

Prime Minister

I suggest you do not intervene.

If you want to look at the paper,
start at para 11.DAN 110
29/11PRIME MINISTER

2

INTERNATIONAL TIN COUNCIL

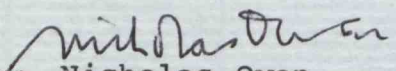
Leon Brittan has called a meeting to discuss options for resolving the tin crisis. The United Kingdom line so far has been that ITC member countries should state that they will meet their obligations, and that some form of stock management is necessary to minimise the fall in the tin price when the LME reopens, and hence, the ITC's liabilities.

The officials' paper now proposes that, in the highly likely event that the ITC fails at its next meeting to agree to meet its legal obligations, the United Kingdom representative should put forward a negotiated package, involving banks, brokers and governments.

This course could court risks which are disproportionate to the chances of success. It seems highly unlikely that member states will agree to such a package if they won't acknowledge their legal obligations, even in principle. But a package might acknowledge the extent of our legal obligations, when we have taken care up to now to remain non-committal on that point. Moreover, the banks have indicated that they are opposed to burden-sharing in view of the precedent it would set.

The Chancellor will also
no doubt.

I propose to question the proposal at the meeting. It may be that the best course in the end would be to allow the market to reopen. Liabilities would then crystallise, and member states would be confronted with them. It is not yet certain that the tin price will fall initially, or if it does, that it will plummet. The market may by then be short of tin, particularly if the ITC's buffer stock manager releases his stock carefully.

This looks
optimistic
to me.

Nicholas Owen

29 November 1985

010

CONFIDENTIAL

CPR



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET 5422

TELEPHONE DIRECT LINE 01-215

SWITCHBOARD 01-215 7877

PS/

Secretary of State for Trade and Industry

29 November 1985

Rachel Lomax
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Dear Rachel,

INTERNATIONAL TIN AGREEMENT

... I attach a paper prepared by officials in response to Ministers' instructions. As you will appreciate, my Secretary of State has not yet read the paper but it will serve as the basis for the discussion at the meeting here on Monday, 2 December.

2 I am copying this letter and its attachment to Peter Ricketts (FCO), David Norgrove and Professor Griffiths (No.10), John Bartlett (Bank of England), Henry Steel (LOD) and Ivor Llewellyn (MAFF).

Yours sincerely

John Moog

J F MOGG
Private Secretary

Encl

JF5APB



CONFIDENTIAL

INTERNATIONAL TIN COUNCIL: MEETING 2 DECEMBER

Summary

This paper discusses the line which the UK delegation should take at the next meeting of the International Tin Council beginning on 2 December. It also sets out in an annex the cost of the various options open to the Tin Council and in the event of the tin Council failing to take any action, to the Government if it decides to assist those brokers on the London Metal Exchange put at risk as a result of the failure of the ITC to meet its obligations. The paper also examines possible forms of assistance for the Cornish tin industry.

Recommendations

i Given that it appears unlikely that agreement can be reached on the basis of member countries being ready to meet all their share of the obligations, the UK should support without prejudice to the legal position, the idea of a negotiated package involving burden sharing by all parties concerned - banks, brokers and member countries. Our preferred position, however, should remain that all countries should meet their share of the ITC's obligations in full and making it clear to the ITC that action is likely to be taken against all member countries.

ii In the likely event of no settlement being reached, and tin trading being resumed, Ministers will need to consider whether to put forward schemes to assist brokers on the LME and Cornwall.

Present Position

2 At its last meeting on 20 November, the Tin Council came to no decision as regards the resolution of the present crisis, but it decided to meet again on 2 December and to remain in session until a definitive decision relative to the resolution of the current crisis was reached. Meanwhile trading in tin on the London Metal Exchange which was suspended on 24 October remains suspended until at least close of dealing on Friday 6 December. There is already some activity on secondary markets with prices around £6,100, but this may not be any guide to the price when the LME reopens.

3 So far there is no indication of any widespread support for any scheme to resolve the crisis. The UK's call to other member countries to state that they would meet their obligations has met with limited support, confined to the Scandinavian countries and Canada. Although other members of the European Community are gradually coming to see that there could be circumstances in which member states could be held liable for the obligations of the Council, they are not yet satisfied that the facts of the case



would render them so liable.

4 The producer countries have still shown no signs of being able to agree on any common package and continue to play remarkably little part in the discussions.

5 At the EEC Council of Ministers held on 25-26 November, the Council asked the Commission to put forward some proposals for the resolution of the crisis. The Commission has not as yet produced any written proposals, although a possible package involving burden sharing was discussed at a Community Coordination meeting on 27 November. A further discussion will be held in COREPER on 29 November, and an oral report will be made.

6 Little progress has been made in talks between the banks and the International Tin Council, although the banks have put forward a number of different proposals. So far there is no indication that any of these proposals would find widespread acceptance amongst member countries.

Objectives

7 The UK's objectives have been:-

- i To limit any calls on the Exchequer.
- ii To ensure that the International Tin Agreement does not continue in its present form, and in particular that price support mechanisms are not reintroduced.
- iii To limit the damage to the London Metal Exchange as a result of the crisis.

Tactics in the International Tin Council

8 The United Kingdom has taken the line that the way to solve the crisis is for member countries to state that they will meet their obligations and also in order to avoid too drastic a fall in the tin price, there should be some form of stock management. We have taken the view that it is essential to reach a resolution of the crisis before trading resumes, in order to avoid a large fall in the price which would mean that the obligations of the Tin Council would be greater than otherwise would be the case.

9 To this end, the UK has been endeavouring to persuade member countries that they are likely to be found to have obligations to meet their share of the Tin Council's debts in the event of it being unable to do so from its existing resources.

Possible Options

10 The three broad lines which it would be possible to follow in the Tin Council are:-

- i For member countries to agree to honour all existing debts, together with some form of management of stocks, plus possibly a managed price.

999-80



- ii For member countries to walk away and not to pay their debts leaving the UK likely to be pursued in the first instance.
- iii Some form of negotiated settlement which would involve all parties, member countries, banks and brokers bearing some share of the commitments (the costs of these options are discussed in the Annex). (These costs are subject to grant uncertainty.)

Feasibility of Options

11 Although the UK's line has been that member states should state their readiness to meet their share of all the ITC's obligations and that there should be some form of stock management, it is becoming increasingly clear that it is not going to be possible to secure sufficient support for this line.

12 Given that we believe that for the UK a decision to walk away from the debts would be highly disadvantageous, we need to consider whether we should not be prepared to switch our support to the concept of a negotiated package if it appears that such a package could be agreed.

13 Although the Commission may put forward proposals on these lines, most member states are at present very reluctant to support any proposal which entailed financial commitments. In addition the banks have made clear that they are not prepared to consider burden sharing in view of the precedent it would set in other cases. There is also no clear indication that the producer countries would be prepared to go along with any package which did not involve a price support mechanism or indeed any package at all. Moreover a negotiated package would have some presentational problems for the UK as although our statements have of tin been deliberately ambiguous, they could have been read as saying we believe member countries have an obligation to meet their share of all the ITC's commitments. It could also set an undesirable precedent in international debt negotiations.

14 However, we believe that although the chances of a burden sharing package being adopted are no more than a possibility, they are better than those of member states being prepared to say that they will meet all their obligations regardless of the extent of those obligations. We therefore recommend that should the Community be persuaded to put forward the concept of a negotiated package involving burden sharing receive sufficient support, the UK should lend its weight to such a solution. This is unlikely to get off the ground unless the Commission proposes it.

Possible Government Assistance

15 In the event that the Tin Council is unable to reach a solution to the crisis, and trading in tin on the LME resumes, HMG will need to consider whether or not it is prepared to offer assistance



to LME brokers given that a severe fall in the price of tin could threaten a number of brokers, and in the worst case, possibly the ability of the LME as a whole to function. If assistance were given to the LME, it could be argued that it would be difficult presentationally to avoid giving assistance to the Cornish tin industry, which at any realistic assumptions on future tin prices, is unlikely to be viable in its present form, and were the price to fall much below £6,000, the industry as a whole might not be able to survive.

16 Given that much of the Cornish industry has sold its output forward at pre-crisis prices, there may not be an immediate problem, and Ministers might be able to consider the options to assist Cornwall once the tin price has settled down. Preliminary indications are that neither the case for assistance to individual companies nor on a regional basis is strong.

Possible Schemes to Assist LME Brokers

17 Assistance could be given either on a selective basis, or a broadly based scheme with loans on tough terms, as in the annex, as outlined by the Deputy Governor of the Bank of England in his letter of 20 November. Details of possible means by which the Cornish tin industry might be assisted either directly, or indirectly through regional aid to the area as a whole, are also set out. Another disadvantage of a selective scheme is the difficulty of deciding which brokers would be omitted.

18 One problem about assisting the LME brokers through a loan scheme, apart from the presentational difficulty of appearing to engage in a bail out, would be that these loans would in some way have to be linked to the ability of the brokers to secure through court action the payment of the obligations incurred by the ITC. Since such court action would almost certainly be taken in the first instance against the UK Government, it would need careful presentation since the repayment of the loan would be conditional on the winning by the brokers of a court case against HMG. Equally difficult, would be the position if the brokers were unsuccessful in their court action. HMG would then have to decide whether or not the loans should be repayable in such a case.

Legal Action

19 Ministers will also need to consider how given its view on legal liability, the UK Government should react to an legal action. We need to consider whether we should make clear if necessary in the International Tin Council, that in the event of any legal action being brought against us as the host country, we would join all other member countries in such action. We are advised that this is possible.

Select Committee on Trade & Industry

20 Ministers may know that the Committee has decided to hold an urgent inquiry into the tin crisis. This will relate to the



events giving rise to the present suspension of trading on the London Metal Exchange, and its consequences. In addition the Committee will examine the effect on tin mining in the UK. We understand that the inquiry is likely to begin on 11 December. Written evidence is asked for by 6 December.

21 Ministers will wish to consider the general approach we should take to the inquiry. The Law Officers have already indicated but no indication of what legal advice HMG has had can be discussed.

MM3

29 November 1985



CONFIDENTIAL

ANNEX A

Basic Assumptions Used for All Options

- 1 Bank/broker loans total £342m
- 2 The Tin security held against £342m bank/broker loans amounts to 55,481 tonnes.
- 3 The Buffer Stock Manager's forward purchases total a net 61,000 tonnes at £8,900 unmatched by pre-priced sales.

Assumptions on Tin Price

- 4 With Stock management/maintained price £6,000 per mt.
Debts paid, no management of stocks £5,000 per mt.
No debts paid, no stock management £4,000 per mt.

Pattern of Buffer Stock Manager's Future Sales/Purchases

- 5 The calculations on broker differences are based on the assumptions that future sales/purchases of the Buffer Stock Manager will roughly balance. If however on the opening day all his purchases become due, but he cannot sell to match, his total bill would depend on the amount of physical tin presented to him, with initially no offsetting sales. This has been calculated by the ITC as 35,000 tonnes. A figure of 40,000 tonnes has been used for this exercise. Eventually the gross figure of some £356m for these purchases would be partially offset by sales at a lower price.

Banks

- 6 It has been assumed that the banks will require repayment/financing of their loans, and thus the cost of the loan will fall in full on the ITC in Options A, B, and C.

Stock Realisations

- 7 It is assumed The Buffer Stock Manager can balance out his forward purchases with the same volume of sales over a fairly short period, but that the remaining stocks of about 60,000 tonnes currently held in the buffer stock, much of which is pledged as security to the banks, could only be sold over a number of years. Thus if he bought all the 61,000 tonnes of forward purchases, it is assumed that he could realise his 57,000 tonnes of forward sales.



8 Basic Data

<u>Price of tin £ per mt</u>	<u>Bank/broker loans</u>	<u>Value of Security against loans</u>	<u>Shortfall* in security</u>	<u>Loss to brokers (broker difference)</u>	<u>Cost of 40,000 tonnes of tin at £8900 per tonne</u> £m
3,000	342	167	(175)	360	356
4,000	342	222	(120)	299	356
5,000	342	277	(65)	238	356
6,000	342	333	(9)	177	356
7,000	342	388	46	116	356

* The banks might insist on security being made up to (say) 130% of loan value. In such a case the shortfall would be greater.



OPTION FOR INTERNATIONAL TIN COUNCIL

Option A

Pay debts and take some steps to control stock disposals; with or without price support operations. Tin price assumed at £6,000 per mt with price support, or £5,000-6,000 per mt without, depending on how much stock control

Maximum Cost (at any price of tin)		Minimum Cost	
Repayment of bank loan	342	Payment of difference to banks at £6,000 mt	9
Buying 40,000 tonnes of tin	356	Payment of broker dif- ference at £6,000 per mt	177
	698		
<u>Less</u>			
Assume sales 40,000 tonnes of tin at £5,000 or £6,000 per mt	200-240		
	498-458		186

On the maximum cost basis the ITC would acquire 55,000 tonnes of tin on repaying the bank loans. It is assumed however, that this could only be sold off over a number of years.

If price support continued, annual cost:

Working capital (say)	60*
Interest on bank loans if re-financed	54
Total on going costs	114

*The Bank of England believes this may be too small.



Option B

Walk Away, Pay no Debts, Tin Price Assumed £4,000 per mt

Maximum total obligations:

Bank loans	342
Payment due to brokers for 40,000 tonnes of tin	356
	698

If no debts were paid, the Buffer Stock Manager might not be in a position to sell any tin.

If the UK was sued for the whole debt, and then recovered 60% from other parties, it would pay some £280m. Lawyers estimate that a creditor would have a 6:4 chance of succeeding in an action.

Once obligations were met, the Buffer Stock Manager could sell say 40,000 tonnes of tin at £4,000 per tonne or £160m, which would reduce the total debt to £538m. If the UK had to pay 40% of this sum it would amount to £215m.



Option C

Burden Sharing: Tin Price Assumed £5,000 per mt

This option assumes:-

- a The ITC meets 75% gross broker debts.
- b The banks agree to sell off their tin securities on a gradual basis on the basis of £5,000 per tonne and are paid the difference between the minimal sales at £5,000 per tonne and the value of their security.

Costs:

75% cost of 40,000 tonnes of tin	267
Shortfall in bank security	65
	332
Less sales 40,000 tonnes of tin at £5,000 per mt	200
	132

The UK share would be £5m.



Government Assistance Options

These options would only come into effect if the Tin Council walked away from its obligations. Money would be provided by loans, repayable if other countries eventually met their obligations. If the money was not recovered from others, it would be necessary to consider whether the loans would be repayable.

A Broad concept of Meeting 50% Broker Losses on a Difference Basis of 75% of Gross Costs if 40,000 tonnes of Tin were Presented for his Purchases

<u>Price mt</u>	<u>Maximum Exposure on basis of 50% broker difference</u> £m	<u>If 75% broker cost met on basis gross costs of 40,000 tonnes purchases.</u>
£3,000	180	)
£4,000	150	)
£5,000	119	)
£6,000	89	)
		£267m

If 75% of the gross cost were met, sales revenue from 40,000 tonnes at £160m assuming a tin price of £4,000 per mt should in the short term partly offset the £267m, leaving a maximum loan requirement of £107m.

The utilisation rate of the loan facility would be difficult to predict as it would depend both on the price level of tin and the readiness and ability of parent companies to under-write their subsidiaries' losses. At tin price of £6,500 or above, it appears it would be little used; below this figure demand would probably steadily increase. Below £4,000 loans might not stave off all insolvencies and doubts as to ultimate recoverability of ITC debts might persuade one or more companies that they should not seek to defend themselves against compulsory winding up orders.

Given that the loan money could be expensive, say 3-5% above LIBOR, and some brokers have parent companies of high standing, it is unlikely that more than 75% of the facility would be drawn on, and a more realistic estimate might be 40-50%. If the loan were only repayable on conditions other countries met their obligations this might make it more attractive and increase the take up.

Security of the Loan

This would be minimal, but it would be understood that it would have first call on any funds made available by a court order following action for recovery of debts due by the ITC.

Terms of the Loan

Three years or a recovery of debts due from the ITC, whichever is the earlier.



Loan Agency

A body to be determined but independent of the LME and of any company or firm with direct or indirect financial or commercial interest in any potential borrower. This body would have general responsibility for administering the loan scheme.

Advantages

Simple to administer; availability would encourage orderly trading; help to restore confidence in London commodity markets; would give a breathing space whilst the legal liabilities of the ITC and its member countries could be sorted out.

Disadvantages

It would be seen as a bail out of possibly an imprudent group of traders, and it would help those whose parents chose not to help them.

It might also appear to be linked to the recovery of debts against HMG itself. There could be presentational problems in deciding whether loans should be repaid if debts were not recovered ie if court actions were unsuccessful.

SCHEME B - NARROW CONCEPT

Objective: to provide by loan to LME Ring-Dealers at a commercially uncompetitive rate such support as is necessary to avert insolvency of firms financially embarrassed by losses directly attributable to the default on payment by the ITC Buffer Stock on fixed price purchase contracts. As far as possible to ensure that parent companies' support is exhausted before such loans are provided.

Assumption: on re-opening of the tin market there is no other form of financial or price support; prices are established in free open market conditions.

Cost profile: highly problematical. Best available market intelligence suggests that perhaps three companies are "high risk" if prices fall below £6,000 - £6,250; thereafter these companies might need, together, support of around £10mn per £1,000 fall in price. With lower levels of price a further two "medium risk" companies might reach a critical point but there is nothing to indicate at what price this would occur. The combined requirement of these two companies would be some £8.5mn per £1,000 fall in price. Remaining companies would be regarded as "low risk". Funding requirements at various price levels must be purely conjectural with the margin of error increasing sharply at lower levels. Estimates are:-

£ 2.5-5mn at £6,000 a tonne
£15-20mn at £5,000 a tonne
£40-50mn at £4,000 a tonne
£75-100mn at £3,000 a tonne

Probable utilisation: wholly dependent on ultimate price levels of tin and support from parents but likely to be a high percentage of funding requirements estimated above.

Rate of interest: to be commercially uncompetitive but to be sufficiently reasonable for a loan to be regarded as a viable and attractive alternative to declaration of insolvency. This would imply a rate of 3-5% above that readily available from banks to a first class commercial borrower. Interest payable 6 monthly. (Alternative: interest rolled-up for the period of the loan).

Security for loan: minimum: first call on funds made available by court order following action for recovery of debts due by the ITC. A condition of granting the loan would be an undertaking to pursue such action individually or with others and to assign to the lender all or an agreed proportion of rights in ITC debt prior to voluntary liquidation.

Term of loan: maximum three years or settlement of court case - no penalty on early repayment.

Loan agency: a body independent of the LME and of any company or firm with direct or indirect financial or commercial interest in any potential borrower (to be determined - referred to hereinafter as "LA") responsible for administering the loans.

Advantages:

- (a) Concentrates assistance on the weak links in the market.
- (b) There is the ability to take a forward view of requirements, there being no test of "established losses" but rather an assessed financial requirement to achieve and maintain solvency.
- (c) Assistance is on a "100% of need" basis and therefore theoretically effective regardless of the price of tin.
- (d) In common with scheme A it will allow parent companies time to consider how best to provide for their subsidiaries' future activity or, alternatively, to organise an orderly withdrawal from the market place.
- (e) In common with scheme A, the scheme provides support during a possibly extended period in which inter-governmental exploration of the legal obligations of the ITC may be carried to a conclusion, following which firms may, if necessary, mount individual actions for recovery of debts.
- (f) Amount drawn likely to be much smaller than under A.

Disadvantages:

- (a) The need to assess in a very short period of time both the company's own financial position and that of its parent.
- (b) Since assistance is at a marginal point and companies will be reluctant to take expensive money in excess of absolute requirements, unforeseen events probably remote from the LME may precipitate insolvency before further assistance can be given.
- (c) Singles out for assistance those who have been most commercially imprudent.
- (d) None of the companies most likely to take up the assistance has a British passport.

- (e) The loan would be linked to success in a court action, probably against HMG.
- (f) How would money be recovered if the court action were not successful.

SUPPORT FOR CORNWALL

Officials have recently held meetings with representatives of the two main mining companies: RTZ (which operates Wheal Jane and South Crofty through a wholly owned subsidiary, Carnon) and Geevor (the Geevor mine).

It appears the neither company is likely to take precipitate action even if the market opens at a very low price. At present, they both intend to maintain their operations for some months until they have a better idea of how the price of tin is likely to hold up in the longer term. They have said that, if the price of tin settles at around £7,000/tonne, they would be able to continue operations provided that Government assistance were made available towards the cost of investment in new equipment (in the case of the RTZ mines) and new workings at Geevor.

It would be open to the Government to support such investment under Section 7 or Section 8 of the Industrial Development Act or, in the case of new workings, under the Mineral Exploration and Investment Grants Act 1972.

This option would, at least, provide a breathing space during which the Department could appraise projects put forward by the companies in order to determine whether there were realistic prospects of viability in the longer term. It is not possible to estimate the likely costs of such support without detailed proposals from the companies. RTZ and Geevor have indicated that they would look for 100% grants towards programmes with a combined cost of more than £35 million.

Such investment would appear very high risk. Even at a production cost of £7,000/tonne, Cornish tin would, on average, be more expensive than two thirds of the world's production. (South Crofty might achieve £6,500 with investment which would put it about half-way in the cost league).

On balance, the best way forward might be to invite proposals from the mines to see if they can come up with programmes with a fair chance of success at a reasonable cost to HMG. This would inevitably raise expectations and cause disappointment if as seems likely, support were not forthcoming but, in that event, Ministers would be able to consider taking other steps to assist Cornwall.

Nonetheless, for the sake of completeness, a list of possible measures is attached.

CONFIDENTIAL

TIN

Support for Cornwall

Should Ministers decide that they wish to provide additional DTI support for the Cornish economy following a fall in the price of tin, two main avenues of approach would be open to them:

- direct support for the mining industry;
- an extension of regional aid.

I Support for Tin Mining

a) Provision of Mineral Exploration Grants covering 35% of costs of explorations. Mineral Exploration Grants were made available until mid-1984 under the Mineral Exploration and Investment Grants Act 1972. The Act is still in force and a new scheme could be introduced by an announcement in Parliament.

Cost

Unlikely to exceed £0.5 million per annum unless a major new development at Geevor were supported.

b) Support for investment by mining companies. The Industrial Development Act 1982 provides the powers necessary to support capital investment by the mining companies. Ministers would decide to make such support available outside the normal guidelines for selective assistance. It might also be possible to consider support for investment in downstream metal-processing activities in return for some kind of understanding about the future of the mines.

Cost

Would depend on proposals coming from the mining companies.

c) Operating subsidy to bridge any gap between the market price and the cost of production. It appears that it would be possible to provide such a subsidy under the Industrial Development Act 1982. In the past such subsidies have been confined to nationalised and state-owned industry. EC clearance would be required. Unless for a specific short term this route should not be followed.

Cost

Maximum: £20 million per annum. Minimum: £2.25 million per annum.

d) Operating subsidy limited to supporting cost of care-and-maintenance.

As with I(c), such support would be made available under the 1982 Act.

Cost

Very uncertain. Unlikely to exceed £2 million per annum.

II Regional Support for Cornwall

Two of the TTWAs which would be affected by mine closures, Penzance and St Ives (Geevor) and Redruth and Cambourne (South Crofty) are already Development Areas and benefit from both Regional Development Grants and Regional Selective Assistance. The additional support which could be provided in Cornwall through an extension of regional measures is, therefore, limited.

(a) Designation of Truro as an Assisted Area

If the Wheal Jane were to close, unemployment in the Truro TTWA would probably rise immediately by about 2 percentage points to around 14% (there might be a further rise as indirect jobs dependent on tin were lost). It would be possible to alter the Assisted Area Map - by Statutory Instrument - to give Truro Intermediate or Development Area Status.

The cost of Development Area Status is difficult to predict because RDG and RSA are both demand led schemes but it is unlikely that it would exceed £2 million a year. However, there are serious objections to such a step. Even at 15%, unemployment would be below the average rate for Intermediate Areas: this would undoubtedly lead to pressure from other, worse off parts of the country for equivalent treatment. DA Status for Truro might also have an adverse impact on the other tin-mining TTWAs if projects which otherwise would have located in the far west of the county chose Truro instead.

(b) Special allocation of funds to EIEC for developments in Cornwall

Powers are available under the 1982 Act. The Government have provided for special factory building programmes in the past, in Steel Closure Areas. However, this proposal is open to the same sort of objections as AA Status. In addition, a number of advance factory units built by the County Council are lying vacant, it is the remoteness of the area which is the major disincentive to investment.

The cost of any special programme would be determined by Ministers. For presentational reasons, say £1 million.

(c) Enterprise Zones

It would be possible to designate new EZs in the Redruth and Cambourne and Penzance areas. Since there is little industry in the areas, the costs of such action would probably be limited to the rates foregone from incoming industry.

The DoE is opposed to using EZs as a measure to deal with problems caused by sudden closure.

(d) Additional funds for promotion of Cornwall

The Devon and Cornwall Development Bureau could be provided with additional resources to promote the area as a location for investment. A sum of £100,000 would be appropriate.

(e) ERDF/European Social Fund/Tin Closure Scheme

The Department could seek to persuade the Commission to make funds available in the area affected by tin closures. Support might take the form of grants towards the cost of retraining redundant miners for work in incoming industry. Consideration could also be given to an extension of the Business Improvement Scheme to the South West. This would make grants available to new and small firms for a variety of activities including investment, the use of consultants and marketing. The costs of such an extension to the Department are unlikely to exceed £1 million.