



10 DOWNING STREET

THE PRIME MINISTER

13 March 1981

40
Dear Mr Parry,

I thought that I should send you, on a personal basis, the attached letters to Trevor Jones and the Archbishop of Liverpool, about Tate and Lyle and the employment situation in Merseyside more generally. I know that you will be disappointed by the conclusion we have reached about the refinery, but I should like to assure you that we have devoted a great deal of time and effort to examining all the alternatives which have been proposed. I am sure that we have come to the only possible conclusion; what is important now is that we should press ahead with all possible speed with the initiatives we are already taking to help the area. We are determined to do so.

Yours sincerely,

Raymond Storer

Robert Parry, Esq., M.P.

289



10 DOWNING STREET

THE PRIME MINISTER

13 March 1981

Dear Nelson,

I wanted you to see the attached letters which I am sending to Trevor Jones and the Archbishop of Liverpool about Tate and Lyle. I have tried to set out our position in full in both letters.

- We are doing everything we can to help.

I am copying this letter and its enclosures to Lynda Chalker, Anthony Steen and David Hunt.

Yours ever

Margaret

Malcolm Thornton, Esq, MP

203



10 DOWNING STREET

THE PRIME MINISTER

13 March 1981

RA
Your Grace.

Thank you for your letter of 1 March about the closure of Tate and Lyle sugar refinery.

I fully understand your wish to ensure, by making an approach to me, that every possible means open to the Government to avert this closure is properly considered. I am very well aware of the seriousness of the unemployment situation in Liverpool, and of the fact that the closure of this long established plant may have a psychological impact which is greater even than the number of job losses involved would suggest.

As you know, I have asked all the delegations who sought meetings with me to see Peter Walker, who has been closely in touch with Tate and Lyle management and employees from the outset and who is best able to respond to detailed questions about the effects on the problems of the refinery of European Community regulations and the possibility of changing them. But I have been aware throughout of the importance of the issue and have received full reports of his meetings as well as holding meetings myself with Bob Parry and other local MPs.

I am afraid, however, that none of these discussions have revealed any action which I could take which would prevent or delay the closure. The refinery suffers from the inherent disadvantage that, unlike those at London and Greenock, it is not on the dock side and its plant is in urgent need of modernisation. Tate and Lyle are unwilling to put any of their money into a modernisation scheme because they do not envisage that the capacity at Liverpool will be needed.

/Tate and Lyle's
DSC

Tate and Lyle's current over-capacity has arisen from the decline in the demand for their products on the United Kingdom market and from a change in the relative prices for raw and refined sugar on world markets which has made it no longer profitable for them to import raw sugar for re-export after refining. There is no way in which the Government could affect the world market situation. To create extra demand on the United Kingdom market, it would be necessary either to negotiate an even bigger cut in the quota set under the Community sugar regime for UK beet producers than has already been accepted or to adopt the suggestion referred to in your letter of exporting some UK production.

The first possibility would add to the redundancies which are already taking place in the beet sugar industry. The Trade Unions and both sides of the House, when the question was debated in Parliament, were agreed that this would not be the right way to seek to solve the problem.

The main objection to the second possibility, that of exporting more sugar from the United Kingdom, is not the attitude of the ACP countries - although it is true that they have insisted in their contracts with Tate and Lyle that the cane sugar they supply under the Protocol to the Lome Convention should not be exported - but the fact that both Tate and Lyle and the British Sugar Corporation obtain a higher price by selling on the home market.

I cannot direct the British Sugar Corporation to incur a loss in order to ease the problems of Tate and Lyle. But it has been suggested that the problem could be overcome by persuading the European Community to pay a higher rate of export subsidy on sugar exported from the United Kingdom than is paid in surplus areas, where market prices are lower, or that the Government should introduce a nationally-financed subsidy to top up the Community subsidy.

/As you

As you will recall, a suggestion on these lines was made at the meeting you attended with Peter Walker on 17 February and we have examined the possibility in more detail since then. This examination has, however, only confirmed that his initial reaction was right. The sugar regime is designed to manage the Community market as a whole and it is a fundamental principle of it that aid given to exports should be the same over the whole of the Community so that exports take place at minimum cost from surplus areas. It would run directly contrary to this to introduce, at national or Community level, export aids which were designed to distinguish between one region of the Community and another and encourage exports to take place from deficit areas where market prices are relatively high. And even if we were allowed to bring in a national subsidy, the cost would be extremely high.

Against this background, I have had to conclude that unless Tate and Lyle are prepared to incur the losses involved in the continued operation of this refinery, closure is inevitable.

I am, however, deeply concerned about the general economic situation on Merseyside; and we are doing everything we can to speed up the initiatives we are taking to provide some alleviation for the area. I am glad to say that the Order formally establishing the Urban Development Corporation is to be debated in the House of Commons next Thursday; and I hope that the outstanding issues concerning the setting up of the Enterprise Zone at Speke can be settled very shortly. It is crucial for Merseyside that these two initiatives are a success: we for our part will do everything we can to make them so.

Yours sincerely
Margaret Thatcher

His Grace The Archbishop of Liverpool



10 DOWNING STREET

THE PRIME MINISTER

13 March 1981

Mr. Sir Trevor.

Thank you for your letter of 23 February.

I have looked very carefully into the whole question of the Tate & Lyle refinery closure, and I have had to conclude that there is nothing the Government can do to ensure that the refinery is kept open. I understand that the reasons for this were fully explained by Peter Walker when you brought a delegation to see him on 17 February.

Assuming the closure goes ahead, this will indeed be a severe blow to Merseyside, and we must do everything possible to accelerate the initiatives we are already taking to provide some alleviation for the area.

You mentioned in your letter the need to speed up the establishment of the Urban Development Corporation and of the Enterprise Zone at Speke.

The Development Corporation will be formally established very shortly: the relevant Order is to be debated in the House of Commons next Thursday. Discussions have been held between the Corporation and the Mersey Docks and Harbour Company on land acquisition, and also with other public bodies within the proposed MDC area. The Corporation's budget has been announced, it is already undertaking engineering studies on several projects, and it is in preliminary discussion with potential developers.

/As regards

MS

As regards the Enterprise Zone, I understand that Tom King wrote to you on 2 March and that your Council is meeting to consider the outstanding issues very shortly. I hope you will agree that an Enterprise Zone at Speke will make a vital contribution to a much needed revival of business activity, and that you will be able to agree with the points made by Tom King. As soon as agreement is reached, a formal invitation to prepare an Enterprise Zone scheme will be sent to your Council and a start made on the formal procedures.

You also mentioned the Albert Dock redevelopment and the fact that the developer is anxious to make an early start. I understand that the public inquiry was in fact postponed at the developer's request; but Michael Heseltine has told me that he fully recognises the need for a speedy decision.

Finally, you raised the question of the location of the proposed Datsun factory. This is really a matter for the Nissan Motor Company, assuming the outcome of their current feasibility study is satisfactory. They have expressed a preference for a location in a Special Development Area or Development Area, and they are being advised on this and other matters by independent consultants. The Department of Industry have provided advice to local authorities and regional promotional bodies on the best way in which potential sites for the factory can be presented to the consultants; I understand that the Merseyside authorities are already in touch with the Department on this.

I hope that what I have said above will give you some reassurance that we are very concerned about the Merseyside situation, and that we are doing what we can to help. I have been kept fully informed of the Tate & Lyle situation by Peter Walker, by Keith Joseph on other industrial closure issues and by Michael Heseltine on the Development Corporation and Enterprise Zone proposals. I have also seen several MPs from the area.

/I am afraid

I am afraid I cannot agree to the meeting you propose. It is, I believe, much better if particular issues affecting Merseyside are pursued with the Ministers primarily concerned. But in any case, there are very many people asking to see me to discuss the problems of their areas; and if I see one group, it will be very hard for me to refuse to see others.

Yours sincerely

Margaret Thatcher
