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From the Chairman

27th February 1981

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

Dear Margaret

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

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

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

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

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

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

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

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

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

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

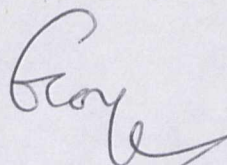
Whilst emotionally we all share your sympathy with the plight of Liverpool I feel that I would be failing in my duty as Chairman of Tate & Lyle if I allowed the unprofitability of Liverpool refinery to pull down the Group. Last year the operation of Liverpool refinery reduced the profitability of the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

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

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

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

Yours truly



JELlicoe