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*See head 1.*



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

*Prime Minister*

*How much is the levy?*

Mike Pattison Esq  
10 Downing Street  
LONDON

*In the light of these further clarifications,*

*27* February 1981

*May Mr Younger go ahead? (Sir K Joseph's report of the discussion is below)*

*ms*

*Dear Mike,*

*MAP 27/2*

PROPOSED SEED POTATO DEVELOPMENT COUNCIL

Thank you for your letter of 25 February referring to the Secretary of State for Industry's report of the E(EA) discussion.

Support for the proposed Council is in fact strong among the smaller producers. Opposition to the proposal came from a small number of the relatively large merchant growers who form an important part of the industry. They did not participate in the work of the original voluntary association. Their trade organisation has, however, now withdrawn its original opposition and the industry seems pretty well united in its approach. It has always been stated very clearly that there will be a compulsory levy and this is well understood throughout the industry. There is now a reasonable expectation of a favourable vote in favour of setting up a Development Council.

The proposed poll of producers would make the features of the proposed Development Council clear and would leave no doubt amongst all concerned that a statutory levy is involved. My Secretary of State's intention is that the results of the poll should be correlated with the area of seed potatoes produced by each producer responding to it. Hence it would be possible to consider the results both in terms of numbers of producers and of the volume of production which they represent. The majority of small producers have already expressed very widespread support for the concept by their support and financial contributions to the voluntary association but, in any event, it would not be the Secretary of State's intention to proceed on a weighted basis with the outcome decided by a minority of producers controlling a majority in terms of the area. The Secretary of State shares the Prime Minister's concern about the imposition of a compulsory levy, although it is of course a common feature of agricultural marketing both here and abroad, and he will wish to satisfy himself that there is, in fact, broad accord within this small industry on the best way forward.

Subject to the Prime Minister's agreement, my Secretary of State would very much like to announce the proposed poll on Friday, 6 March when Lord Mansfield will be addressing the AGM of the National Farmers' Union of Scotland. The Union warmly support the Development Council proposal and have been pressing for some time for an indication of the Government's view. The announcement would be a helpful indication of the Government's positive readiness to assist the industry with its marketing problems, particularly against the background of acute financial difficulties in Scottish farming.

Copies of this letter go to the recipients of yours.

*Yours sincerely  
John Wilson*

JOHN S WILSON  
Private Secretary

SCOTTISH AIR MAIL  
POST OFFICE, GLASGOW

27 FEB 1991

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10 DOWNING STREET

From the Private Secretary

23 February 1981

Dear Godfrey

The Prime Minister was grateful for the Secretary of State for Industry's report on the discussion in E(EA) of the proposal for a Scottish Seed Potato Development Council, in his minute of 20 February.

She is nevertheless unhappy about this proposal. She has enquired how much opposition is likely to be shown to the idea of a compulsory levy. She intensely dislikes such levies, and she notes that small producers are expected to be antagonistic. It would be helpful to know whether the proposed poll of producers allows any sort of weighting for the larger producers, and whether the poll will make it clear that the proposed arrangements will involve a compulsory levy.

I am sending copies of this letter to Ian Ellison (Department of Industry), Kate Timms (Ministry of Agriculture, Fisheries and Food), Geoffrey Green (Civil Service Department) and David Wright (Cabinet Office).

Yours ever

Mike Pattison

Godfrey Robson, Esq.,  
Scottish Office.

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PRIME MINISTER



PRIME MINISTER

PROPOSED SCOTTISH SEED POTATO DEVELOPMENT COUNCIL

*How much opposition will there be to a compulsory levy? I dislike them in levies and note the attitude of small producers not.*

Discussions about this have been going on for some time. Contact for Mr Younger to go ahead as E(EA) agreed (para 4)?

*MS 20/2*

~~E(EA)~~ discussed at its meeting on 5 February a proposal by the Secretary of State for Scotland, in E(EA)(81)1, for the establishment of a statutory Scottish Seed Potato Development Council. (E(EA)(81) 1st Meeting, Item 5). The Sub Committee concluded that the creation of such a body was justified but, since it would be a quango, I undertook to report our views to you. I have delayed doing so because the Secretary of State undertook first to consider whether the creation of such a statutory body might be precluded by the present competition and fair trading legislation; he has now confirmed to me that this is not the case.

2 Briefly, the Scottish seed potato industry is an important sector of agriculture which, for a variety of reasons, is now facing increasing competition from European seed potato producers. There is general agreement in the industry that better co-ordination of its marketing efforts is required, if it is both to overcome this competition and to increase exports. The voluntary association set up by the industry for this purpose in 1979 has, however, been undermined because a number of smaller producers have refused to pay the association's levy while, of course, benefitting from its efforts. The Secretary of State has carefully explored both the scope for improved voluntary action by the industry and the /possibility ...

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possibility of achieving the desired outcome by means other than the establishment of a quango, but has concluded that there is no alternative to the establishment of a statutory Scottish Seed Potato Development Council. E(EA) considered carefully the criteria against which the case for the establishment of such a body should be considered, as set out by the Minister of State, Civil Service Department in E(EA)(81)2, and concluded that these were all satisfactorily met in the present case. These criteria were that the function was essential and that a quango was the most appropriate way to do the job; that a voluntary body, organised by the industry itself, could not cope; and that the decision would not stimulate demands for similar bodies, which would be hard to resist, from other agricultural sectors in the United Kingdom.

3 Although the proposed Development Council would be a new quango its powers would be limited essentially to the power to collect a compulsory levy from the industry as a whole; this is necessary to overcome the problem faced by the voluntary association, but unfortunately means that it must be a statutory body. The Council would not be empowered to examine a company's books or to collect statistics. No public expenditure would be involved in its creation, and the Secretary of State estimates that it might even lead to some small reduction in the numbers of staff employed by his Department. The members of the Development Council would be appointed by the industry itself and not by the Secretary of State.

4 If you are content, the next stage is for the Secretary of State to carry out a poll of seed potato producers. Only if this shows a clear majority in favour of the establishment of a statutory council



will he proceed to make an Order under the Industrial Development and Organisation Act 1974.

5 I am sending a copy of this minute to colleagues on E(EA), and to the Minister of Agriculture, the Minister of State, Civil Service Department, and Sir Robert Armstrong.

*KJ*

20 K J  
February 1981

Department of Industry  
Ashdown House  
123 Victoria Street



20 FEB 1981

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E (EA)(81) 1<sup>st</sup>

5.2.81

Item 5.

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Govt Mach

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5. PROPOSED SCOTTISH SEED POTATO DEVELOPMENT COUNCIL

The Sub-Committee considered a Note by the Secretary of State for Scotland (E(EA)(81) 1) seeking approval to the establishment of a statutory Scottish Seed Potato Development Council; and a Note by the Minister of State, Civil Service Department (E(EA)(81) 2) setting out the criteria which, in his view, the Sub-Committee would wish to consider before agreeing to the establishment of a new "quango".

THE SECRETARY OF STATE FOR SCOTLAND said that the seed potato industry was an important part of Scottish agriculture. It was already statutorily controlled and entry to the industry was restricted for plant health reasons. There was general agreement in the industry that better co-ordination of its marketing efforts was required if it was to combat imports from Europe. A voluntary association had been established by the industry in 1979 for this purpose, but this had been undermined because a number of smaller producers were reluctant to pay the levy involved although they benefitted from the association's efforts. He had, therefore, reluctantly concluded that a voluntary approach would not work. Other approaches had been explored but the only satisfactory scheme which could be devised was to establish a statutory Scottish Seed Potato Development Council. He therefore sought the agreement in principle of the Sub-Committee to this. As a first step he could carry out a poll of the industry. If a clear majority of producers were in favour of such a council it could then be established by secondary legislation under the Industrial Development and Organisation Act 1947. Although the creation of such a body ran counter to the Government's general policy on "quangos", no public expenditure would be involved and, indeed, it might lead to a small reduction in the number of civil servants employed by his department. The council would be run by the industry itself and he would have no powers to appoint members. Its powers would be very limited, being confined to the ability to collect a compulsory levy from the industry as a whole.

THE MINISTER OF STATE, CIVIL SERVICE DEPARTMENT, said that if the Sub-Committee were to approve the Secretary of State for Scotland's proposal they should first satisfy themselves that the function was essential and that a quango was the most appropriate way to do the job; that a voluntary

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body, organised by the industry itself, could not cope; and that the decision would not stimulate demands for similar bodies, which would be hard to resist, from other agricultural sectors in the United Kingdom.

THE SECRETARY OF STATE FOR INDUSTRY, summing up a brief discussion, said that the Sub-Committee accepted on balance that the proposed Scottish Seed Potato Development Council met the three criteria set out by the Minister of State, Civil Service Department. Subject to the Secretary of State for Scotland's confirmation that such a body would not be considered anti-competitive under the terms of the Competition Act 1980 and other relevant legislation, he would report to the Prime Minister the Sub Committee's recommendation that the proposal should be accepted.

The Sub-Committee -

1. Agreed that, subject to his confirmation that the terms of the Competition Act 1980 did not give rise to difficulties and to the approval of the Prime Minister, the Secretary of State for Scotland should seek the views of the industry on the establishment of a statutory Scottish Seed Potato Development Council, and that if a clear majority of producers were in favour he should proceed as set out in paragraph 9 of E(EA)(81) 1.
2. Noted that the Secretary of State for Industry would draw the views of the Sub-Committee to the attention of the Prime Minister.

Cabinet Office

6 February 1981



Minister of State

The Rt Hon George Younger TD MP  
Secretary of State  
Scottish Office  
New St Andrew's House  
St James Centre  
EDINBURGH EH1 3SX

✓ MAP  
Govt Mach  
Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

9 October 1980

Dear George,

PROPOSED SCOTTISH SEED POTATO DEVELOPMENT COUNCIL

Thank you for your letter of 10 September.

I understand the reasons why the Scottish Seed Potato Association are pressing for a Development Council, and accept that neither the voluntary approach nor the use of the Marketing Board is free from difficulty. But a Development Council surely also involves real difficulties. We are trying to cut down the number of 'quangos' - and in particular 'quangos' of this type with compulsory levies etc. It seems to me in an admittedly small way to run counter to our whole philosophy of cutting down bureaucracy and the role of the State.

What is worse is the precedent that would be set. In your letter you say that other sectors of agriculture will almost certainly press for similar solutions. We could well be faced, therefore, with the prospect of a whole series of new executive, levy-making 'quangos' to be added to the list of bodies set up since the Pliatzky Review.

Alick Buchanan-Smith sets out a possible way for the industry to tackle its marketing problems without requiring a new institution. Could this not be explored? In view of the possible repercussions of going ahead with this particular 'quango', I wonder, if you wish to pursue it, whether colleagues ought not to have the chance of considering it collectively.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, the Minister of State, Ministry of Agriculture, Fisheries and Food and the Secretaries of State for Wales and Northern Ireland.

✓  
ms - Paul

10 OCT 1980



2885 Gout Meel

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



From the  
Minister of State

✓ MAF

The Rt Hon George Younger TD MP  
Secretary of State  
Scottish Office  
Dover House  
Whitehall  
LONDON SW1

23 September 1980

Dear George,

PROPOSED SCOTTISH SEED POTATO DEVELOPMENT COUNCIL

I have seen your correspondence with Paul Channon about the proposal to set up a Development Council for Scottish seed potatoes. It is with some diffidence that I offer my comments because you know far better than I the needs of the Scottish seed potato industry and the degree of support or opposition for the proposals.

I entirely agree that some sort of organisation to improve the promotion and marketing of Scottish seed is essential. Seed potato production is a vital part of Scottish agriculture and we should certainly do what we can to help and encourage the industry to meet the challenge of the future. I was therefore very glad to hear last September of the setting up of the voluntary Scottish Seed Potato Association.

As I understand it, the main argument in favour of replacing the Association with a Development Council is that producer members may be unwilling to continue their financial support for the Association if the rest of the Scottish seed potato industry benefits from its work free of charge. This is a perfectly understandable reaction, but I wonder whether it is inevitable that non-members will benefit from the activities of the Association. If the main purpose of the Association is to improve the promotion and marketing of Scottish seed potatoes, could this not be achieved by identifying seed produced by members, for example by using some sort of logo or kite-mark, and then linking all the promotional effort to seeds bearing that mark? This may well be a more effective marketing strategy than simple generic promotion of Scottish seed potatoes, particularly if the quality of seeds bearing the logo can be demonstrated to be better than that of other Scottish seed.

2/.....

In your letter to Paul Channon you drew a parallel between the needs of the Scottish seed potato industry and those of the apple industry in England and Wales, where the Apple and Pear Development Council is spearheading resistance to foreign imports. But the principal element in the APDC's plan at the moment is a scheme based on voluntary participation by growers and merchants in a marketing campaign using a specific mark (the "Kingdom" mark) which will be backed by a guarantee of quality. The scheme will be financed by the voluntary participants (apart from any assistance we are able to give through the Central Council for Agricultural and Horticultural Co-operation); money raised by APDC's compulsory levy will not be used for this purpose. If, as you suggest, Scottish producers are looking to the APDC as a model, it seems to me that they would be wise to look particularly carefully at the "Kingdom" campaign.

Before any decision is taken on the proposal for a Development Council, I would therefore suggest that further thought be given to the possibility of a scheme based on voluntary participation by producers and merchants using a specific symbol to distinguish their product from that of others.

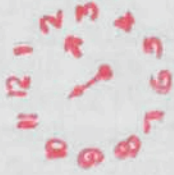
I am copying this letter to the recipients of yours and to Humphrey Atkins and Nicholas Edwards.

Yours ever  
Alick

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ALICK BUCHANAN-SMITH

23 SEP 1980





*NBPM yet MAF Good Medway*  
NEW ST. ANDREWS HOUSE  
ST. JAMES CENTRE  
EDINBURGH EH1 3SX

The Rt Hon Paul Channon MP  
Minister of State  
Civil Service Department  
Whitehall  
LONDON  
SW1A 2AZ

10 September 1980

*Dear Paul,*

PROPOSED SCOTTISH SEED POTATO DEVELOPMENT COUNCIL

Thank you for your letter of 2 September about the possible setting up of a new body under the Industrial Organisation and Development Act 1947.

At this stage this is only a proposition which has been put to me for consideration by an existing Scottish Seed Potato Association representing about half the producers of seed potatoes. I am by no means ready to proceed with the making of an Order largely because of the very difficulties which you mention. Although my officials have already consulted widely with other Departments, I have asked them to consider further whether we could not avoid creating a new "quango". In the meantime, however, it may be helpful if I set out some of the background briefly.

1. Seed potato production and marketing is a vital part of Scottish agriculture.
2. Scottish exports abroad have grown from around 10,000 tonnes to over 60,000 tonnes in the past decade and there is scope as well as need for further expansion.
3. Until recently the industry has been geared almost exclusively to supplying a "captive" English market. Rising unit yields from a steadily reducing area of ware crops have progressively reduced the size of this market for seed.
4. New EC plant health legislation means that EC seed potatoes (primarily Dutch) will compete for the English market.

Thus I think that there is a clear case for some sort of organisation for the industry as a whole to improve marketing of the product so that something like present levels of production can be maintained. This need has long been recognised and my officials have made considerable efforts over the years to foster one. Two or three years ago these efforts began to show results and, with strong support from the Scottish NFU, a voluntary Association was set up

and financed by a levy on the area grown by its members. However, the job to be done is for the benefit of the whole industry and the members of the Association feel that they should not carry the whole burden but should be able to seek contributions from all producers.

I sympathise with this view but the difficulty is to find a mechanism by which it can be achieved. The 1947 Act appears suitable but unfortunately the type of Development Council needed would require that I appoint its members which by definition makes it a "quango" although it would be self-financing and would make no calls whatever on the Exchequer. Before it approached me with the Development Council suggestion the Association had already considered some form of operation under the Potato Marketing Board since the PMB, although essentially a body of ware potato producers, gave valuable support in the formation of the Association and indeed it provides it with its present office accommodation. Similarly consideration was also given to continuing as a voluntary body or some form of co-operative - its formation was greatly assisted by the Central Council for Agriculture and Horticulture through the Scottish Agricultural Organisation Society. The Association however were unable to find an alternative to the proposed Development Council since our Boards, let alone expanded powers for them, are very suspect in the EC and a voluntary organisation does not solve the problem of "free loaders".

It seems almost certain that other sectors of agriculture will similarly seek such solutions and the existence, and indeed recent reconstitution, of the Apple and Pear Development Council which is now spearheading resistance to French apple imports is likely to be seen as a model. Perhaps there should be a new alternative to the Industrial Organisation and Development Act unless you can suggest another existing solution. But the need for a seed potato organisation is very much a present one because lost markets are hard to regain.

I can assure you that I am not yet ready to agree to formal consultations with the industry - and I am aware of the opposition of a special but important sector of grower/merchants - but I do not see any practical alternative to a "quango" for what I consider an important function. Unless another solution can be found I see no alternative but to go ahead on the basis of the present proposal.

I shall be most grateful to hear any suggestions which you or other colleagues may have to make but I feel that I shall be obliged to respond to the proposition before me fairly quickly so that the industry will know where it stands before the end of the year.

I am copying this letter to the recipients of yours.

Yours very,

Camp.



11 SEP 1980





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Guth. Madh.

10 DOWNING STREET

*From the Private Secretary*

8 September, 1980.

The Prime Minister has seen a copy of Mr. Channon's letter of 2 September to your Secretary of State about a proposed Scottish Seed Potato Development Council.

She has asked me to say that on the basis of the information set out in Mr. Channon's letter, she is very much opposed to the creation of such a body.

I am sending copies of this letter to Peter Jenkin (HM Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food), and Geoffrey Green (Civil Service Department).

M. A. PATTISON

Godfrey Robson, Esq.,  
Scottish Office.

8



Minister of State

The Rt Hon George Younger TD MP  
Secretary of State  
Scottish Office  
Dover House  
Whitehall  
LONDON SW1

Prime Minister

Should we say that  
you share Mr Chairman's  
doubts about this  
proposal for a new  
quango?

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

MAP  
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Am very opposed to  
such a body.  
mb

2 SEPT  
~~August~~ 1980

Dear George -

PROPOSED SCOTTISH SEED POTATO DEVELOPMENT COUNCIL

I understand that your officials have been in touch with mine about proposals for setting up a new body - the Scottish Seed Potato Development Council - under the Industrial Organisation and Development Act 1947.

My knowledge of the Scottish seed potato industry is limited, and I am not of course well placed to judge the scale of the problems which the industry faces nor how effectively such a Council would help to solve them. Nor can I readily assess the weight of the opposition which has been expressed in Scotland (and in Parliament) to this proposal - although I see that Bill Walker has an Early Day Motion down expressing serious doubt about going ahead without a fresh poll of the producers.

I am, however, concerned about whether this Council is in principle the sort of body which we should be setting up, bearing in mind the Government's general attitude towards non-departmental bodies and the assurance given by the Prime Minister to the House last January that we would look critically at all proposals for new bodies.

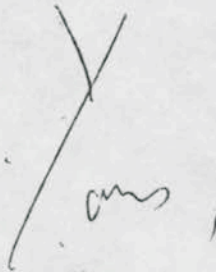
The Council would of course be a new executive "quango", and one with some particularly worrying features - compulsory levies, extra returns and statistics from producers, criminal sanctions for non-compliance. Concern about these features, as found in some existing bodies like Industrial Training Boards, surely lies at the heart of our general policy on non-departmental bodies. I am also worried that such a Council could be seen as a precedent for other sectors of agriculture to seek similar Councils. If so, we might have pressure for several new bodies of this kind.

I do of course appreciate that our policy is to encourage better standards of marketing in agriculture. But to do this, do we

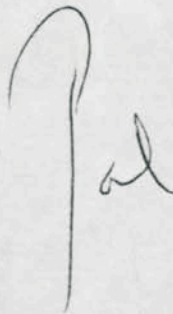
need another quango? Could we achieve our objective, for example, by extending the role of the Potato Marketing Board, or by building on voluntary effort?

You will recall that, at Cabinet on 7 August, the Prime Minister referred to the whole question of new non-departmental bodies. I am wondering, therefore, if you would be prepared to look at this again, in the light of these wider implications, before deciding whether to undertake formal consultations with the industry? Such consultations might well raise expectations and make it more difficult to resist subsequently on grounds of general principle.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and to the Minister of Agriculture, Fisheries and Food.

A handwritten signature in dark ink, appearing to be 'Paul', written in a cursive style.

PAUL CHANNON

A handwritten signature in dark ink, appearing to be 'Paul', written in a cursive style.

3 SEP 1980

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