PRIME MINISTER

TIN

Mr Channon's letter below reports that he intends to announce on Monday that Geevor's application for support has been rejected. I have explored whether the announcement could be delayed until Tuesday, but it is clear that this is not possible. Mr Channon will also be announcing £1 million to support a Business Improvement Service Package in the local area.

Officials apparently believe there is a reasonable prospect of saving one of the RTZ mines.

Mr. Channon is also circulating his proposed reply to the report on the tin crisis by the Trade and Industry Select Committee. The Chief Whip apparently advised that the reply should be robust. It is certainly that. It admits no mistakes or blame in the handling of the affair by DTI officials, even in the mildest terms. This may be right in Parliamentary terms, but it looks like a whitewash, and I shall seek the Chief Whip's view about it on Monday.

There is also an odd paragraph (paragraph 14) which is by implication much too favourable to commodity agreements and which needs to be amended.

DAN

David Norgrove
30 May 1986

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Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 01-215 7877

30 May 1986

CONFIDENTIAL

The Rt Hon John Biffen MP
Lord Privy Seal
Privy Council Office
Whitehall
London SW1

Dear Mr Biffen,

SELECT COMMITTEE ON TRADE AND INDUSTRY: REPORT ON THE TIN CRISIS

I attach a draft response to the Select Committee on Trade and Industry's Second Report on the tin crisis (HC 305-I).

The draft response has been discussed with officials in the main interested Departments. You will see that it has been drafted on the assumption that a decision will have been taken that assistance should not be given to the Geevor tin mine, near Penzance. The mine ceased production on 4 April, with the majority of the workforce being laid off. My Department has provided assistance to keep the mine on a care and maintenance basis until 1 June.

Geevor submitted a revised application for assistance to my Department on 23 May. This is being evaluated, but officials do not consider it provides a satisfactory basis for support: the company requires £20m of assistance and the prospects for future viability in a free market for tin are far from robust.

Geevor are expecting a response to their application by Monday 2 June at the latest. If we reject their application and provide

1786
1986
BOARD OF TRADE
BICENTENARY

no more interim assistance the mine will close and redundancies of 360 will take place. This will increase the unemployment rate in the Penzance and St Ives travel-to-work area (21.2% in April) by about 1.5 percentage points. However, the workforce is drawn mainly from Pendeen and St Just, where the effect on unemployment will be very severe. It is essential that the Government should be seen to be doing something to help to alleviate the problems of the area arising from the closure of Geevor mine.

In addition to existing measures of assistance, I have, therefore, with the agreement of John MacGregor, decided to make available in the Penzance and St Ives TTWA a slightly amended version of the Business Improvement Service package of schemes of assistance to small businesses which is currently operated by my Department. This would help the local economy diversify into activities other than tin mining and tourism. My Department is in discussion with the EC Commission who, we hope, will approve the proposal within the next few weeks. We shall make available £1m for this purpose and would expect up-take to run around £0.25m in the first year.

Under my proposal there would be 50% grants to small firms (200 or fewer employees) for consultancy, marketing, and feasibility projects, and 50% grants to providers of services to small firms in respect of market research, the provision of common services, and advisory and counselling services. There would also be 15% grants for investment projects in firms with 25 or fewer employees. These investment grants would be additional to any regional development grant, but would not be available as well as regional selective assistance. The main eligible activities would be manufacturing and supporting service activities, together with tourism. However, agriculture, mining, horticulture, fishing, retailing and personal services would not be eligible.

My Department intend to establish an office as close to Geevor as is practicable to administer the BIS Scheme. It will work through that office to ensure the maximum up-take in the area of the other schemes of assistance already available. In addition, my officials are having urgent discussions this week with the Department of Employment to consider how best their efforts and ours may be co-ordinated, and whether any additional special measures can be brought to bear on the problems which will arise from the closure of Geevor.

Discussions with RTZ, the owner of the other two Cornish tin mines, are more promising. Officials consider there is a reasonable prospect of saving one of the mines, South Crofty in Redruth and Camborne TTWA, and with it about 500 jobs.

Because of the need to give an answer to Geevor on the result of their application for assistance, I very much regret that I have to ask for any comments you might have by noon on Monday 2 June. It is my intention to inform Geevor of the decision at 14.30 that day and to respond to any press enquiries with full background briefing. As for the response to the Select Committee's report I intend that it should, if possible, be delivered to the Committee when the House reassembles on Tuesday 3 June.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Foreign Secretary, the Secretary of State for Employment, the Attorney-General, the Secretary of State for Agriculture, Fisheries and Food, the Chief Whip, the Governor of the Bank of England and to Sir Robert Armstrong.

Yours sincerely,

John Mogg

PAUL CHANNON

(Approved by the Secretary of State and signed in his absence)

1786 1986 BOARD OF TRADE BICENTENARY

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SECOND REPORT FROM THE TRADE AND INDUSTRY COMMITTEE ON THE TIN CRISIS

INTRODUCTION

This Memorandum is submitted by the Secretary of State for Trade and Industry in response to the Committee's Report on the Tin Crisis (HC 305-I).

2 The Government welcome the Committee's decision to hold an Inquiry into this matter. As an international organisation, with membership comprising 22 sovereign states and with its Headquarters in the UK, the International Tin Council has failed to meet its financial obligations. This failure has damaged the interests of its creditors, the Cornish tin industry and the London Metal Exchange and has caused severe disruption to the international tin market, the effects of which inevitably will be felt for some years to come.

3 The Committee points out (HC 305-1, paragraph 75) that this commodity agreement had the effect of keeping prices artifically higher than they would otherwise have been in a free market. The Government fully appreciated this risk when it decided to join the Sixth International Tin Agreement in 1982, but considered that the benefits of joining outweighed the possible disadvantages. Once in membership, with very little support, the UK made a determined effort to reform the Agreement and to improve transparency and monitoring of the economic provisions of the Agreement. Had these strenuous and determined endeavours been successful, the eventual collapse might well have been predicted and prevented.

4 The Government agree entirely with the Committee that the reasons for the collapse of the Agreement must be examined to see what lessons should be drawn for the future. However, the Committee understates the vigorous efforts made by the Government after the suspension of trading. Indeed the Government took the lead in the efforts to reach international agreement to bring about an orderly resolution of the crisis and by determined diplomacy, got close to a negotiated agreement. Although accepting no legal liability, the Government agreed in the course of negotiations to contribute £50m over and above that proportion of ITC's debts which it might have expected to pay under the usual subscription arrangements. Had it been feasible to reach a settlement through the injection of this additional sum, quite apart from the general benefit of maintaining order in international financial dealings, the Cornish tin producers,

the London Metal Exchange, and the creditors of the ITC would all have benefited. It was through no fault or negligence of the Government that this attempt to reach a negotiated agreement failed.

5 The Committee raise a number of matters in its report; these are dealt with in separate sections below.

CONSTRAINTS ON THE INQUIRY

6 The Government recognise that the Committee was faced with a number of constraints in conducting this inquiry. In deciding what information should be provided, Ministers and officials acted in accordance with international obligations, legal considerations and established conventions relating to the disclosure of official information to Parliamentary Select Committees within constraints acknowledged by the Committee. In the circumstances both Ministers and officials co-operated with the Committee's inquiry as fully as possible.

7 There were in particular three constraints under which officials gave evidence. Two of the constraints were special to the circumstances of this inquiry: the confidentiality of ITC proceedings and the possibility of legal actions concerning some of the events in question. The Committee recognise (HC 305-I, paragraph 9) that it would not be appropriate for Ministers or officials to comment on matters which are, or may become, subject to legal proceedings. In addition there is the normal constraint on all officials giving evidence to Select Committees that they do so on behalf of and under the instruction of their Ministers.

8 The instructions given by Ministers and followed by officials in the course of this inquiry were no different from the rules that are and have for a long time been generally applicable when civil servants give evidence to Select Committees. These rules are set out in the Memorandum of Guidance for Officials Appearing Before Select Committees, (GEN 80/38) which is available to the Committee. They make clear the categories of information which officials must not disclose to Committees. These include, in particular, advice that has been given to Ministers.

9 The purpose of such a rule is clear and well understood. It is necessary in order to preserve the basis of confidence between Ministers and their advisers. Such confidence is not only necessary for the effective working of Departments: it also underlies the basic principle that it is Ministers and not officials who are responsible to Parliament for the activities of their Departments.

10 This principle is well established and was recognised in the First Report of the Select Committee on Procedure Session 1977/78 [HC 588-I] and in the Memorandum by the Clerk of the House to that Committee, which set out at length the basis on which officials give evidence to Select Committees. The Government cannot therefore agree with the view of the Committee that these well established conventions should have been set aside.

11 The Committee asserts (HC 305-I, para 8) that it was "unnecessarily obstructive" of Ministers and officials to refuse to comment on certain ITC documents which had come into the Committee's possession. The Government cannot accept this view. The documents in question came to the Committee without the consent of the ITC. The rules governing the confidentiality of the ITC's proceedings make it clear that no one may disclose to third parties any ITC papers or proceedings without the consent of the Council. The same restriction applies to quoting from or referring to the contents of such documents or reports in oral or written evidence. In order to assist the Committee, officials twice requested the ITC to agree to release the information requested by the Committee. Those approaches were emphatically rejected. The Committee also stated that these documents came from US sources having been released under the Freedom of Information Act. Since the Committee reported, the US Government have denied that they authorised release of the ITC documents under the Freedom of Information Act or otherwise.

12 The Committee has called upon the Leader of the House "to provide time for the House to express its view on the refusal of the Secretary of State for Trade and Industry to provide full answers to our questions on the role of the Government in the tin crisis. We look to the House to support our legitimate demand." (HC 305-I, para 14). As has been explained above, both Ministers and officials co-operated with the Committee to the greatest extent possible within the constraints by which they were bound. The House will have an opportunity to express its views on this point in any debate which may take place on the Committee's report.

THE INTERNATIONAL TIN COUNCIL

13 The Government agree with the Committee that the ITC should have exercised greater control over the extent of the Buffer Stock Manager's forward dealings. It was for this reason that the Government tried, without success, to ensure that the Council's members had access to more information about the nature of the Buffer Stock Manager's transactions.

14 The Government have noted the Committee's comments (HC 305-1 paragraphs 34-35 and 45) about the consequences which follow if a commodity agreement maintains artificially high prices. There are of course important lessons to be drawn from the failure of the Sixth International Tin Agreement in particular in relation to international commodity agreements with market intervention provisions. However such lessons must be set in the wider context of a large and sustained fall in virtually all commodity prices; the impact on commodity prices of exchange rate factors; the heavy indebtedness of many commodity producing countries; and the failure of various aspects of the United Nations Conference on Trade and Development (UNCTAD) Integrated Programme for Commodities.

15 Policy on International Commodity Agreements and associated matters has always been one of the main items of the business of the UNCTAD. It is the practice of members of the European Community to speak on these questions on the basis of a common position. In preparation for the UNCTAD Ministerial Conference in the summer of 1987, the Government have been considering the policy on commodity agreements and the other aspects of the UNCTAD Integrated Programme for Commodities.

16 The Government accept the Committee's recommendation that "as a matter of urgency the Government should look into all international trading organisations of which it is a member and make sure that their liabilities are clarified and publicly understood" [HC 305-1 para 52].

17 Indeed, even before the Select Committee reported, the Government had begun a study of their responsibilities to other international trading organisations and similar bodies. As a result, we consider none is likely to develop problems such as those which occurred with the ITC but they will be kept under close review. The Committee will agree that is not always possible to identify potential liabilities with precision in advance or to quantify the extent of the risk which may change over time if the role or operation of the organisation changes. The object must be to minimise these risks and to avoid incurring fresh ones whenever possible. We shall ensure that contingent liabilities in regard to such bodies are reviewed regularly (as well as being reported to Parliament in accordance with existing practices) and that full account is taken of changing circumstances.

18 We have noted the Committee's view that "if prosperous countries walk away from their collective debts because of a cloak of immunity there can be no reason for us to expect poorer nations to pay their debts". (HC 305-1, paragraph 46).

The Government greatly regret the failure of the ITC to reach a settlement with its creditors and would be very concerned if their failure were to be taken as a precedent by any country.

19 The Committee states that "the ITC is discredited and that if it continues at all it will do so only as a gatherer of statistics, although the need for this role is debatable". (HC305-1, paragraph 48). We agree that there is no prospect of the Council resuming its trading operations and, even were that option open, it is not one which the Government would wish to pursue.

THE GOVERNMENT'S ACTIONS

20 The Committee makes a number of criticisms of the Government's actions in relation to a warning given to the LME and to the conduct of the ITC.

21 In paragraphs 49 and 50 of their Report the Committee concluded that the LME Chairman was only given a warning of the possibility that the Buffer Stock Manager might not be able to fulfil his obligations, in such imprecise terms as to be worthless. In paragraph 50, the competence of the DTI official concerned is questioned.

22 Concern about the nature of the dealings by the Buffer Stock Manager and the exposure of the LME brokers was raised by the LME in discussions with the Bank of England as early as the autumn of 1982, only three months after the entry into force of the Agreement. This concern was reported to the DTI by the Bank.

23 The Bank advised the LME (initially on an informal basis) that they should not count on the ITC member Governments automatically accepting liability if the Buffer Stock Manager were ever unable to meet his commitments. In February 1984, the Bank repeated the warning at a formal liaison meeting with representatives of the LME Committee. And throughout the whole of the period this general advice was given by the Bank in response to enquiries. Furthermore, DTI delegates to ITC meetings were accompanied by LME representatives from the beginning of the Agreement until the crisis of 24 October 1985; these representatives had substantially the same information as was available to the Council's delegates.

24 At his meeting with the LME in June 1985 the DTI official concerned was therefore repeating warnings already given by the Bank of England. These warnings were known to brokers, though not all had heeded them. The LME's Chairman thought that a repetition by him of the warning would have no

further effect. It is understandable that he should have taken this view when warnings by the Bank had not been universally heeded. The Committee implies that the DTI official should have persuaded the LME Chairman that he was wrong, but does not suggest how this might have been done, or indeed why a warning by the Chairman would have been more effective than those already given by the Bank (of which, the Committee may not have been aware). For these reasons the Government therefore regards the Committee's criticism of the DTI official concerned as unfounded.

25 The Committee states, in paragraph 51 of its report, that it was "..... unforgivable that such a warning was intended to be passed only to one category of persons exposed to risk in dealing with the BSM, and not to the other categories, namely, tin producers in the UK and banks lending to the ITC".

26 No warning was given to the ITC's bankers for two reasons. First the information available to the Department did not suggest that the banks were at risk. The banks had taken tin as security for their loans and the loans would have remained fully secured even if the price of tin had fallen by up to 20 per cent. Second, a formal warning to the banks would have precipitated a crisis and probably the collapse of the buffer stock operation. The information available to the Department did not justify the Government's taking a step with such potentially damaging consequences, for which it would have had to answer to all other members of the Agreement and to all interests affected by the price of tin.

27 The Government were also in touch with representatives of the Cornish tin industry during the period in question: there was, for example, a meeting between DTI officials and the Cornish Chamber of Mines on 23 May 1984, at which a number of issues relating to the future of the ITC were discussed. However it was not thought appropriate in June 1985 to give any formal warning to the Cornish tin producers about the future of the ITC's buffer stock operation. First, to have done so could, as in the case of the banks, have precipitated a crisis: the information available to the Department did not justify a step with such potentially damaging consequences. Second, there was no action open to the Cornish tin producers which could have averted or minimised any potential difficulties arising from the buffer stock operation. The Department has been told by RTZ that the company had fully recognised that the tin price was being supported at unrealistic levels by the Buffer Stock Manager, and that any warning from the Department to them would have made no difference to the actions they had taken.

28 The Government therefore rejects any criticism of its not having issued a warning to the banks lending to the ITC or to tin producers in the UK.

29 In paragraph 55 of the report, the Committee criticises the failure of the UK representative at ITC meetings to block "ever increasing credit lines with the banks". This criticism may be based on a misunderstanding. The limits on the BSM's borrowings are set in Article 21 of the 6th International Tin Agreement at the equivalent of 20,000 tonnes of tin at the price then prevailing. The Council authorised lines of credit from a number of banks, which enabled the BSM to operate within this limit, early in the life of the 6th ITA. From July 1983 until October 1985, decisions were taken to add a small number of bankers to the authorised list. The banks had offered facilities of up to £25m in total. The addition of these banks to the approved list did not however increase the total permitted borrowing of the Buffer Stock Manager, which remained at the 20,000 tonnes equivalent referred to above.

30 In paragraphs 53 and 54 of its report, the Committee refers to the secrecy surrounding the dealings of the BSM and expresses concern at the fact that despite repeated requests DTI officials were unable to obtain detailed information from the ITC. The Government accepts that it was wrong that ITC members were unable to obtain sufficient information to understand the nature of the Buffer Stock Manager's operations and to exercise effective control over them. In particular, delegates were never told about the Buffer Stock Manager's unpriced forward sales transactions. The problem lay not in any failings on the part of UK delegates in their efforts to obtain the information, but in the structure of the 6th ITA and the confidentiality rules adopted by the ITC. They provided no mechanism by which Government representatives could insist on securing the relevant information. There is no reason to suppose that had the matter been taken up by UK Ministers as the Committee suggests, this would have changed the situation.

31 The Committee says in paragraph 56 that a situation in which an international organisation was able to refuse material information to its member governments should never have been allowed to come about. The Government agree. There was no reason to suppose, however, when we first joined the Agreement, that information would be refused in this way. The Government are taking steps to apply the lessons of the ITC's collapse and to ensure that no such situation can recur.

CORNWALL

32 The Committee describe in its Report the difficulties facing the Cornish tin industry as a result of the fall in the price of tin following the collapse of the ITC's price support operations. The Government are fully aware of the importance of tin to employment in Cornwall. In October 1985, some 1,500 people were employed in tin producing operations and a further 500 jobs were directly dependent on the industry. The effect of closures and redundancies would be particularly felt in the Penzance and St Ives and the Redruth and Camborne TTWAs where unemployment is currently about 21 per cent.

33 Although there are no longer dealings on the LME in tin, it is understood that there has been substantial trading in recent weeks at below £4,000 a tonne. At such low price levels, which are the result of overcapacity and the large tin stocks left in the market by the default of the ITC, very few tin producers in the world can operate economically. It may well take several years for the tin stocks to clear and for the price to rise to a level at which tin production capacity necessary to meet future world demand can be operated profitably.

34 In such circumstances the Government have accepted that decisions need to be taken about the future of the Cornish tin industry before the long term price of tin is known (HC 305-I, paragraph 68).

35 On 7 April, Geevor mine ceased production with the majority of the workforce being laid off. Geevor was kept on a care and maintenance basis while the Government considered the company's application for assistance. On 30 April the Government announced that it was providing a £40,000 grant to keep the Geevor mine on a care and maintenance basis for a further period of two weeks, matching a similar offer by Cornwall County Council. The purpose of the Government grant was to enable the Geevor management to develop its earlier proposals with a view to improving the prospects for eventual viability.

36 On 23 May, Geevor submitted a revised application to the Government. This provided for the cessation of tin mining for a period of 5 years, a reduction in numbers employed initially to 200, and the development of underground mining and offshore dredging operations, to come into full production in the early 1990's, when the price of tin is expected to increase with projected expansion of employment to 480.

37 The Government have most reluctantly concluded that the revised Geevor application cannot be given the assistance requested. It would have amounted to over £40,000 for each of the jobs expected to be provided in 1992 and much more than this in the intervening years. Nor are the Government convinced that there is a sufficiently realistic prospect that the new Geevor tin operations would have been fully commercially viable once they came into production, even with this assistance.

38 The Government recognise that the further contraction or closure of the Geevor mine would increase the already high level of unemployment in the Penzance and St Ives TTWA. In addition to existing measures of assistance, the Government have, therefore, decided to make available in the Penzance and St Ives TTWA a slightly amended version of the Business Improvement Service package of schemes of assistance to small businesses which is currently operated by my Department. This would help the local economy diversify into activities other than tin mining and tourism. The Department of Trade and Industry is in discussion with the EC Commission who, we hope, will approve the proposal within the next few weeks. We shall make available £1m for this purpose.

39 On 28 April the RTZ subsidiary, Carnon Consolidated Ltd, announced that consultations would begin which may result in the closure of the company's tin operations at Wheal Jane, South Crofty and Wheal Pendarves, with the consequence that the 1,000 people employed would be redundant as from 1 August 1986. On 6 May, RTZ submitted an application to the Government for financial assistance to enable its tin operations to continue.

40 The Government are considering urgently the application for assistance from RTZ and from smaller tin producers in Cornwall. The Government will particularly take into account the employment implications and the level of financial assistance necessary in each case but, as in the case of Geevor, will need to be satisfied that tin operations in Cornwall would be viable.

41 While no decisions have yet been taken on any individual application for assistance other than from Geevor, the Government recognise that the tin crisis was in part caused by an excess of world production capacity over world tin demand. In order for the tin stocks overhanging the market to be cleared, and for the tin price to rise to economic levels, it is necessary for world output of tin to be reduced for a period. Unless this happens, low prices for tin are likely to persist, delaying perhaps for a very long time the return of commercially viable tin production in Cornwall.

42 The Government will, therefore, take their decision on the basis that support will be given only to those projects which show robust prospects for commercial viability. The Government do not accept the Committee's recommendation (in paragraph 72) that short term price support subsidies should be given to Cornish tin producers to maintain them in operation.

43 However, the Government cannot agree that if tin mines close, they can never be reopened and the tin resources in Cornwall will be lost. While it is true that mining works or equipment may be lost or damaged when a mine is flooded, the tin ore could be worked in the future when it became economic to do so as it has happened in the past. Known Cornish tin reserves are still very substantial and can be worked commercially when tin prices rise sufficiently to make the operations viable.

[Mr. Baker]

trained to deal with emergencies. I emphasise again that the design of the Russian reactor—a light-water-cooled graphite moderated reactor—is unique and that there are no other stations like it in the West. I understand from the Central Electricity Generating Board that British experts have evaluated this design and rejected it as unstable.

Mr. D. E. Thomas (Meirionnydd Nant Conwy): Will the Secretary of State accept the deep concern and sympathy of those who have nuclear power stations in their constituencies for the community which has been affected by this disaster? Will he take new initiatives at the international level, through the International Atomic Energy Agency, to ensure that new safety standards worldwide are implemented? It is clear that radiological emission is no respecter of nations and state boundaries.

Mr. Baker: Yes, but that also implies that other countries have to conform to this country's standards. If there had been an accident of that kind in this country, there is no question but that we would have been open and frank about it straight away and that it would have been treated in that way. It is regrettable that that did not happen in this case.

Mr. David Madel (Bedfordshire, South-West): In view of the slow way in which the Russian Government let out this information, will Her Majesty's Government make a formal request to the Russian Government for international inspection of the disaster area?

Mr. Baker: My right hon. Friend the Secretary of State for Energy passed a message to the Soviet Government this morning asking for the fullest information. I am in no position to say whether or not the Soviet Government will respond to that message. Their response may be delayed, but I very much hope not. All sides of the House have made it clear that it is in everybody's interest that as much information as possible should be made available about this incident as soon as possible.

Mr. D. N. Campbell-Savours (Workington): If the present rules of the International Atomic Energy Agency do not provide for the earliest possible disclosure, will the Secretary of State set out to amend those rules, particularly as the Soviet Union is a participator in that agreement?

Mr. Baker: It is no good taking a unilateral position unless the other parties to the agreement are prepared also to be frank and open. The international agreement allows for international inspection of civil power stations. The CEGB was, and is, prepared to conform to that agreement, but I am afraid that that is not the case, as far as we know, in Russia.

Cornish Tin Industry

3.47 pm

Mr. David Penhaligon (Truro) *(by private notice)* asked the Secretary of State for Trade and Industry if he will make a statement indicating the Government's intention regarding the future of the Cornish tin industry.

The Minister of State, Department of Trade and Industry (Mr. Peter Morrison): The Government have made it cler that they are willing to consider applications for assistance towards the cost of projects which will make the mines competitive in a free tin market. An application from Geevor tin mines is already being considered. An application from the RTZ group is expected shortly. Both will be assessed as rapidly as possible.

Mr. Penhaligon: I remind the Minister of the seriousness of the situation, as these mines are in an area where average male unemployment is in excess of 25 per cent. Already this saga has been going on for six months. Furthermore, I remind the Minister that he still has the £50 million that was offered to the tin dealers. Will the Minister accept that because of the current price for tin very few mines in the world are breaking even, let alone making a profit? If, therefore, Rio Tinto Zinc could be persuaded to give the mines and the £15 million that they would incur in closure costs to a management-employee buy-out and if the employees could be persuaded to take a pay cut in lieu of some form of long-term profit sharing, would the Government be prepared to make a significant contribution towards enabling a new company to be relaunched on the market so that advantage could be taken of the rise in the price of tin when it occurs?

Mr. Morrison: As the hon. Gentleman knows, I am aware of the serious position in Cornwall. With every respect to him, his question about management buy-outs by those involved in the RTZ mines was hypothetical. As I said in my original answer, we expect a proposition to be put forward by RTZ on the ground that it will make the mines viable at some future stage. Like all Governments, we need to have a test of viability foremost in our minds.

Mr. David Harris (St. Ives): Is my hon. Friend aware of the desperate situation facing Geevor mine—that, unless help is forthcoming this week, it is almost certain that the pumps will be switched off at the weekend and that the mine will be flooded, probably never to reopen? I make an earnest and urgent plea that, before this week is out, the Government will make assistance available to Geevor, at least to keep those pumps going while negotiations continue on the Geevor application.

Mr. Morrison: I assure my hon. Friend that it is important to expedite the Geevor application. Whether we can have care and maintenance in the meantime will depend upon that.

Mr. Dennis Skinner (Bolsover): Do not the Government have a cheek to talk about a test of viability regarding the thousands of people who have lost or will lose their jobs in the tin mines in Cornwall and the south-west when the Government never applied that test of viability to the Exports Credits Guarantee Department, when it was £350 million in the red, but used taxpayers' money to bail it out? The Government found £252 million to bail out the Common Market, because it had run out of funds, and more than £100 million to bail out Johnson

Matthey Bank, because their friends were involved. The Government talk about a test of viability. Why do they not give people a chance to earn some money instead of throwing them on the scrap heap and paying out dole money which the taxpayers have to find?

Mr. Morrison: If I recall correctly, the hon. Gentleman supported a Government during the 1970s——

Mr. Skinner: Supported a what?

Mr. Morrison: —supported a Government during the 1974-79 period that used the test of viability to close down the Ebbw Vale steelworks in the constituency of the right hon. Member for Blaenau Gwent (Mr. Foot). They used the test of viability, as we must.

Mr. Robert Hicks (Cornwall, South-East): Is my hon. Friend aware of the rising sense of frustration and annoyance at the delay in resolving the tin question with specific reference to the Cornish tin-producing mines? Will he assure the House that the various suggestions and applications that have been made will be dealt with immediately by his Department in the context of our county, which is already in a hard-pressed economic position?

Mr. Morrison: The simple answer to my hon. Friend is yes. If my hon. Friend were to discuss the matter with the management of Geevor and of RTZ, he would be informed that my officials have dealt with the matter as expeditiously as possible in terms of the preparation of submissions, and so on. Therefore, the simple answer is yes.

Mr. Michael Foot (Blaenau Gwent): I advise the hon. Gentleman to check his facts a little more carefully before he again refers to Ebbw Vale. Regarding the specific question which he is supposed to be answering today—on the Cornish tin mines—will he look back and see what a Labour Government did to put money into those mines and to keep them going thereafter? Without that money, the closures might not have taken place in the late 1970s. Many miners in Cornwall know that that is the truth, even if some of their representatives in this place do not.

Mr. Morrison: I am delighted to be reminded by the right hon. Gentleman that I should check my facts more carefully on the steel works which I mentioned. I certainly am aware of what happened under the previous Administration.

Sir Peter Emery (Honiton): I remind my hon. Friend that, as long ago as Easter, the Select Committee on Trade and Industry published an interim report urging the Government to be prepared for the possibility of the action that has now come about and to be ready to take interim measures to sustain the position until final decisions can be made. Will my hon. Friend express a greater assurance which we can pass on to management and workers in Cornwall and which will allow them to continue until a final decision has been made? Surely it would be fatal to have the matter closed now, because the Government might come forward with a favourable decision in four or five weeks.

Mr. Morrison: I am aware that the Select Committee on Trade and Industry spent considerable time looking into the matter. Its report goes into detail in many ways about the whole tin problem. I am aware also that the Select Committee recommended certain proposals that the Government should adopt. I hope that my hon. Friend agrees that it would not be sensible to reply to the Select Committee's proposals until we have had an application from RTZ—we shall reply as soon as we can—because that would be the wrong way to proceed. I listened carefully to my hon. Friend's other question.

Mr. Stan Crowther (Rotherham): Would it not be disgraceful if this small but important industry, which contributes many millions of pounds a year to the national economy were allowed to die from lack of help from a Government who claim to be devoted to the free market philosophy but who have actively supported an international cartel which was set up to manipulate the market and whose activities the Select Committee found came pretty close to the borders of criminality? If Ministers are prepared, as they said they were, to put £50 million of taxpayers' money into trying to rescue the dealing end of the business, does it not make sense to accept the Select Committee's recommendation that the Government should invest at least that amount in the producing end of the business where the real wealth creation takes place?

Mr. Morrison: With respect, I do not think that the hon. Gentleman listened to my original answer. I said that my Department was looking carefully at applications to ascertain whether they passed the test of viability. That is precisely what we are doing and, I think, what the hon. Gentleman would want us to do. I can assure the hon. Gentleman that we could not be looking more closely at the applications.

Mr. Robin Maxwell-Hyslop (Tiverton): Is the problem for my hon. Friend as a Minister the fact that the test of viability depends upon predicting the world price of tin after the banks have finished unloading the tin warrants they hold as security and after the mines throughout the world have finished unloading the stock which they thought they had sold ahead but for which the contracts have gone bad? Will my hon. Friend follow the much more positive recommendations of the Select Committee on Trade and Industry, as expressed by my hon. Friend the Member for Honiton (Sir P. Emery), and support the development work in the mines which will reduce production costs, whatever the price in five years' time? None of us can possibly foresee that price. As this crisis will drive out many marginal producers in the world, is it not sensible to take a "risk"—no one can predict the price four or five years ahead — and support employment rather than suffer unemployment?

Mr. Morrison: I agree with my hon. Friend that one important element is the price of tin in three, four or five years. I agree also with his proposition that, if there is to be investment in any of the mines in Cornwall, it must be aimed at reducing production costs. The judgment to be taken is based more on the former than on the latter. We shall have to take those matters into account, as will the companies concerned.

Mr. Tam Dalyell (Linlithgow): Judging from the example of Polkemmet in my constituency, once the pumps have been turned off in any mine, one might as well call it quits. May I ask a question of fact? How much tin will actually be anaesthetised by any decision to close down the mines and cut off the pumps? It may not be

[Mr. Tam Dalyell]

possible to regain the tin at any time. Frankly, is this not another case of accountants in the City of London making decisions on matters for which they have little feeling?

Some of us support strongly the views of the Cornish tin miners. As one who has attended party meetings in Cornwall, I know how strongly they feel. Their factual questions have not been answered. What are the reserves of tin which will be anaesthetised? Does the Department know or does it have no notion?

Mr. Morrison: Of course the Department knows. The amount of tin produced at the current price, which is just under £4,000 a tonne, is equal to the sum of £25 million a year. Of course the hon. Gentleman will appreciate that tin is an international commodity——

Mr. Dalyell: What are the reserves? The Minister is not answering the question.

Mr. Morrison: I have answered the question. One of the points which must be taken into account is that there is, to a great extent, over-production; that is why the price of tin has come down gradually.

Mr. Kevin McNamara (Kingston upon Hull, North): Will the Minister confirm that, in 1979, RTZ was offered money under the Labour Government scheme to develop the mine? The company turned down that offer because it was confident that it would prosper under the present Government. More important, is the Minister aware that over 1,000 members of my union and other unions are likely to be made unemployed as a result of this action? While the Minister is waiting for RTZ and the other companies to state the schemes to make the mines viable, what are the Government prepared to offer the firms to maintain jobs? That is what Cornish people want to know, and that is what my union want to know. What are the Government prepared to offer the companies to keep people in jobs?

Mr. Morrison: The hon. Gentleman asks a hypothetical question. The answer depends entirely on what applications are made. The hon. Gentleman is aware that, under regional grant and regional assistance, aid is not cash-limited so the answer is as long as a piece of string.

Mr. Ian Wrigglesworth (Stockton, South): If these mines are closed there will be dire consequences for Cornwall, the industry and the country. In view of that, will the Minister explain more fully to the House what he means by viability? When considering viability, will the Minister take into account the long-term position of these mines, and the enormous cost to the public purse as well as the companies involved of closing any pits?

Mr. Morrison: I hope that it goes without saying that the long term is what we must take into account. Obviously, at this stage, there is no question of the mines being anything but unviable. Any investment will be in terms of production costs and the price of tin in three, four, or five years' time.

Mr. Dalyell: What a bloody way to run the country.

Mr. Alan Williams (Swansea, West): Why is the Minister reluctant to show any relevant intiative when he is faced with this critical problem? Will he recognise that this is not a normal rescue case? In addition to needing the appropriate investment decision to which he has referred, there is a desperate need for interim aid to meet the crisis which has followed the collapse of the International Tin Council. The Minister has sat back for six months. He has watched the situation develop, he has done nothing and now he has been caught unawares.

Does not the hon. Gentleman realise that it is not just a matter of 1,300 jobs at Geevor and RTZ, but also of more than 2,000 other jobs in the Cornish community which depend on those mines? The present 3,000 jobs in Cornwall will be impossible to replace now that regional aid has ben diminished to a cosmetic sham. When the Minister eventually makes his penny-pinching calculations, will he recollect that these mines put £26 million a year into the local Cornish economy? What is at risk is not just the viability of the mines, but the viability of a sub-region.

Will the Minister reflect on the fact that, last year, the same mines saved the country £40 million in import substitution? The Minister could rescue the mines for less than the annual £80 million cost of keeping 3,000 miners and dependent workers on the dole queues for two years.

Mr. Morrison: I do not think the right hon. Gentleman is correct when he says that no real initiatives have been taken. During the last few weeks my Department could not have done more in terms of encouraging applications, sifting them carefully and giving guidance on how best they could be put forward. That is the fact of the matter. The right hon. Gentleman suggests that we should go down the route of operating subsidies regardless. On reflection, that would not be the right course to pursue.