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cc Ingham
Wolfson
Heskyns

file B

10 DOWNING STREET

From the Private Secretary

4 March 1981

I enclose a copy of the record of this afternoon's meeting between the Prime Minister and the Chairman of Tate & Lyle.

One of the conclusions of the meeting was that Tate & Lyle would provide £1 million, and hopefully more, towards an enterprise scheme for Liverpool. The Prime Minister would be grateful if the Department of Industry could make rapid contact with Tate & Lyle and assist them in working up a suitable scheme. She has suggested that the Government will need to make a contribution; how much and where the money should come from will need to be discussed between the Department and the Treasury.

I am sending a copy of this letter and its enclosure to Terry Mathews (Chief Secretary's Office, HM Treasury), Ian Ellison (Department of Industry), David Edmonds (Department of the Environment) and David Wright (Cabinet Office).

J. P. LANKESTER

Miss Kate Timms,
Ministry of Agriculture, Fisheries & Food.

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Subject
cc to Master
Seat

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE
CHAIRMAN OF TATE AND LYLE AT NO. 10 ON WEDNESDAY 4 MARCH
AT 1600 HOURS

Present

The Prime Minister
The Secretary of State for
Industry
The Minister of Agriculture
Chief Secretary, Treasury
Sir Brian Hayes
Mr. T.P. Lankester

Lord Jellicoe
Mr. Tomlinson
Mr. Shaw

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The Prime Minister said that she was very concerned about the impending closure of Tate and Lyle's Liverpool refinery. Unemployment in the area was already extremely high and the workforce, which had been very loyal to the company, would feel bitter about the closure. She understood that the company had recently announced a £30 million profit. They could scarcely argue, therefore, that they had been forced to close the refinery. In these circumstances, the closure would be bad for Tate and Lyle's image and for the image of private enterprise generally. She felt that the closure could have major political consequences: it could be the spark that would set off trouble in Liverpool and elsewhere. If Tate and Lyle had been a Japanese company, they would have foreseen the problem that was coming and invested in new activities so as to provide jobs for the refinery employees. She understood that there were strong commercial arguments for closing the plant, but she felt the company should take into account their wider social obligations and at least postpone the closure for the time being. She understood, for example, that they had a private understanding with the ACP countries not to re-export refined sugar - and contrary to what Lord Jellicoe had told her, re-exports were not prohibited under the Lome Agreement; might it not be possible to start re-exporting when these understandings ran out in 1982?

/ But the proposals

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But the proposals for Government assistance to keep the refinery open, put forward in Lord Jellicoe's latest letter, were quite unacceptable.

Lord Jellicoe said that he understood the Prime Minister's feelings. Tate and Lyle's Liverpool employees had indeed been loyal and hardworking, and he agreed that the unemployment situation in Liverpool was terrible. But he resented the criticism that the company had no social conscience. The refinery had been losing money for several years, and they had kept it going much longer than they should have done from a commercial point of view. Although Tate and Lyle as a group had announced profits of £30 million, only £5 million was attributable to their sugar operations. This ^{level of profitability} was quite inadequate to provide the funds for the re-equipping of their London and Greenock refineries. They had given the Government ample warning of the refinery's difficulties, and they had done much to diversify their activities. For example, they had put money into speciality chemicals, into furniture and skateboard plants, and into the acquisition of Ridgeways Tea Company. Some of these diversifications had run into difficulty, but it could not be said that the company had not made a major effort. Given the latest decisions on the sugar beet quota, which they had not questioned, both the company and MAFF now felt that - with the closure - the UK sugar market would be in reasonable equilibrium. He understood from the Prime Minister's recent letter to him that she had accepted they had to take a commercial decision and close the refinery; and while on social grounds he regretted that this was necessary, he felt there was no alternative. To announce a temporary reprieve, as the Prime Minister seemed to be suggesting, would be most unwise. He and his colleagues had had a series of meetings with the trade unions concerned, and they now seemed to accept that, if there was no means of off-lifting the sugar surplus that continued operation at Liverpool would entail,

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there was no alternative to closure. He had told an Annual General Meeting of the company that morning that, while the Board still remained in talks with the trade unions and the Government, the only solution to their current over capacity seemed to be closure at Liverpool. He believed that 75 per cent of the workforce would now accept the company's generous redundancy terms. He also believed that the company had now substantially allayed the fears of the ACP suppliers.

Mr. Shaw said that the understandings with the ACP suppliers which the Prime Minister had referred to had not been willingly entered into by the company, and he did not believe that they would be able to obtain adequate supplies in the future without similar understandings. This meant that exports were effectively ruled out. Yet the only possibility of keeping the Liverpool refinery open was on the basis of exports - albeit at a substantial loss on every tonne exported.

The Minister for Agriculture asked whether they had considered offering the employees the option of closure now on their existing redundancy terms, or closure in, say, a year's time on the basis of only the state redundancy terms. Mr. Shaw responded that the latter possibility would not solve anything - it would merely put off the difficulties of closure.

The Secretary of State for Industry said that the BSC subsidiary, BS Industries, had been successful in a modest way in encouraging new enterprises in steel closures areas. He wondered whether Tate & Lyle could provide a "dowry" for an enterprise scheme in Liverpool. The Department of Industry would be glad to discuss with the company how such a scheme might be organised. If such a scheme could be put together, it was highly desirable that it should be announced by 3 April, the proposed closure date. It might also be helpful if the Department could put them in touch with possible licensors overseas: they had information on a number of foreign companies who would like to offer licences to UK businesses.

/ Lord Jellicoe

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Lord Jellicoe said that, although he would have to carry his board with him, he would be prepared to offer a "dowry" of £1 million towards a scheme on the lines suggested by Sir Keith Joseph. He would like to take up Sir Keith's suggestion that the Department of Industry should help the company to prepare such a scheme.

In conclusion, the Prime Minister said that she was still most unhappy about the proposed closure. But if the company felt they had no alternative, she very much hoped that an enterprise scheme, with a "dowry" from the company if possible significantly greater than £1 million, could be worked up with a view to announcement before the closure date.

The meeting ended at 1650 hours.

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