

(1)
PRIME MINISTER

DEAN DOVE LIMITED

Commissioner Sutherland has replied to Mr. Tebbit's letter - see text in the attached telegram. This makes clear that the Commission is bound by the terms of its previous decision and requires the aid given to Dean Dove to be withdrawn. The options are:

(i) Intervention by you with M. Delors

(ii) recovery from Dean Dove all the aid improperly given which would cause closure of the company and the loss of 200 jobs. Dean Dove's proprietors, the Sunflag Group, would then sue for damages and would probably win. DTI believe we would have no legal recourse against the Commission.

(iii) seek to negotiate a deal with Sunflag under which the money is recovered from Dean Dove but Sunflag is given £1.2 million of regional assistance for some other part of its activity in return for an assurance that they will not sue.

DTI and FCO do not believe that further intervention by you or other Ministers has much chance of success. Basically the Commission are right and the fault lies with the Department. The Commission are seeking to enforce the rules on state aid strictly and this is something we should be supporting in principle.

In any case, a decision does not have to be made at this stage as the next step is to see if Sunflag will accept the deal at (iii).

AT

ANDREW TURNBULL

18 January 1985

EUR. POL: Dean Dove: JMS.



10 DOWNING STREET

From the Private Secretary

21 January 1985

DEAN DOVE LIMITED

The Prime Minister has seen the telegram reporting Commissioner Sutherland's reply (UKREP telegram 88 of 14 January). She has noted that your Secretary of State doubts whether further Ministerial intervention would prove effective. The Prime Minister has noted that Commissioner Sutherland has offered to discuss various ways in which the withdrawal of aid to Dean Dove could be brought about. She has asked what he has in mind.

The Prime Minister has asked to be kept informed of the outcome of the further negotiations with the Sunflag Group.

I am copying this letter to Peter Ricketts in the Foreign and Commonwealth Office.

(ANDREW TURNBULL)

Callum McCarthy, Esq.,
Department of Trade and Industry.



DEPARTMENT OF TRADE AND INDUSTRY
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Secretary of State for Trade and Industry

17 January 1985

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

DEAN DOVE LIMITED

Thank you for your letter of 14 January. *attached*

2 My Secretary of State wrote to Commissioner Sutherland on 11 January, and we have now received Commissioner Sutherland's reply (UKREP Telegram 88 of 14 January). This makes clear that the Commission is bound by the terms of its previous decision, and requires the aid given to Dean Dove to be withdrawn. We have discussed with Commission officials what leeway exists within this repeated decision, and whether any accommodation can be reached. It is clear, however, that we have no legal recourse against the Commission. For the moment we believe that no further Ministerial intervention would prove productive.

3 I shall let you know of any developments, including negotiations with the company.

4 I am copying this to Peter Ricketts (FCO).

Yours ever

Callin

M C McCARTHY
Private Secretary

JH4ASB

*Please advise SPE
find*

18 JAN 1985

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TO IMMEDIATE F C O
TELEGRAM NUMBER 088 OF 14 JANUARY.

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DEAN DOVE.

FOLLOWING IS TEXT OF COMMISSIONER SUTHERLANDS REPLY TO
MR TEBBIT'S LETTER OF 11 JANUARY:

"THANK YOU FOR YOUR LETTER OF 11 JANUARY 1985 CONCERNING THE
COMMISSION'S DECISION OF 23 JULY 1984 RELATING TO DEAN DOVE LTD.

YOU WILL APPRECIATE THAT I AM BOUND BY THE TERMS OF THE DECISION
TAKEN BY THE PREVIOUS COMMISSION ON 23 JULY 1984 UNDER WHICH
THE AID IS TO BE WITHDRAWN. FURTHERMORE, I UNDERSTAND THAT IN
NEGOTIATIONS WITH YOUR OFFICIALS OVER THE PAST SIX MONTHS
AND IN ITS LETTER OF 27 DECEMBER 1984 DG IV HAS INDICATED THAT
A PROPOSAL TO PHASE REPAYMENT OF THE AID OVER SEVEN YEARS OR
TO CONVERT IT INTO A LOAN WHICH MOVES GRADUALLY TOWARDS
COMMERCIAL TERMS IS INSUFFICIENT BECAUSE IT MERELY REDUCES
THE INTENSITY OF THE AID WITHOUT ABOLISHING IT. YOU WILL BE
AWARE THAT IN PREVIOUS COMMISSION DECISIONS ON SIMILAR CASES THE
COMPANIES WERE NOT PERMITTED TO RETAIN ANY PART OF THE ECONOMIC
ADVANTAGE OF THE AID.

I AM CONSCIOUS OF THE POLITICAL SENSITIVITY ATTACHING TO THIS
CASE. HOWEVER, BECAUSE OF THE STRUCTURAL DIFFICULTIES OF THE
SYNTHETIC FIBRE SECTOR AND THE FACT THAT THE COMMISSION WILL
SHORTLY HAVE TO DECIDE ON A NUMBER OF SIMILAR CASES I AM OBLIGED
TO MAINTAIN THE STRICT DISCIPLINE WHICH HAS GOVERNED AID TO THIS
INDUSTRY SINCE 1977, AND TO ASK YOU TO ENSURE THAT THE AID IS
WITHDRAWN. HOWEVER, I WOULD POINT OUT THAT THE AID CAN BE
WITHDRAWN IN A NUMBER OF WAYS NOT ONLY THROUGH CONVERSION INTO
COMMERCIAL LOAN.

??

I REGRET THAT THE CIRCUMSTANCES PRECLUDE A MORE FLEXIBLE
REACTION BY THE COMMISSION.

MY SERVICES ARE, OF COURSE, AT YOUR DISPOSAL SHOULD YOU WISH
TO DISCUSS APPROPRIATE WAYS OF CONFORMING TO THE COMMISSION'S
DECISION".

- Ask him what way
He is referring to?
mb

FCO ADVANCE TO:

- FCO - FAIRWEATHER, SAWERS.
- CAB - STAPLETON, LAMBERT, EDWEN.
- DTI - PS/SOFS, PS/MR LAMONT, MOUNTFIELD, CAMELL, D.W.F. JOHNSON,
RILEY, BERRY, ARMSTRONG.

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