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Cutting off a limb to save the body

James Erlichman looks behind Tate & Lyle's decision to close its refinery in Liverpool

TATE & LYLE, a traditional British company well past its heyday and suffering a bad case of corporate gout, has late in life suddenly gone on a crash programme of physical fitness.

Flab shall be shed whatever the cost. And yesterday the cost, and the pain, were great when the company announced the closure of its sugar refinery in Liverpool. More than 1,500 men and women at the plant are to lose their jobs.

The Liverpool refinery is not merely the toe of the patient. It was built as the heart of the Tate & Lyle empire to refine cane sugar imported from Britain's tropical dominions.

But Britain's entry into the EEC and the desire of successive governments to boost Britain's own domestic sugar beet production gradually made the Liverpool refinery a costly and inefficient appendix.

The employees at the refinery knew they were doomed by geo-political forces which stretched far from Merseyside, but they fought unsuccessfully for eight years to save their jobs.

Britain's entry into the EEC meant, when the treaties were boiled down, that the British Sugar Corporation, which refines domestic sugar beet, would for the foreseeable future enjoy a huge cost advantage of nearly £30 a tonne over its cane refining rival, Tate & Lyle.

Tate was forced to buy Commonwealth sugar (known as ACP sugar) at a price determined by the EEC which ensured that British and French sugar beet growers would not suffer.

Tate was also required to commit itself to refine nearly



October 1973: Edward Heath was Prime Minister and these Tate & Lyle workers were demonstrating outside the Tory conference in Blackpool over EEC sugar policy . . .

1.3 million tonnes of ACP sugar regardless of the demands of UK consumers. At the same time successive British governments lobbied in Brussels to increase our own domestic production to combat the growing influence of French growers.

Ironically, it was Lord Jellicoe, chairman of Tate and Lyle, who steered these agreements through the House of Lords when Britain joined the EEC.

Unable to expand and cut free from this economic strait-jacket Tate began to cut production and close refineries several years ago. Even before Liverpool closed yesterday the company had axed 2,000 of its 6,000 sugar refinery workers in the UK.

While this may have seemed radical surgery to the

Tates and Lyles who still ruled the boardroom, it never got to the heart of the matter. The Liverpool refinery has been losing nearly £2 million a year. But in real terms, because it was sucking sugar away from Tate's newer refineries at Greenock and London and causing them to run at undercapacity, the Liverpool refinery was actually costing the group nearer £10 million a year.

Even more importantly, it was putting a serious strain on the Tate balance sheet, making the company vulnerable to takeover.

Elsewhere the business was also in serious trouble. The starch and glucose operations, acquired from Manbre and Garton in a bitterly contested takeover in

1976, were performing disastrously, hit again by a slump in UK demand and by fierce foreign competition.

Then, quite abruptly, the physical fitness programme began last May. That was when, in a major boardroom upheaval, a young Canadian outsider, Mr Neil Shaw, was brought in.

His style could not contrast more sharply with the older men who surrounded him. Fit and lean himself, Mr Shaw talks about toughness and discipline, winners and losers and "defoliating" the company of personnel who cannot, or will not, pull their weight in achieving corporate victory.

He had been brought on to the main board, apparently by Lord Jellicoe, after achieving success at Redpath,

one of Tate's Canadian subsidiaries.

Last year he spelt out the "tough decisions" which he believed alone could save Tate from inexorable decline or early takeover. These were: shut his own refinery in Montreal, close Manbre and Garton, and, finally, end the Liverpool refinery's obsolete existence.

The older men had reached much the same conclusions, but had not had the stomach for such amputations one after another. So they asked him to become managing director and handed him the scalpel.

Whether the surgery will quickly restore Tate to the peak of health remains to be seen. The bones are old and may not bend easily with change.

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