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MAD

PRIME MINISTER 2.
You asked Sikes to look at this.

FROM SIR LEO PLIATZKY

CONFIDENTIAL

MR PATTISON

EGGS AUTHORITY

I think the Prime Minister is worried about the decision may offend 'small' producers. The majority of them are on the way to bankruptcy. He thinks it is indispensable. Mr Walker disagrees. You could take it up again when Sikes's report is submitted. MAD 24/1/51

1. I think I should let you know that, though I have come to an increasingly firm view that the Eggs Authority should be wound up, the Minister of Agriculture is not ready, I understand, to commit himself to that course. The Eggs Authority will not, therefore, be listed in my report as one of the bodies to be wound up.

2. The approach adopted in the report is to bring together decisions by Departmental Ministers, some of them previously announced and others which will be made public for the first time in the report; it will be for each Minister to justify his decisions to abolish particular bodies and to retain the rest. I will not publicly be making recommendations on particular bodies which are not acceptable to Ministers, though I will suggest some general guidelines for the future which have still to be considered by Ministers. May I, however, set out for the record some of the considerations involved in this case.

3. The Eggs Authority is largely financed by levies on producers, with some money from the Department, and its principal activity is "generic" advertising of eggs, as distinct from advertisements for a particular firm's eggs. The scheme is disliked by the bigger producers but has support among the small producers.

4. The Minister is not wedded to keeping the Authority in existence indefinitely but, if it is to be wound up, he would prefer it to be done without a great deal of protest from the small producers. He is therefore exploring the possibility of a voluntary scheme for collective advertising, but meanwhile is unwilling to adopt a formula of the kind agreed in the case of the National Ports Council; this involves announcement of a decision in principle to wind the body up, but the aim is to implement this decision on the basis of satisfactory voluntary arrangements.

5. The Ministry of Agriculture seem to me to be adopting rather different standards from some other Departments. The Department of Industry have readily agreed on the winding up of the Furniture Development Council, the last of the statutory levy-financed Development Councils for manufacturing industry for which provision was made after the war. The Ministry of Transport, as I have said, have agreed to a formula for the winding up of the levy-financed National Ports Council.

6. The Ministry of Agriculture, on the other hand, intend to maintain a couple of other levy-financed bodies besides the Eggs Authority. Although I have not been able to go into these cases in the same detail, I am inclined to believe, mainly on the basis of the written material which I have had, that the Home Grown Cereals Authority at any rate is an unnecessary piece of bureaucracy which could be wound up with some incidental saving of public expenditure. As regards the Eggs Authority itself, though I can see the presentational advantage of a voluntary arrangement if one could be negotiated before a decision on winding up is announced, I do not think that the decision should be conditional on such an arrangement. Of course agriculture is treated as a special case in most countries. It is, incidentally, an area of policy in which I have had a good deal of involvement over the years, and I accept that in some respects it does require special arrangements, but not to the extent of using state power for the rather trivial purpose of coercing producers into collective arrangements for television advertising. It is quite likely that there will be a political row about the levy quite soon anyway.

7. However, the Minister of Agriculture, who has extended every facility and courtesy to me in this matter, has formed a political judgment which leads to a different conclusion on at any rate the immediate handling of the matter. When my report as a whole is being considered, the Prime Minister will no doubt have in mind the possibility of following up this exercise in the future, on which I will make some suggestions. If the Ministry of Agriculture bodies are retained for the time being, I suggest that the possibility of winding them up as part of such follow-up action should be pursued. Meanwhile my report will merely say something to the effect that the future levy arrangements for the Eggs Authority are being reviewed.

8. I am sending copies of this to the Private Secretary to the Minister of Agriculture, to Sir Ian Bancroft, Sir Robert Armstrong and Mr Brian Hayes.

h.p.

LEO PLIATZKY

29 November 1979

CONFIDENTIAL

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Govt machinery

10 DOWNING STREET

From the Private Secretary

7 December 1979

Dear Sir Leo

The Prime Minister was interested to see your minute of 29 November about the Eggs Authority.

She has commented that the Minister of Agriculture seems to be worried that the decision may offend small producers, but that her guess is that the majority of them regard the levy as an intrusion in the way they conduct their business.

The Prime Minister has noted that, in your full report, you have included the Eggs Authority amongst those bodies which might usefully be given further consideration in a few months time.

I am sending copies of this letter to Garth Waters (MAFF), David Laughrin (CSD), A. G. Kuyk (Private Secretary to the Permanent Secretary, MAFF), and to Martin Vile (Cabinet Office).

*Yours sincerely
Mike Paterson*

Sir Leo Pliatzky, KCB.

CONFIDENTIAL

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Govt made NBPM now
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1
TELEPHONE: 01-839 7711, EXT. 217 3920 *MAP*

2 pps.

CONFIDENTIAL

M Pattison Esq
10 Downing Street
London SW1

19 December 1979

Dear Rieke,

19.12.79.
My Minister noted the comment of the Prime Minister in your letter to Sir Leo Pliatzky. In fact I think it should be pointed out that Sir Leo's own report made it clear that the small producers were very much in favour of the Authority and willing to pay the levy, but the giants were not. On the Authority the small producers are represented by the NFU, the Ulster Farmers' Union and the Scottish NFU, all of whom are unanimous in the importance of continuing the Authority's work in the interests of the smaller producer.

Yours sincerely

Garth Waters

Garth Waters

20 DEC 1979





✓ noted on original

MAD

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01 273 5735 Room 2/72
Switchboard 01 273 3000

M A Pattison Esq.,
Private Secretary to the Prime Minister,
No. 10 Downing Street,
London,
SW1.

20 November, 1979.

Dear Pattison,

EGGS AUTHORITY

1. I regret that the figures in paragraph 5 of my detailed note on the Eggs Authority which Sir Leo Pliatzky forwarded to you undercover of his minute of 19 November are not correct. The third sentence of that paragraph should now read as follows:-

"The main controversy centres round the Authority's promotion of generic advertising, for which it provided £2.4 million in its total budget of £3.1 million in 1978/79".

2. I must apologize for the above error.

*Yours sincerely,
D.R. Morris*

D R MORRIS

From Sir Leo Pliatzky

✓ MAP
NBPM yet 3/1.

MR PATTISON

EGGS AUTHORITY

1. This is an interim response to your minute of 4th September about the Eggs Authority. I think your minute uses exactly the right words in suggesting that this is a body whose existence might usefully be questioned and, though the Ministry of Agriculture may be able to convince me, their initial answers to my questions have not yet done so.

2. Most of the Authority's outgoings are paid for by a levy on production, and the Ministry believe that their own small contribution is a cheap way of getting market intelligence which otherwise they would have to collect themselves at greater cost. The basic question is why the State should impose a levy scheme on this particular industry mainly to finance sales promotion, which in turn is mainly in the form of television advertising - that is to say, when commercial television is functioning. The Ministry argue that this is in the interests of the industry; that it would not happen without Government intervention, because some producers would opt for a free ride; and that the scheme would not continue unless there was a general willingness to pay the levy.

3. The Ministry concede, however, that there are differences of opinion in the industry and I suspect that the opposition to the levy is rather greater than has been made out. I am looking further into this issue.

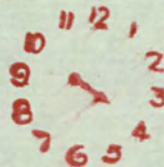
LONDON

L.P.

LEO PLIATZKY

3 October 1979

- 3 OCT 1979





From the Minister's Private Office

Mike Pattison Esq
Private Secretary
10 Downing Street
London SW1

PRIME MINISTER

You queried the future of the Eggs Authority. Shall I draw

MAFF's justification to Sir Leo Pliatzky's attention?

MAP 3/14

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

Yes please no,

3 September 1979

Dear Mike,

Appts. John

Thank you for your letter of 28 August to let us know that the Prime Minister has agreed a one year extension of the appointment of Mr John Phillips, the present Deputy Chairman of the Eggs Authority.

The re-appointment of Mr Phillips does not of course commit the Government to any particular view on the longer term future of the Authority and it was on this basis that Ministers sought the approval of the Prime Minister to Mr Phillips' re-appointment.

The Authority has been considered along with other fringe bodies and the Minister took into account a combination of various factors, including the value of the Authority's work on promotion and market intelligence, the degree of support the Authority receives from the industry and, more particularly, the smaller producers. The industry itself meets the full costs of all the Authority's promotion work and if the Authority were to be abolished it seems unlikely that there would be any saving in Government expenditure, since basic statistics and market intelligence would still be needed by Government and industry.

--- The enclosed note refers to these and other considerations in more detail.

I am sending a copy of this letter and its enclosure to Kenneth MacKenzie (Scottish Office), Mike Hopkins (Northern Ireland Office), George Craig (Welsh Office), David Laughrin (Civil Service Department) and Martin Vile (Cabinet Office).

Yours sincerely
G R Waters

G R WATERS
Principal Private Secretary

EGGS AUTHORITY

Background

1. The Re-organisation Commission for Eggs recommended in 1968 that the Egg Marketing Board should be abolished, that the marketing of eggs should in future be left to the individual firms concerned and that an Eggs Authority to provide sales promotions and market intelligence to all sectors of the trade should be established. The Agricultural Marketing Act 1970 provided for the establishment of such an Authority.
2. The Authority's budget is just over £3m. for 1979/80. Most of this (£2.8m.) comes from a levy on the industry with the balance (£0.27m.) in the form of a Government contribution. The main function of the Authority is to provide sales promotion and market intelligence (with a small amount of research and development work).
3. All the sales promotion is financed by the industry levy. The market intelligence work and related functions are financed 50:50 from the levy and Government contribution. Most of the expenditure on promotion is in the form of generic T.V. advertising,

although a small percentage of the funds are set aside for joint promotion (i.e. a combination of generic advertising funded by the Authority and brand advertising funded by individual companies). The market intelligence work involves the collection, analysis and regular publication of information on throughput at packing stations, prices, demand, etc. together with an analysis of the current market situation and the short term outlook.

4. A multiplicity of trade associations are operating within the industry and there is no focal point other than the Authority within which they can come together. The Authority has also been useful in publicising and smoothing the way for new institutional arrangements including the EEC grading system, which is one of the main features of the EEC Regulations on eggs.

5. Government has twice reviewed the Authority's functions in consultation with the industry. First in 1973 in anticipation of the ending of the guarantee payments on eggs (from which the Authority was then financed). The smaller producers were anxious to see the Authority continue as some protection against the industry becoming dominated by the large companies. The latter - at that time - considered they could better carry out their own sales promotion and market intelligence work. On balance, Government decided that the Authority should continue provided suitable financial arrangements could be worked out and the industry levy system currently in operation was subsequently introduced.

6. A further review was undertaken in 1977/78. This indicated general acceptance that the Authority could perform a useful function and should continue its work, in cooperation with all the interests concerned. The Government accordingly decided (in March 1978)

that the Authority should continue its existing functions.

Consistent with the need for cooperation amongst producers Government also announced its intention to amend (at a suitable time) the Agriculture Act to provide for a simple majority of producers on the Authority.

Consideration

7. It is understandable that in an industry consisting of so many interests and ranging from the large integrated companies (like Imperial) through to the small producer retailers there should be differences of interest and some differences of opinion about the work of the Authority. But since the review in 1977/8 and the appointment of Sir Guy Lawrence as Chairman, a broad measure of agreement has been developed, and virtually all the interests concerned welcomed Ministers' decision on this year's levy. Although this was lower than the amount envisaged in the Authority's original proposals, it represented an increase of 42.5 per cent over the preceding year.

8. If the Authority were abolished, firms would presumably be free to cooperate in promotion or go their own way. In practice, however, substantial promotion would at most probably be confined largely to the big firms and concentrate essentially on brand (rather than generic) advertising, to the disadvantage of the smaller firms. Market intelligence would still be required by the industry and Government about the current situation and likely developments. Although some of the largest companies might be in a position to rely to some extent on their own resources, it is difficult to see how the market as a whole could operate effectively without most of the intelligence currently available

from the Authority. Small firms almost certainly (and large firms probably) would therefore look to Government to provide it. Since at present half the cost of market intelligence is met by the industry it is difficult to see how anything like the same service could be provided by Government without additional Government expenditure. It is in fact a form of Government activity that fits in with the Government's desire to help and encourage small Businesses.

PPP Division
31 August 1979

L-3 SEP 1979





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10 DOWNING STREET

From the Private Secretary

SIR LEO PLIATZKY

In the context of a recent request for the Prime Minister's approval of a new appointment, the Prime Minister's attention was drawn to the activities of the Eggs Authority.

Mrs. Thatcher is herself sceptical about the value of this Authority. She has now seen an explanatory note which I commissioned from the Ministry of Agriculture, Fisheries and Food. I attach a copy.

She has asked me to draw this note to your attention, in case you conclude that the Eggs Authority is a body whose existence might usefully be questioned in the course of your work on quangos.

I am treating this as an internal minute, which is not copied elsewhere.

M. A. PATTISON

4 September 1979