

A BACKGROUND NOTE (CITY PLANNING OFFICER)

[Copy as submitted to Chief
Executive 26.1.81]

1. Introduction

The recent decision by Tate and Lyle to rationalise their UK sugar operations by closing the Love Lane refinery ended 10 years of uncertainty about the plant's future. The closure is partly a result of the company's over-capacity in refining and the structural weakness of the British sugar industry. This note is intended to illustrate the background to the closure, and to highlight its implications for the local economy.

2. Background

Tate and Lyle are the sixth most important employer in Liverpool,* and account for around 8 per cent of employment within SIC III (Food, Drink and Tobacco production). Love Lane is the company's second largest refinery (after the Silvertown, London plant) and has a capacity of around 300,000 tonnes. Tate and Lyle have always refined imported cane sugar, and prior to Britain's membership of the Common Market this was a significant source of profit to the company (e.g. 30 per cent of profits in 1971). However, EEC membership removed regional monopolies in sugar production, with a bias towards locally grown beet rather than imported cane. This allowed the British Sugar Corporation (BSC) to increase its market share at the expense of Tate and Lyle, BSC having a cost advantage of around £30 per tonne through EEC subsidies. (See Figure 1).

In addition, Britain had an agreement with the African, Caribbean, Pacific (ACP) countries to import 1.3 million tonnes of cane sugar per year, nearly all of which would be refined by Tate and Lyle. The company has been able to compete over the past few years as the BSC has been unable to fulfil its EEC quota (the shortfall being made up by continental imports). However, BSC have just completed a 5 year modernisation programme and are now able to achieve full production. The increased competition, together with the current contraction of the domestic sugar market at 1-2 per cent per year has left Tate and Lyle with over-capacity in refining. A proposed cut in the beet sugar quota has not materialised due to delays at the EEC, and it seems that the company has decided to wait no longer but to reduce capacity by closing Love Lane and concentrating production at Silvertown and Greenock.

Tate and Lyle have been aware of the problems of their refining operations for some time, and have successfully diversified into warehousing, commodity trading, distribution, shipping and speciality chemicals, inter alia. They were the largest recipient of regional aid in Liverpool over the period 1975/76 to 1979/80, receiving £3.95 million in Regional Development Grant and Regional Selective Financial Assistance. The major part of this aid went towards the development of the company's Talres chemical plant on Knowsley Industrial Estate, creating around 200 jobs.

The Love Lane works, which is less efficient and older than Tate and Lyle's other refineries, lost £1.8 million in 1980, and by causing under-capacity at Silvertown and Greenock cost the company a further £7.5 million. Tate and Lyle's sugar refining operations made a profit of £5.6 million in 1980, which the closure of the Liverpool plant could increase by a possible £8 million, offset in the short term by the cost of closure.

* in the manufacturing sector

3. Closure

According to the company's statement it is intended to close the plant without delay, although at the time of writing the 90 days redundancy notice had not yet been given to the Department of Employment. The closure is expected to cost around £30 million, £15 million of which will be redundancy payments for the 1350 jobs at the refinery and 220 at the transport depot.

4. Implications

The closure has serious implications for the local economy and the inner areas of the City, and these are as follows:

(i) Job Market

The loss of 1570 jobs comes at a time when there are 48,376 people currently registered as unemployed in the City and only 840 vacancies notified at employment offices (Department of Employment (DE) returns, December 1980). Furthermore, the job market continues to contract as local employers continue to shed labour. However, the problem is not merely one of total numbers, although this is serious enough; there is also the question of the skills and age of the work force.

- (a) Skills: workers whose experience is limited to the processing of sugar are likely to find difficulty in obtaining other jobs. The prospects for skilled craftsmen are not bright; DE figures for September 1980 (the latest available) show that in Liverpool there was a total of 4,659 registered unemployed workers who had previously held craft or similar occupations in processing and production industries. At the same time the total number of unfilled notified vacancies in the category was 111 - a ratio of 42 to 1. For the unskilled the prospect is dire; in the same month there were 15,589 people registered unemployed as general labourers, and only 4 notified vacancies - an alarming ratio of 3,897 unemployed workers for every vacancy.
- (b) Age: Tate and Lyle have been in Liverpool for over 100 years and were well known for job security and paternalism, which has encouraged long service employment. The company has not recruited labour of all ages over recent years and this has led to an overall increase in the age of the workforce. The Vauxhall Community Development Project (CDP) surveyed the age pattern of workers at the plant in 1973 and found that the average age of hourly paid workers (men and women) was 42 years, and average length of service 14 years. Staff and management were even older with an average age of 44 years and service of 20 years. More than half the male process workers were aged 45 years or more. (See Figure 2). Consequently, the company has been able to reduce its workforce by natural wastage over recent years. However, it now means that the prospects of working again are gloomy for older workers, since they are at a disadvantage in the job market and through family and home commitments have less propensity to move elsewhere in search of work. Long term unemployment is a serious possibility for older redundant workers; of 7,436 males aged 45 years and over registered as unemployed in the City in July 1980, 4,314 (58 per cent) had been out of work for more than a year.

(11) Localised Impact

The closure of the Love Lane refinery will hit local communities who already suffer severe social and economic hardship, since the majority of the workforce lives locally. A Vauxhall CDP survey in 1975 found that around 45 per cent of production workers lived within walking distance or a short bus journey of the refinery (see Figure 3). A further 23 per cent commuted from Kirkby and West Derby where they were moved to during the 1960s clearance programme. Since this pattern is unlikely to have changed much (bearing in mind the workforce's age pattern) the closure will have a direct and severe impact on the inner area communities of Vauxhall, Anfield, Everton, Abercromby and Edge Hill, which roughly approximate to the area of Planning Districts A to D. The City Planning Officer's estimates of unemployment (these include the registered unemployed and an allowance for unregistered unemployment) within these districts are as follows:

	<u>Planning District No.</u>	<u>Unemployed</u>	<u>Percentage</u>
(Figures: November 1980)	A	7,884	46
	B	3,351	26
	C	6,640	26
	D	7,071	33

The increased unemployment and loss of community income will eventually lead to less demand for goods and services and further contribute to the downward economic multiplier of decline in these inner city areas.

(iii) "Knock-on" effect

The impact of Tate and Lyle's closure is symptomatic of Liverpool's overdependence on large employers in the manufacturing sector, and since the Tillotsons plant closed last year it leaves only B.A.T. and J. Bibby & Sons as the major manufacturing employers in that part of the City. In addition there will be a "knock-on" effect because of reduced trade with firms involved in servicing and producing for the refinery, while companies who bought the refined sugar will have to look elsewhere for supplies. With the current recession this seems certain to lead to job loss elsewhere, particularly in those industries with closest links to sugar refining, e.g. the brewery trade, sweet making and confectionery, and biscuits, all of which are major Liverpool employers. For example, biscuits and sugar confectionery accounted for over 9,500 jobs in the City according to the 1977 Annual Census of Employment. In addition the loss of sugar shipped through the Port is important, particularly since the Mersey Docks and Harbour Company has serious financial problems of its own.

(iv) Refinery site

When Tate and Lyle finally close down they will leave a highly specialised plant for which it seems likely that alternative uses will be difficult to find; particularly since it has been expanded in a piecemeal fashion, with buildings of different types and sizes. It is unlikely to prove attractive to the private sector at a time when there is increasingly more vacant space on the industrial buildings market. Clearance could be an alternative, but demolition could prove to be so expensive as to create a negative site value in terms of development.