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cc 80

10 DOWNING STREET

THE PRIME MINISTER

8 November 1979

Dear Dr. Jack.

Thank you for your further letter of 24 October about the transportation of milk by the Scottish Milk Marketing Board.

My Private Secretary has already expressed my apologies at the way in which your earlier letter was handled. I am now personally looking into the matter which you raised and hope to write to you again shortly.

*James Callaghan*  
*Robert Carr*

Dr. W.G. Jack

*LB*





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Prime Minister

1/ Are you content with Mr. Younger's letter at Flag A?

2/ There is a letter for you to sign at Flag B, but you may think my telegram at Flag C

7 November 1979

is enough for the time being.

TL

7/11

Tim Lankester Esq  
Private Secretary  
No 10 Downing Street  
LONDON SW1

Letter at Flag A  
agreed me

Dear Tim,

SCOTTISH MILK MARKETING BOARD

I understand that Mr Younger spoke to the Prime Minister last night as planned, and that the outcome was that the Secretary of State should write to the Milk Marketing Board asking them for the background to this case, and for an explanation. Naturally given the Secretary of State's limited formal locus in this matter, set out in the minute I sent you yesterday, this letter to the Board has to tread warily. In any case, I attach a copy of the Secretary of State's proposed letter.

I also understand that the Prime Minister intended to write to Dr Jack herself in the meantime, simply to say that she was looking into the matter. I also attach a draft for this purpose, though she may feel on reflection that it adds nothing to what you said in your telegram of 5 November.

Yours sincerely,

GODFREY ROBSON  
Private Secretary



DRAFT LETTER FOR THE PRIME MINISTER:

Dr William G Jack  
"Heathcote"  
25 Snowdon Terrace  
WEST KILBRIDE  
Ayrshire

Ed -  
ph type

Thank you for your further letter of 24 October about the transportation of milk by the Scottish Milk Marketing Board.

My Private Secretary has already expressed my apologies at the way in which your earlier letter was handled. I am now personally looking into the matter which you raised and hope to write to you again shortly.





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

*Letter not yet despatched.*

*R.*

Sir William Young  
Chairman  
Scottish Milk Marketing Board  
Underwood Road  
PAISLEY

7 November 1979

*Dear Sir William,*

The Prime Minister has recently received a letter objecting to a proposal of your Board to take over their own transportation work in the Ayrshire area, at the expense of the haulage firms to whom the work has in the past been subcontracted.

I do realise that decisions on such matters are for the Board itself to make, but I would appreciate it if you would let me know the background in this particular case so that the Prime Minister can reply to her correspondent. It would also be useful to know what consultations you had with the haulage firms concerned.

*M. [Signature]*

*Yours sincerely,*

*George Younger.*



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R8/11

"Heathcote",  
25 Snowdon Terrace,  
WEST KILBRIDE,  
Ayrshire.

7th November, 1979.

Rt. Hon. Mrs. D. Thatcher,  
10 Downing Street,  
LONDON.

Dear Mrs. Thatcher,

I was very grateful to you for your immediate action on the correspondence re Ex Farm Milk Transport within the area of SMMB and the subsequent welcome telegram. Your personal intervention will be very much appreciated.

If I can be of any help to you at any time please do not hesitate to contact me.

Kindest regards,

Yours sincerely,

*Dr. William G. Jack*  
Dr. W.G. Jack. *my.*



MR. LANKESTER ✓

Carstairs  
Who need for  
8/11 further mtg  
T.

I spoke to George Younger's office this afternoon and they told me that a discussion did takeplace between the Secretary of State for Scotland and the Prime Minister and that this was probably sufficient. A letter is coming to you from the Scottish Office this afternoon which is self-explanatory. Let me know if you want a further meeting set up but according to the Scottish Office this is not necessary.

es

7 November 1979



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Tim Lankester Esq  
Private Secretary  
No 10 Downing Street  
LONDON SW1

6 November 1979

Dear Tim,

I enclose, as I promised you this morning, a background note on the Scottish Milk Marketing Board. This might serve as a brief for the discussion which the Prime Minister and Mr Younger are to have after the 10 o'clock vote this evening. I also attach a draft letter which might be sent to Dr Jack, if thought appropriate, following this evening's discussion. You will see it is drafted for the Prime Minister herself to sign, though she may on reflection feel that the letter might more appropriately issue from you.

The main point that perhaps emerges more clearly in the draft letter than in the briefing note is that the Milk Marketing Board is an organisation of small producers which may be expected to base its operating decisions solely on commercial grounds. It is not some kind of nationalised industry. Setting aside the way in which this matter has been dealt with so far, Ministers have no power to intervene on this issue: but Dr Jack can pursue his complaint through the Joint Haulage Committee.

Yours sincerely,

GODFREY ROBSON  
Private Secretary



SCOTTISH MILK MARKETING BOARD  
TRANSPORT OF MILK  
DR W G JACK

1. The Scottish Milk Marketing Board is a type of compulsory co-operative of the dairy farmers throughout Scotland (except the North East and the Highlands) constituted under the Scottish Milk Marketing Scheme 1933 (as amended) made under the Agricultural Marketing Act 1958. The Scheme was brought into being on the initiative of the overwhelming majority of dairy farmers in the area concerned and following formal procedural steps the Scheme was approved by the then Secretary of State and a draft laid before both Houses of Parliament. The twin pillars on which the Board operates are its exclusive right of purchase and sale of all milk produced in its area and its "pooling" of prices ie payment of a common price to producers regardless of the use made of a particular producer's milk. Continuation of these rights has been confirmed by EEC legislation subject to the Board's meeting certain requirements which restrict its powers.
2. The power of the Secretary of State to intervene in the affairs of the Boards is severely restricted and conforms roughly to the provisions affecting other commercial organisations contained in the Fair Trading and Monopolies and Mergers legislation. Two Committees are set up by the Secretary of State under the Agricultural Marketing Act 1958 to consider complaints made by consumers of the regulated product: the Consumers' Committee which has the duty to consider and report on the effect of any Scheme on the consumers of the regulated product and on any complaints made to the Committee on the effect of the Scheme on consumers of the regulated product. The second Committee, the Committee of Investigation, is charged with the duty, if the Secretary of State so directs, of considering and reporting on any report made by a Consumers Committee and on any complaint made to the Minister as to the operation of any Scheme which could not be considered by the Consumers' Committee. The ground for such a reference would be that the action was contrary to the interests of consumers or other persons affected by the Scheme, and is not in the public interest, and it would be open to the Minister after considering the report of the Committee to direct the Board to take such steps as he considered necessary to rectify the matter.
3. The Scheme empowers the Board to transport milk and, to specify the person or persons by whom milk of any registered producer shall be transported, and provides for consultation with haulage contractors in the Joint Haulage Committee.
4. In 1978 the Scottish Milk Marketing Board employed about 180 milk tankers: about 70% were owned by members of the Road Haulage Association; 10% by British Road Services; and 20% by the Scottish Milk Marketing Board. It is understood that the Board have been considering for some time the possibility of assuming a large proportion of their haulage commitments directly.
5. While therefore it would appear that the Board are under some obligation to consult the Joint Haulage Committee before making any major change in their haulage arrangements, there is no doubt that the Board have ample power (in terms of Section 15 of their Scheme) to transport milk themselves, and the extent to



which they do so, or put the work out to contractors, is a matter for the Board's commercial judgement, which it would not be appropriate for Ministers to seek to influence.

6. If, however, a formal complaint were lodged, the Secretary of State would have to consider whether it would be appropriate to make a direction referring it to the Committee of Investigation. This Committee, though in existence since 1933, has never met to consider a Scottish reference.

Scottish Office  
6 November 1979



Dr William G Jack  
"Heathcote"  
25 Snowdon Terrace  
WEST KILBRIDE  
Ayrshire

Thank you for your further letter of 24 October.

I am very sorry that the specific request in your letter of 26 September that its contents should not be conveyed to the Scottish Office was not complied with. You will however appreciate that my own staff in No 10 do not have detailed information about the operation of Milk Marketing Boards and accordingly they had to contact the Department of Agriculture and Fisheries for Scotland. I can assure you however that this consultation was kept strictly within Government: at no point was the issue discussed with the Scottish Milk Marketing Board.

While it is certainly the policy of my Government to support private enterprise, and small businesses in particular, I would make the point that the Scottish Milk Marketing Board is not in any sense a nationalised industry but is itself a co-operative of small businesses - the dairy farmers. It does not receive any assistance from the taxpayer, but operates under the control of the dairy farmers themselves, and has their overwhelming support, as evidenced in a recent poll of producers.

The Board has to operate on commercial lines, and if it considers that it would be more profitable or efficient to operate a greater proportion of its haulage requirements at its own hands, then this is a matter for its own commercial judgement which, if erroneous, would penalise its own producer members. I am sure they would not be slow to point out to the Board managers the error of their ways, if this kind of decision penalised their own pockets.

I find myself therefore in some difficulty. You have pointed out, quite properly, that a decision by the Board may adversely affect small businesses. On the other hand that Board in itself represents small businesses and must operate in their



interests. As Lord Mansfield has already pointed out, the Government have no direct power to intervene in the commercial activities of the Board and it would not be the policy of my Government to seek to do so. You might wish to make your representations direct to the Milk Marketing Board, along with other haulage contractors, through the Joint Haulage Committee constituted under the Scottish Milk Marketing Scheme 1933.