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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

3 March 1981

PRIME MINISTER

CLOSURE OF THE LIVERPOOL REFINERY
MEETING WITH LORD JELlicoe

---A I attach a note by my Department on the latest conditions suggested by Lord Jellicoe for keeping open the Liverpool refinery. You will see that having originally required that BSC's marketings on the UK market be restricted to 936,000 tonnes annually and that the workforce should accept cost cutting changes, Lord Jellicoe has now added a new condition that the Government should meet 100% of an £11 million modernisation programme at the end of which only 700 jobs would remain.

I do not believe that Lord Jellicoe expects us to be able to meet either of these conditions. The question of investment aid is primarily for Keith Joseph, but I cannot imagine that he could contemplate accepting an assistance programme to which the Company would not contribute at all and where the cost to the Government would be almost £16,000 per job saved.

Equally I am sure that Tate and Lyle are aware that the Community could not agree to setting a special rate of export subsidy to make it profitable for the BSC to export any production above 936,000 tonnes, and that it would be contrary to Community rules for the UK to pay a special national subsidy on top of the normal Community subsidy out of its own resources.

x There is a further point about BSC exports which we must not mention to Lord Jellicoe but of which you should be aware. Last year S & W Berisford Ltd made a bid for BSC which was referred to the Monopolies and Mergers Commission (the Commission have now conditionally cleared the bid, although this must remain confidential until their Report is published late this month). In the hope of acquiring the Government's 24% holding in BSC, Berisfords had earlier offered an assurance that, if they gained

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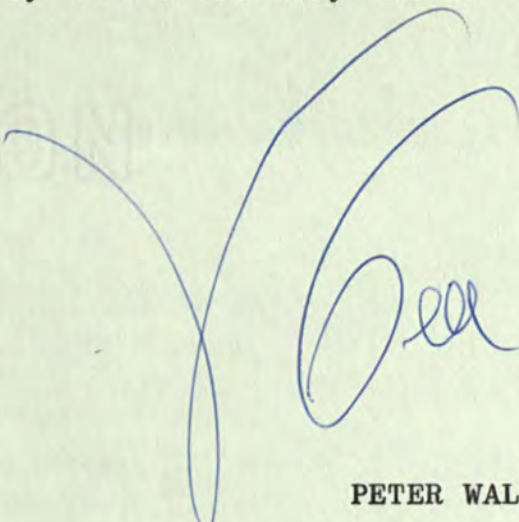
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control of the Company, they would "avoid impeding, so far as was within their powers, the continued operation of the three present Tate and Lyle refineries" and said they would honour this assurance by exporting any surplus from the UK market. The fact that they offered this assurance will be mentioned in the Commission's Report, and will thus become public.

We do not yet know whether Berisfords will still wish to proceed, given the sharp rise in the BSC share price meanwhile. Assuming they do, I am convinced that, if they are still prepared to give the assurance at all, their tactic would be first to offer it to the Government privately, in the hope of persuading us to accept the bid on behalf of our shareholding. And, if they did repeat it - with the intention of keeping it - it would cost them some £4 million per year in lost revenue. This would depress the value of the bid they could afford to make to such an extent that there would seem no chance of its succeeding against other potential bidders.

My conclusion remains, therefore, that we should continue to hold to our position that it is a commercial matter for Tate and Lyle to determine, in the light of its own assessment of its likely raw material supplies and of the market for its products, whether the Liverpool refinery should remain open. We should not attempt to change that decision by distorting the rest of the sugar market. Such actions would be damaging in themselves and would expose us to continuing pressures to find means to subsidise the Liverpool plant, or Tate and Lyle as a whole, if they did not succeed.

I am sending copies of this minute to the Secretaries of State for Foreign and Commonwealth Affairs, Industry, Employment and Trade, the Chief Secretary to the Treasury and to Sir Robert Armstrong.



PETER WALKER

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PRIME MINISTER

Mr. Walker's view, supported by the Treasury, is that we cannot possibly accept Lord Jellicoe's proposals for keeping the Liverpool refinery open.

Mr. Walker has asked me to emphasise that the point at X about Berisford's must not be revealed to Jellicoe. But I am very worried that the Berisford assurance is to be published. The Unions will say, even though it now looks a non-starter, that we were offered the chance of exporting the British Sugar Corporation's "surplus" and failed to accept it. I think this is of sufficient importance for Mr. Walker to tell the Commission - and he can do so - to delete the reference.

I assume that you go along with Mr. Walker's main recommendation. But I think it would be worth having 10 minutes with him before the Jellicoe meeting to consider how to play it, and to discuss the Berisford point and how we should handle Trevor Jones and the others who have asked for a meeting with you. (There is a letter in today from the Roman Catholic Archbishop of Liverpool and the Anglican Bishop asking you to intervene - flag B.)

I have also included in the folder MAFF's comments on the trade union paper which Bob Parry handed you last week (flag C), and also at flag D a note on the re-export of ACP sugar. The latter indicates that, contrary to what Jellicoe told you, the Lomé Agreement does not prevent the re-export of refined cane sugar.

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