from the Minister of Agriculture would be £16-£17 million in 1979-80 (two thirds of which would be spent on sugar), £0.5 million in 1980-81 and £2.6 million per year thereafter. These figures are net. They assume that, as is recommended, the Ministry of Agriculture should also be allowed to spend in 1980-81 £2.5 million which will accrue by way of EEC levy rebate on this year's proposed sugar purchase.

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4. The stockpile is maintained by staff of the Ministry of Agriculture Fisheries and Food on behalf of the Minister in his capacity as Minister of Food for the United Kingdom under which, both in war and peacetime emergencies, he is concerned with implementing policy on food supply and distribution. To include the expenditure on the Vote of a different Department could involve an awkward arrangement under which the staff concerned would be working as agents for another Minister and could lead to difficulties over Accounting Officer responsibilities. Normal Government financial procedures indicate that all expenditure on the food stockpile should be borne on the Ministry of Agriculture Vote. Both the Treasury and the Ministry of Agriculture endorse this.

Source of extra funds

5. Given that the Vote responsibility lies with the Ministry of Agriculture, Fisheries and Food, however, the problem remains that extra funds as set out in paragraph 3 will have to be found if the food stockpile is to be rebuilt. The Minister of Agriculture, Fisheries and Food has registered a bid on the Contingency Reserve; but Cabinet have already decided that the 1979-80 level of the Reserve should be reduced and that new expenditure should not be financed from it unless the Chief Secretary or Cabinet itself decide otherwise. If Ministers decide that the Contingency Reserve should not meet the cost, the extra funds would have to be created by offsetting savings by the Ministry of Agriculture or other Departments.

6. It would be normal PES practice to look first to the Ministry of Agriculture for such offsetting savings. But the Minister has taken the view that any savings made by his Department should not be used to finance a project which he regards as a collective responsibility. Other possible candidate Departments are the Home Office and those other Departments incurring civil defence expenditure under PES Programme 9, and the Ministry of Defence. None of these Departments can, however, offer any savings at present.

7. If deliberate savings are not available, it might be possible to offset the costs against firm forecast underspending which might take place in the current year either on a Ministry of Agriculture programme or the programmes of other Departments. But it is early in the year for Departments to be able to predict likely underspending, and at present there is no evidence that underspending will occur except on one Ministry of Agriculture item. Because the

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Effects of a strike by computer staff were less than expected the Ministry of Agriculture now predict that about £8.5 million of their allocation will remain unspent in 1979-80. This particular element originally formed a claim on the Contingency Reserve and the surplus should strictly be added back to the Reserve. But Ministers may feel that it could reasonably be used for part of the food stockpile rebuilding.

Conclusions

8. If Ministers confirm

- a. that the stockpile should be rebuilt as proposed;
- b. that advantage should be taken of the lower 1979 price for sugar;

then unless they are prepared to authorise use of the Contingency Reserve the only possibility would seem to be to ask the Minister of Agriculture to find offsetting savings in 1979-80, notwithstanding his view that the project is a collective responsibility.

9. Failing that it would be possible to complete at least part of the programme, provided Ministers agree to treat the Ministry of Agriculture's underspend as available. That would allow about half the proposed quantity of sugar to be bought, as well as a minimum quantity of salt and yeast, plus the necessary action to be taken on re-refining fats.

10. A decision on the lines of para 9 above could be complemented by a further decision in principle now to enhance the partial rebuilding programme to the extent that in the course of the autumn further firm underspendings become apparent in the programmes of any of the relevant Departments. The Ministry of Defence have already said that they would be prepared to transfer £2-£3 million from their cash limit if, in early October, their forecast out-turn showed that the risk of programme cuts on Defence seemed low. But there could be no certainty that any windfalls of this kind would become available in time for sugar purchasing to be completed this year.

11. The only essential expenditure in 1980-81 will be on further re-refining of fats. This could be accommodated within the Ministry of Agriculture's existing

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PES total, provided that EEC levy rebate is also available as a result of at least half the programme of sugar purchase being carried out this year. Stockpile expenditure in 1981-82 and later years should be considered in the next stage of the PES process.

12. The immediate problem is therefore what action to authorise now for 1979-80. Ministers are invited to decide between (i) the course in paragraph 8 above and (ii) the course in paragraph 9; ^{and} ~~plus~~ in the latter case to decide whether or not to endorse paragraph 10 as well.

23 August 1979

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Copy No 1 of 25 copies

Reference 12

Page 1 of 2 pages



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BF 7.8.79

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-330-7020X 218 2111/3

SECRET

1st August 1979

MO 21/8/5

ASPM 24.
GWS
9/8

Dear Mike,

STRATEGIC FOOD STOCKPILE

In his letter of 25th July to Garth Waters (Ministry of Agriculture, Fisheries and Food) Bryan Cartledge recorded the Prime Minister's suggestion that the Official Committee on Home Defence should consider further the financial aspects of rebuilding and enlarging the strategic food stockpile. Mr Pym would welcome an examination of this problem by the Committee.

Mr Pym was also most interested in the suggestion that additional funds for such measures might be added to the Defence Vote. There could be circumstances in which, if the sum involved was a substantial one, such a course might have presentational advantages. On the other hand, the food stocks are held primarily for the civil populace and are closely associated with Home Defence. This area has never been included in the definition of the Defence Budget used by us or our NATO allies and could lead to misapprehensions in NATO about our motives. There may also be possible technical problems. For these reasons the Defence Secretary believes that the balance of advantage lies with continuing the present arrangements for the allocation of this expenditure.

/ I am ...

Mike Pattison Esq
No 10 Downing Street

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Page 2 of 2 pages

I am sending copies of this letter to the Private Secretaries to other members of OD, to the Chief Secretary, the Minister of Agriculture, Fisheries and Food and to Martin Vile (Cabinet Office).

Yours sincerely,

John Gutteridge
(J D GUTTERIDGE)

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Defence ✓ MFD 11
31/7/79



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

From the Minister's Private Office

Bryan Cartledge Esq
Private Secretary
10 Downing Street
Whitehall

D. G. 5/7/79
h/w

31 July 1979

Dear Bryan,

STRATEGIC FOOD STOCKPILE

Thank you for your letter of 25 July. My Minister agrees that the financial aspects of rebuilding the stockpile should be referred back to the Official Committee on Home Defence. If others agree to this course, it is important that officials should then make recommendations very quickly since it is unlikely that any large purchase and import of sugar could be completed during 1979 unless work began during the first half of September.

In view of the comments in the Lord Privy Seal's letter of 19 July I should perhaps make it clear that buying levy paid (white) sugar from the world market as my Minister suggested in his minute of 6 July would probably rule out buying commonwealth sugar. They produce very little white sugar, probably none of suitable quality, and what we should be likely to get would be EEC white sugar on which export restitutions had been paid: our Community partners would probably find this objectionable, but it would be perfectly legal and in our interest.

I am sending copies of this to the Private Secretaries of the other members of OD, the Private Secretary to the Chief Secretary and to Martin Vile of the Cabinet Office.

Yours sincerely

G R Waters

G R WATERS
Principal Private Secretary

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10
✓ MAP
Defence

Treasury Chambers, Parliament Street, SW1P 3AG

27 July 1979

Bryan Cartledge Esq
10 Downing Street
LONDON
SW1

Dear Mr Cartledge,

STRATEGIC FOOD STOCKPILE

Your letter of 25 July suggests the the Official Committee on Home Defence should consider the financial side of the future of the strategic food stock pile with the intention to report to Ministers by the end of August on the source of any additional money which may be necessary. The Financial Secretary, who has been asked by the Chancellor to deal with this, is content with this course.

Copies of this letter go to the recipients of yours.

Yours sincerely,

P Diggle

P C DIGGLE
Private Secretary

SECRET ^A

DSG



Defence 9

10 DOWNING STREET

From the Private Secretary

25 July 1979

Dear Grah.,

Strategic Food Stockpile

The Prime Minister has seen the Minister of Agriculture's minute to her of 6 July about the strategic stockpile of food. She has also seen and taken note of the Financial Secretary's letter of 11 July to Mr. Walker, Mr. Walker's reply of 17 July, the Defence Secretary's letter to Mr. Walker of 11 July, the Home Secretary's letter to him of 16 July and the Lord Privy Seal's of 19 July. In addition, the Prime Minister has seen the note on the review of the levels of stocks in the food stockpile by the Official Committee on Home Defence dated 20 June.

Having considered all these papers, the Prime Minister would like to suggest to her colleagues in OD that the Official Committee on Home Defence should now be asked to consider further the financial aspects of the rebuilding and marginal enlargement of the strategic food stockpile with a view to making, as a matter of urgency, a recommendation to Ministers as to where, on the basis of the Government's normal financial procedures, the cost should fall. The Prime Minister considers that this recommendation should be prepared before the end of August so that if the recommendation is approved, the necessary action can be authorised in September and completed before the end of the year.

The Prime Minister suggests that if extra money is required to meet expenditure which goes beyond the normal maintenance of the strategic food stockpile, this might be added to the Defence Vote rather than to the Ministry of Agriculture's Vote.

If the Prime Minister's colleagues in OD agree that the matter should now be referred back to officials, I should be grateful if the Cabinet Office would arrange for the necessary work to be put in hand as soon as possible.

I am sending copies of this letter to the Private Secretaries to the other members of OD, to the Private Secretary to the Chief Secretary and to Martin Vile (Cabinet Office).

Yours sincerely,
G. R. Waters

RB

G. R. Waters, Esq.,
Ministry of Agriculture, Fisheries and Food.

SECRET

O/O



Civil Service Department,
Whitehall,
London, SW1A 2AZ

*With the Compliments
of the
Private Secretary
to the
Lord President of the Council*

SECRET



Defence 8

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

23 July 1979

Garth R Waters
Private Secretary to the
Minister of Agriculture
Whitehall Place
LONDON SW1A 2HH

*Noted
GWA
29/7*

Dear Garth,

FOOD STOCK FILE

The Lord President has been following the correspondence which started with your Minister's letter of 6 July.

The Lord President has no doubt that we need to replenish our stockpile of food. To do otherwise would be folly, to say the least, in his view with the unknowns which lie ahead.

I am copying this to Tim Lankester at No 10, Private Secretaries to members of OD, the Chief Secretary and Martin Vile in Sir John Hunt's office.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY
Private Secretary

SECRET

7 1

Prime Minister

Agree with 'X' in para. 4? JWS.

24/7

Ref. A024

MR. CARTLEDGE

Strategic Food Stockpile

You asked for advice on the problem described by the Minister of Agriculture in his minute to the Prime Minister of 6th July and letter to the Financial Secretary of 17th July. The Financial Secretary's views are contained in his letter of 11th July and those of the Secretary of State for Defence, Home Secretary and Foreign and Commonwealth Secretary in theirs of 11th, 16th and 19th July respectively.

2. The Official Committee on Home Defence recommended in June that the stockpile should be rebuilt and marginally enlarged, at a cost now estimated at £14 million. The major item is the replacement, at a cost of £8.5 million, of sugar used by the last Government in 1974 to ease the then sugar shortage. Because of a change in EEC provisions applicable, the cost of doing that will be substantially lower if action is taken before the end of this year. Unfortunately, the Official Committee made no recommendation about who should pay. Mainly because of this, Treasury Ministers have not yet agreed. Otherwise Ministers from the Departments concerned are all in favour of the proposal.

3. If Ministers needed to consider this minor matter collectively, the proper forum under present arrangements would be OD. But that will not be practicable before the Recess and would in any case be using a sledgehammer to crack a nut.

4. The Prime Minister may therefore like to suggest to her colleagues that the matter be referred back to the Official Committee for an urgent recommendation on where, on the basis of the Government's normal financial procedures, the cost should fall. Officials could be asked to produce the answer by the end of August so that action can be authorised in September and completed before the end of the year. Pace Mr. Walker, the answer seems almost certain to be that the cost should fall on the Ministry of Agriculture Vote. They are responsible for the stockpile and its normal running costs have always fallen on their Vote. Even if the present expenditure goes somewhat beyond ordinary maintenance, there seems no reason why they should not continue to pay. The fact that the stockpile is

[A]
[B]
[C]
[D, E, F]

[G]

X

primarily maintained for defence/civil defence purposes is irrelevant. There is an almost exact parallel in the stockpile of pumping and other equipment for maintaining water supplies in emergency conditions such as war, which is paid for by the DOE.

5. The food stockpile is maintained because of the strategic i.e. wartime requirement. Since it exists, however, there is of course the possibility of using it for other purposes. It has once been used (in 1974) for relieving a market shortage. The possibility of using it in other contingency situations, e.g. to relieve shortages during a prolonged strike, has been considered by officials in the past but no decision ever taken. Arrangements are now in hand for this point to be brought forward for Ministerial consideration in the Civil Contingencies Unit, as part of the current review of contingency plans which will be completed before the winter.

JOHN HUNT

John
Done - refer back to officials
if extra money is
required - you might consider
to use defence work - it would
help SDS for defence
part.

23rd July, 1979

6a



Foreign and Commonwealth Office
London SW1A 2AH

19 July 1979

L. Peter,

*Off when
advt received
8/24
20/7*

STRATEGIC FOOD STOCKPILES

I have seen your letter of 6 July to the Prime Minister.

This is largely a matter for my colleagues in the Home Departments. I agree, however, that we should take steps to replenish and maintain our emergency stockpiles which are an integral part of our war planning arrangements. I also agree that we should take early action to restore the proper level of the sugar stockpile.

As I understand it you propose to increase the sugar stockpile in the current year by importing from Commonwealth sources. I take the point which you make about the relative cost of doing so now rather than later. We may run some risk of accusations from the EEC, which also has sugar available, of favouring the Commonwealth. But we clearly must buy wherever is cheaper. If that proves to be from outside the EEC, we should certainly stand ready to meet any EEC criticisms.

I am sending a copy of this letter to the Prime Minister, all other members of OD, the Chief Secretary and to Sir John Hunt.

*your ✓
la.*

The Rt Hon Peter Walker MBE MP
Minister for Agriculture,
Fisheries and Food

S E C R E T

Defence 6



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

Nigel Lawson Esq MP
Financial Secretary
Treasury
Great George Street
London SW1

*Award advise
for
1979*

17 July 1979

Oliver

Thank you for your letter of 11 July.

I am sorry if I did not make my position clear in my letter of 6 July. I have no difficulty in accepting the recommendations of the Official Committee on Home Defence. My comments were intended to say that, if the Stockpile is to be replenished, it should be done more quickly than the official paper envisaged because replacement of the sugar during the 1979 calendar year would be much the cheapest course and (assuming that there are no remaining technical problems) the early acquisition of yeast and salt would put the Government in a better position to deal with any civil emergencies next winter.

But I do again emphasise that the need for a stockpile, and the restoration of its level, are aspects of our policy on defence and national security and go beyond any purely departmental responsibilities. The Official Committee of course included all the Departments concerned and their recommendations were made in the light of their examination of the current defence and civil contingency needs.

As regards the consideration of costs, I take your point that we must first have the views of other OD members (Francis Pym had already given his) on the recommendations by officials together with any comment they may wish to make about my suggestion that, if it is decided to act, we should act on sugar, yeast and salt straight away. But I thought it right to ask for a very early decision by the Cabinet because time is now getting very short if any practical action to carry out the decision is to be taken this year.

Before the Summer recess we must decide whether to replenish the stockpile of sugar in 1979, and we must also decide on the finance to be made available for the other items. There is also the question of our additional bids for 1980/81 which require a decision

as part ./...

as part of our general review of expenditure in that year.

My general point about stockpile policy is again relevant to the cost. It is within the scope of our defence and law and order policy - a point which is not in dispute - and I could not finance stockpile measures by further cuts in the budget for normal agriculture and food items.

I am copying this letter to the Prime Minister, all other members of OD, and Sir John Hunt.

A handwritten signature in dark ink, appearing to read 'Peter Walker'. The signature is fluid and cursive, with a large initial 'P' and 'W'.

PETER WALKER

SECRET

Dalmeida

5



QUEEN ANNE'S GATE LONDON SW1H 9AT

16 July 1979

Dear Peter STRATEGIC FOOD STOCKPILE

I strongly support the proposal in your letter of 6 July to the Prime Minister that we should speedily restore the strategic food stockpile; apart from the defence argument mentioned by Francis Pym, the possibility of some emergency during the forthcoming winter requiring us to draw on the stockpile makes this decision in my view extremely desirable.

I am copying this letter to the Prime Minister and other members of OD, the Chief Secretary and to Sir John Hunt.

A handwritten signature in cursive script, appearing to read "Peter Walker".

The Rt. Hon. Peter Walker, MBE., MP.

SECRET

SECRET

Copy No 2 of 27 copies

4

Page 1 of 1 page

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-216 5000 2111/3
DIRECT DIALLING 01-216

SECRET

MO 21/8/5

11th July 1979

Dear Peter,

John Galt

Thank you for sending me a copy of your letter to the Prime Minister of 6th July about the strategic stockpile of food.

As a matter of principle my own Department supports measures to enhance the overall defence posture of this country, and we would certainly endorse this improvement in the civil sector. Moreover, it seems to make financial sense to replenish the sugar stockpile this year rather than later.

I am copying this to the Prime Minister and other members of OD, the Chief Secretary and Sir John Hunt.

Francis

Francis Pym

Francis Pym

The Rt Hon Peter Walker MBE MP

SECRET

SECRET



3

Treasury Chambers, Parliament Street, SW1P 3AG

11 July 1979

The Rt Hon Peter Walker MBE MP
 Minister of Agriculture
 Ministry of Agriculture Fisheries and Food
 Whitehall Place
 LONDON
 SW1

Mr. Lawrence

→ SA

Ben

1/7

John Peter

FOOD STOCKPILES

I have seen a copy of your letter of 6 July to the Prime Minister suggesting that the cost of accepting the recommendations of the Official Committee be taken into account when the Cabinet considers the PES report on 12 July.

As OD has yet to consider the recommendations of the Official Committee, it seems to me premature to raise the financial implications of accepting them in Cabinet at this stage. In any case I see that you envisage almost all of the expenditure involved falling in 1979-80 and Cabinet will be dealing with 1980-81 tomorrow. I hope, therefore, that you will not feel it necessary to pursue this point tomorrow.

I note that your letter does not explicitly endorse the Official Committee recommendations or touch on the wider question, which will no doubt also be considered collectively, of whether it is essential to maintain a stockpile at all. Until I have seen the reactions of the Home Secretary and the Secretary of State for Defence, the other Ministers most directly involved, I do not feel able to come to a conclusion on the merits of the Official Committee recommendations, but I should stress that I should want to see any expenditure in 1979-80 met by means other than recourse to the Contingency Reserve and similarly, expenditure in subsequent years contained within the reduced PES totals.

I am copying this letter to the Prime Minister and to members of OD Committee.

Yours Ever
Nigel
 NIGEL LAWSON

2

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

SECRET

PRIME MINISTER

/and

My Department is responsible for the administration of the strategic stockpile of food. In this role I act in support of our defence/national security policies, carrying out such collective decisions as are taken in that context. If these policies now call for increased public expenditure on the stockpile, the cost cannot be held to be directly chargeable against my Department.

Unfortunately, the previous Government raided this larder and did not replenish it.

The official committee on Home Defence have recommended that the sugar stockpile should be restored to its pre-1974 levels (I attach a copy of the Committee's paper); a start should be made on a turnover of the fats and biscuits stockpiles; the stock of yeast should be increased; and the feasibility of a salt stockpile should be examined. This action would in their view be the minimum required to meet current defence needs.

This of course will cost a considerable amount of money.

If it was felt necessary to restore the sugar it would be considerably cheaper to do it this year than over a longer period. This is because under the transitional Community financial arrangements the Exchequer would at the moment retain the levies on third country imports, whilst from 1 January 1980 these levies would be paid to the Community. Replenishment now would cost about £8.5m compared with some £22m later.

There are technical difficulties about yeast, and salt has not been stockpiled in the past although its shortage last winter seriously endangered food supplies during the lorry drivers strike.

The existing/

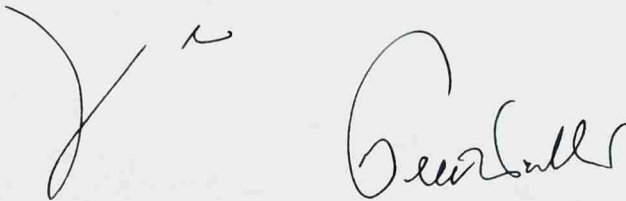
The existing stocks of fats and biscuits have to be processed to keep them in useable condition.

It is my intention to have a look at the whole efficiency of the storing and maintenance of our stockpiles and I am contemplating in asking somebody from outside the Department to do this for us.

The cost of replenishment of the sugar stockpile this year and of the other recommendations made by the official committee would be about £14m. This should be a charge on the contingency reserve.

If colleagues believe that the action recommended by the official committee is necessary for defence reasons and to help us deal with any emergency during the forthcoming winter, a speedy decision will be required. The cost might appropriately be taken into account when Cabinet considers the PES report on 12 July.

I am copying this to all members of OD, the Chief Secretary, and Sir John Hunt.

A handwritten signature in dark ink, appearing to read 'Peter Walker', is written in a cursive style. The signature is positioned to the right of a large, stylized handwritten mark that resembles a 'Y' or a checkmark.

PETER WALKER
6 July 1979