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Overseas Aid

SUBJECT.

cc. Master set.

10 DOWNING STREET

From the Private Secretary

25 February 1981

Dear Kate

PRIME MINISTER'S MEETING WITH MR. BOB PARRY, MP: 23 FEBRUARY 1981

As you know, the Prime Minister met Mr. Bob Parry, MP at 10 Downing Street at 2130 on 23 February. Sir Brian Hayes and Ian Gow were also present.

Mr. Parry presented the Prime Minister with two new documents, one of which had been drawn up by three of the unions involved and the other by the Liverpool Welfare Rights Resources Centre. Sir Brian Hayes took those documents away at the end of the meeting and undertook to show them to your Minister.

Mr. Parry said that his constituency was suffering an unemployment rate of 50 per cent. He had taken part in many meetings over the past few days on the future of the Tate and Lyle refinery, and now felt bitter and frustrated. Tate and Lyle had been refining sugar in Liverpool for more than 130 years and had indeed begun their activities in the city. He hoped that a way out could be found which would avoid the closure. It might, for example, be possible to build a new refinery nearer the docks with financial help from the County Council and the Government. He had also had raised with him the possibility of your Minister fighting for an increase in the Regional Intervention Premium, from the present level - which he understood to be £7.50 per tonne - to £20 per tonne. The cost of such a measure would be borne by the EEC budget. What was needed was an initiative which would enable Tate and Lyle to export sugar profitably. He understood that this objective might also be achieved by raising the intervention price. He said that Bishop Shepherd had made the point at one of the meetings that there was a great danger of social disruption spreading in Liverpool. He himself sensed that possibility in the docklands and in Liverpool 8.

Sir Brian Hayes said that any proposal to subsidise the export of sugar from Britain would be seen to be a distortion of trade. If it was financed by the British Government, it would be held to be an illegal national aid by the Community. He also thought that the suggestion of raising the intervention price was not workable. He said that the essential problem was surplus refining capacity in this country. Tate and Lyle

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could refine 1.1 million tonnes a year in their other two refineries. They were contracted to buy 1.225 million tonnes, and were actually taking 1.18 million tonnes. Overall, they had surplus capacity of 300,000 tonnes, which was losing them £10 million a year. Their United Kingdom refining had made a profit of only some £5 million on a turnover of £375 million last year.

Mr. Parry said that, in his view, there should now be a joint meeting between the Government, Tate and Lyle, the British Sugar Corporation, all of the unions involved, and the cane producing countries, to see if there was any possible way of saving the refinery. The Prime Minister said that the problem was essentially one of surplus capacity. The question was when would be the best time to make any changes. In her view, now was the worst time.

Sir Brian Hayes said that Tate and Lyle had laid down two possible conditions for keeping the refinery open. The first was to reduce the beet quota to 936,000 tonnes. That would necessitate the closure of three or four more beet factories in addition to those already proposed for closure. Everyone, including the unions, was opposed to that suggestion and it could be ignored. Tate and Lyle's alternative proposal was that BSC should export sugar over the figure of 936,000 tonnes. That would cost them something like £3 million a year, and the Government had no power to force them to incur such losses.

Mr. Parry suggested that your Minister might talk to sugar users, for example in the confectionary and biscuit industries, to persuade them to use less imported sugar. He said that he understood that they were importing sugar from India and the United States of America. Sir Brian Hayes said that imports to Britain from the European Community were running at some 150,000 tonnes a year. Firms in this country argued that they needed a second source of supply, given the problems of shortage which had arisen in recent years. Tate and Lyle had in the past imported sugar from non-ACP countries for the re-export trade. That trade no longer existed because there was now no margin between the world prices of raw and refined sugar. The decisions which had to be taken by Tate and Lyle and BSC were essentially commercial decisions for the companies themselves.

Mr. Parry said that he still hoped that there could be a breathing space, perhaps until the beginning of June. He said that the Liverpool workers themselves recognised that there was no chance of carrying on with the present labour force. They were prepared to reduce the labour force from 1600 to something like 1100 or 1200, if that would keep the Tate and Lyle presence in Liverpool.

He asked about the possibility of Beresford's exporting sugar. Sir Brian Hayes said that the Monopolies and Mergers

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Commission report would be available very shortly and that it was not possible to comment on Beresford's position at this stage. It was, however, difficult to see why the facts of the situation should change, whatever the position about the ownership of BSC.

Mr. Parry said that the closure of the Liverpool refinery would mean a rate loss of £0.5 million a year and a loss of £1 million a year to the Mersey Docks and Harbour Company. It would also mean 70 more dockers would be surplus to requirements. The Liverpool workers would be prepared to do anything to keep the refinery open. He feared, however, that closure would lead to industrial disputes, perhaps involving the dockers. He hoped desperately that there could be more breathing space to re-examine all the options.

Sir Brian Hayes said that your Minister would want to look at the new documents, but the decision was really up to Lord Jellicoe and the Board of Tate and Lyle. The Prime Minister said that the Government would look at the documents. She was worried that, while it was undeniable that we had excess refining capacity, the closure was going ahead at this stage. The company had been offered Industry Aid assistance, but had declined it. They had no need of new capacity. The Government had fought to save Bowaters, and had only failed at the very last stage, but in this case there simply was not the sugar to refine.

Closing the meeting, the Prime Minister said that she would raise the matter with Lord Jellicoe when she saw him on 25 February, but she could not be optimistic about the prospects.

I am copying this letter for information to Ian Ellison (Department of Industry), John Wiggins (HM Treasury), Richard Dykes (Department of Employment) and Sue Unsworth (Overseas Development Administration).

Yours ever

Nick Sanders

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