949 MT

Confidential Filing

Correspondence with Dr W.G Jack about the decision by the Scottish Milk Marketing Board to extend the operation of its own milk tanker fleet.

SCOTLAND

September 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4.12.79~~		~~1.11.81~~					
~~14.12.79~~		~~18.11.81~~					
~~17.3.80~~		~~20.1.82~~					
~~26.3.80~~		22.1.82					
~~25.4.80~~							
~~22.5.80.~~							

PREM 19/905

Dd 533270 5M 2/78 8362633 JET

Scotland SW
File

10 DOWNING STREET

From the Private Secretary

22 January, 1982

The Prime Minister has asked me to reply to your letter of 18 December which reached her only on 30 December.

I can assure you that the Prime Minister has looked at this whole matter carefully, as you will understand from her letter of 4 December. She knows of the evidence presented to the Committee of Investigation for Scotland in this case and the thorough manner in which they looked into your complaint. I hope you accept that you and the other parties concerned were given a full opportunity to present all the relevant evidence to the Committee, to lead any witnesses and introduce oral statements from other persons or bodies willing to give their support. You will, I know, understand that the investigation could not be re-opened on the basis of subsequent statements about matters which could have been, but were not, put before the Committee.

As to initiating any fresh investigation, the Milk Marketing Boards are, as you know, commercial trading organisations quite independent of the Government. Intervention by Ministers in their affairs is very strictly circumscribed by law and does not include instigating inquiries or acting unilaterally against a Marketing Board without very specific evidence and then only with the acquiescence of the Board or with support from the Committee of Investigation.

While, therefore, the Prime Minister fully understands that the outcome of this case has been most unwelcome to you, the procedures appear to have been properly carried out and there is nothing further that the Government can properly do. I am sorry not to be able to give you a more comforting reply.

M. A. PATTISON

Dr. W. G. Jack

(1)

PRIME MINISTER

You may remember Dr. W. G. Jack, and his campaign against the Scottish Milk Marketing Board. You wrote in some detail to him in December - copy attached.

He has written again, acknowledging that you might now wish to consider the correspondence closed.

Content that I should reply to him this time on the basis of the attached draft?

MAP

Yes MT

G.R.

Type for me, pl

MAP 22/1.

20 January, 1982

DRAFT

W G Jack Esq BSc PhD
"Heathcote"
25 Snowdon Terrace
WEST KILBRIDE
Ayrshire

The P— M— has asked me to reply to

~~Thank you for~~ your letter of 18 December ~~to the Prime Minister~~, which unfortunately reached ~~this office only~~ her only on 30 December. ~~The Prime Minister has asked me to reply.~~

I can assure you that as ~~you will understand from her letter of 4 December~~ the Prime Minister has looked at this whole matter carefully, as you will understand from her letter of 4 December. ~~She has been fully informed~~ She knows of ~~about~~ the evidence presented to the Committee of Investigation for Scotland in this case and the thorough manner in which they looked into your complaint. I hope you accept that you and the other parties concerned were given a full opportunity to present all the relevant evidence to the Committee, to lead any witnesses and introduce oral statements from other persons or bodies willing to give their support. You will, I know, understand that the investigation could not be re-opened on the basis of subsequent statements about matters which could have been, but were not, put before the Committee.

As to initiating any fresh investigation, the Milk Marketing Boards are, as you know, commercial trading organisations quite independent of the Government. Intervention by Ministers in their affairs is very strictly circumscribed by law and does not include instigating inquiries or acting unilaterally against a Marketing Board without very specific evidence and then only with the acquiescence of the Board or with support from the Committee of Investigation.

While therefore the Prime Minister fully understands that the outcome of this case has been most unwelcome to you, the procedures appear to have been properly carried out and there is nothing further that the Government can properly do. I am sorry not to be able to give you a more comforting reply.

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

W Rickett Esq
10 Downing Street
LONDON
SW1

18 January 1982

Dear Willie

I refer to your letter of 4 January enclosing a further letter from Dr W G Jack to the Prime Minister about his complaint against the Scottish Milk Marketing Board. There is, in our view, no new factual or relevant evidence in Dr Jack's recent letter; if there had been any firm evidence of collusion between the Scottish Milk Marketing Board and any haulier or group of hauliers, clearly this should have been brought out by the complainants during the inquiry carried out by the Committee of Investigation for Scotland. Our officials were in attendance at the hearing and saw all the written evidence involved. At no stage did Dr Jack or any of the other hauliers involved give a hint of the allegations which he mentions in his letter.

There are no grounds in Dr Jack's letter on which the Government could re-open the investigation or take direct Ministerial action against the Scottish Milk Marketing Board. Under the Agricultural and Marketing Act 1958, the Government has powers to instigate an inquiry into Board actions or direct the Board to alter its operations in only two circumstances. First, in the case of a specific complaint, such as this one, the matter may be referred to the Committee of Investigation and the Secretary of State may take further action only if the Committee find that the action complained of is against the public interest. In this case the Committee specifically rejected this contention by the complainants. Secondly, if in the Secretary of State's opinion Board action leads to one of a few specified results (with the details of which I need not trouble you), he may make a direction to the Board, but his action requires the support of the Committee of Investigation after an independent inquiry by them. None of these specified results occurred in this case.

A draft reply for your consideration is attached.

Yours ever
Michael

A M RUSSELL
Private Secretary

in [redacted]

R30/r

25 Snowdon Terrace,
WEST KILBRIDE,
Ayrshire KA23 9HN
19/12/81.

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

PPS.

Dear Mrs. Thatcher,

COMMITTEE OF INVESTIGATION FOR SCOTLAND
SMMB TAKE OVER OF EX FARM MILK HAULAGE IN N.AYRSHIRE AND RENFREWSHIRE

It is a pleasure to acknowledge with very sincere thanks your recent letter. I am grateful to you for spending so much of your time and talents on a matter which must be to you of a rather trivial nature. I am prepared to consider our correspondence closed with this letter but feel that, since it is a pity that neither you nor the Committee of Investigation, could be presented with all the facts, you might like finally to give your most earnest consideration to the following.

1. On Friday 18 December three small, well established, thoroughly efficient and cost effective private enterprise businesses die: many more will follow suit shortly.
2. In one firm the three regular drivers - all first class men with vast invaluable experience have refused the offer of employment with SMMB (for very good reasons) and join the expanding ranks of the unemployed. The small family firm willingly pays them redundancy etc. it can ill afford.
3. The militant union official who effectively sparked off this whole affair is now sitting back rubbing his hands in delight and will no doubt dictate terms and conditions required for SMMB drivers.
4. Mr. Watson has to suffer the indignity of watching another firm, Milk Express (only recently in existence) lift milk from farms his firm has faithfully served for many years - in at least one case since 1921. The Managing Director of Milk Express is Chairman of the RHA Milk Carriers Functional Group which conducted negotiations with SMMB. Cargo Express, the other half of Milk Express run by the same Managing Director recently became bankrupt.
5. The RHA Milk Carriers Functional Group agreed to make representations to the Committee of Investigation. These representations never arrived.
6. The Committee of Investigation was told of a special relationship between SMMB and the Union: it was not told of "certain deals" which had been effected.
7. I have already discussed with you the wholehearted support given to the private hauliers by about 200 directly affected producers, their families and workers and the absence of such support, particularly at the Investigation Hearing, for the SMMB proposals.
8. The extension of a Monopoly situation must be of some condern to the Public Interest in a Private Enterprise Britain.

While I have consistently commended the priciple of cost inspection and saving in ex farm milk haulage, I feel there has been much more in the SMMB method than meets the eye, so much so that it warrants further thorough investigation and action by the highest office in the land. Only when this investigation and action are successfully completed will I believe in the integrity of all concerned in this most distressing affair and the future of private enterprise in a Britain badly needing it.

I am,

Yours sincerely,

William G. Jack.

Dr. Wm. G. Jack

78

c 80
DM

10 DOWNING STREET

THE PRIME MINISTER

4 December 1981

I am grateful to you for letting me know of the outcome of your representations to George Younger, Secretary of State for Scotland, about the Scottish Milk Marketing Board's decision to expand their haulage fleet and to terminate existing haulage contracts.

I have seen the report of the Committee of Investigation for Scotland concerning your case, and I have been in touch with George Younger about the matter. Firstly, may I assure you that the delay in producing the Committee's report also caused concern to the Scottish Office, and the Committee's Chairman has been made aware of this. However, I should say that one reason for the delay was that the Committee were determined to produce a thorough report both on the complex arguments put to them, and on their conclusions.

You may recall from my letter to you of 4 December 1979 that I had then no doubts that the Board had powers to operate its own milk haulage vehicles. The Committee's report confirms this and goes on to accept the Board's argument that by rationalising private haulage and replacing it by Board-operated haulage, it is conscientiously doing its duty by trying to maximise profits for its producer members in the way it sees best.

/George Younger

B

George Younger and I both regret that the Board felt obliged to include in its plans for savings the termination of the haulage contracts necessary to sustain the three small haulage contractors. The possibility of job losses, however small in number, in an area already suffering from high unemployment, is deeply worrying. However, the Committee of Investigation for Scotland clearly felt that the Board's action stemmed from a genuinely commercial decision which, although obviously against the hauliers' interests, could not be said to be against the public interest. The Committee had to consider not only the public interest in Ayrshire, which may indeed be said to be affected by this decision, but the public interest generally; and they made this quite clear in their report. In addition, in the terms of the Scottish Milk Marketing Scheme, it is the will of the majority of producers in the Board's area which is decisive. While the Committee's report makes it clear that the Board's consultation procedures were not ideal, it also makes it clear that at the Board's Annual General Meeting in 1978 the majority of producers supported a review of the cost of ex-farm haulage so as to make savings.

I do sympathise with the plight of the three hauliers, but I am afraid that the Government's responsibilities in this matter are clear. I cannot fault the openness and thoroughness with which the Secretary of State for Scotland and the Committee of Investigation for Scotland have handled your representations, both now and in the past, all in accordance with the requirements of the Agricultural Marketing Act 1958. The Secretary of State has explained to you, I know, that in the terms of that Act he can take no further action in the light of the Committee's report.

As to the future, the Board have offered the hauliers concerned compensation terms more favourable than those required by contract, and the Committee's investigation revealed that

/the Board

the Board hope to offer comparable employment to as many as possible of the hauliers' employees who may have to be made redundant. I am only too well aware that this will be small consolation for the loss of a major part of your business in these difficult times, but I believe it is a genuine gesture by the Board to soften the impact of their decision. I hope that in due course you will come to accept that the Board acted on purely commercial grounds in the interests of producers, and that the Committee's vindication of the Board's decision reflects the proper concerns of the Government and the public interest in this matter.

(SGD) MARGARET THATCHER

Dr. W.G. Jack

File

4 January 1982

I am writing on behalf of the Prime Minister to thank you for your further letter of 18 December.

This is receiving attention and a reply will be sent to you as soon as possible.

W. F. S. RICKETT

Dr. W. G. Jack.

File

DSS

18/1

Dr. W.G JACK

4 January 1982

I enclose a further letter from Dr. W. G. Jack which the Prime Minister has received.

I should be grateful if you would let me have a draft Private Secretary reply, to reach this office by Monday 18 January.

W. F. S. RICKETT

Muir Russell, Esq.,
Scottish Office.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

W Rickett Esq
Private Secretary
No 10 Downing Street
LONDON SW1

3 December 1981

M Tyre
WM 3/12

Dear Willie,

You sent me, on 18 November, a letter from Dr Jack re-opening correspondence he had had with the Prime Minister some time ago concerning his dispute with the Scottish Milk Marketing Board.

Dr Jack wrote to the Prime Minister in 1979 about the matter, and was offended because, against his express wish, his letter was passed to the Scottish Office by No 10 who asked us to reply. It was therefore answered initially by Lord Mansfield. When Dr Jack objected, the Prime Minister apologised personally and sent a substantive reply on 4 December 1979 (copy of correspondence at Annex A).

Since then, the three hauliers affected by the decision of the Scottish Milk Marketing Board to rationalise milk haulage contracts have raised their concerns with the Secretary of State. Discussions were held between Scottish officials and Dr Jack (and representatives of the other hauliers), and in May 1980 the three hauliers lodged with the Secretary of State a formal request for their complaint to be investigated by the Committee of Investigation for Scotland. The Committee was established under the Agricultural Marketing Act 1958 as a statutory safeguard against possible abuse of the wide powers given to marketing boards created under that Act, and the Secretary of State accepted - after querying the public interest involvement with the hauliers - that the three complainers had demonstrated sufficient cause to justify a reference to the Committee which was directed to investigate and report on the hauliers' complaints on 24 August 1980. After a public hearing, at which both sides gave oral evidence to support written representations and introduced witnesses, the Committee reported to the Secretary of State in October 1981 (copy at Annex B). The Secretary of State advised the parties of the Committee's conclusions, and that he could take no further action, on 5 November (copy at Annex C).

The Committee's conclusions are unanimous, and there should be no doubt that they investigated all the points mentioned by Dr Jack fairly and thoroughly. What constitutes the 'public interest' in such questions is a vexed issue, and the Committee made its own judgement that it should take a wider view than that proposed by the hauliers. We consider that

judgement correct. The effects of the Board's decision on the hauliers is unfortunate, but if the Committee does not consider that these factors weigh heavily enough against the public interest, the Secretary of State, in terms of his statutory powers in such matters, cannot override the Committee's report and intervene in the Board's affairs.

There was delay in producing the Committee's report. I understand that the Chairman is an extremely busy QC, and circumstances combined to prevent him from completing the work expeditiously. He is generally regarded by those who have been concerned as an excellent Chairman. However, the concern of both parties in the complaint about the delay was conveyed to the Chairman, who has expressed his regrets and I believe that a subsequent report by the Committee has been produced timeously!

A draft reply for the Prime Minister's consideration is attached.

I am sending a copy of this letter and the draft reply to Anthony Willis.

Yours, Muir.

A MUIR RUSSELL
Private Secretary

DRAFT FOR PRIME MINISTER'S SIGNATURE

W G Jack Esq BSc PhD
"Heathcote"
25 Snowdon Terrace
WEST KILBRIDE
Ayrshire

I am grateful to you for ~~informing me~~ letting me know of the outcome of your representations to George Younger, Secretary of State for Scotland, about the Scottish Milk Marketing Board's decision to expand their haulage fleet and to terminate existing haulage contracts.

I have seen the report of the Committee of Investigation for Scotland concerning your case, and I have been in touch with George Younger about the matter. Firstly, may I assure you that the delay in producing the Committee's report also caused concern to the Scottish Office ~~also~~, and the Committee's Chairman has been made aware of this. ~~Nevertheless, I believe~~ However I should say that one reason for ~~that~~ the delay was that the Committee were ~~concerned~~ determined to produce a thorough report both on the complex arguments put to them, and on their conclusions.

You may recall from my letter to you of 4 December 1979 that I had then no doubts that the Board had ~~posers~~ powers to operate milk haulage ~~by~~ by its own vehicles. The Committee's report confirms this and goes on to accept the Board's argument that by rationalising private haulage and replacing it by Board-operated haulage, it is conscientiously doing its duty by trying to maximise profits for its producer members in the way that it sees best.

~~It is a matter of regret to me - and I know to George Younger also -~~ George Younger & I regret both regret that the Board felt obliged to include in its plans for savings the termination of the haulage contracts ~~which are~~ necessary to sustain the ~~viability of~~ three small haulage contractors. ~~and~~ The possibility of job losses, however small in number, in an area already suffering from high unemployment is ~~a matter of deep concern to the Government~~ ~~very~~ deeply worrying. However, the Committee of Investigation for Scotland clearly felt that the Board's action stemmed from a genuinely commercial decision which, although obviously against the hauliers' interests,

could not be said to be against the public interest. The Committee had to ~~have regard not~~ consider not only ~~to~~ the public interest in Ayrshire, which may indeed be said to be affected by this decision, but ~~to~~ the public interest generally; and they made this quite clear in their report. In addition, in the terms of the Scottish Milk Marketing Scheme, it is the will of the majority of producers in the Board's area which is decisive, ~~and~~ while the Committee's report makes it clear that the Board's consultation procedures were not ideal, it also makes ~~equally~~ it clear that at the Board's Annual General Meeting in 1978 the majority of producers ~~attending~~ ~~indicated their~~ supported ~~for~~ a review of the cost of ex-farm haulage ~~in order~~ so as to ~~effect~~ make savings.

I do sympathise with the plight of the three hauliers, but I am afraid that the Government's responsibilities in this matter are clear. I cannot fault the openness and thoroughness with which the Secretary of State for Scotland and the Committee of Investigation for Scotland have handled your representations, both now and in the past, all in accordance with the requirements of the Agricultural Marketing Act 1958. The Secretary of State has explained to you, I know, that in the terms of that Act he can take no further action in the light of the Committee's report.

As to the future, the Board have offered the hauliers concerned compensation terms more favourable than those required by contract, and ~~I note also that~~ the Committee's investigation revealed that the Board hoped to offer comparable employment to as many as possible of the hauliers' employees who may have to be made redundant. ~~This~~ I am only too well aware that this will be small consolation for the loss of a major part of your business in these difficult times, but I believe it is a genuine gesture by the Board to soften the ~~effect~~ impact of their decision. I hope that in due course you will come to accept that ~~their action resulted from~~ the Board acted on purely commercial ~~considerations by the Board~~ grounds ~~acting~~ in the interests of producers, and that the Committee's vindication of the Board's decision reflects the proper concerns of the Government and the public interest in this matter.

cc DOI HL

Scotland

18 November 1981

Between October 1979 and May 1980, the Prime Minister had a lengthy correspondence with Dr. Jack about the decision of the Scottish Milk Marketing Board to extend the operation of its own tanker fleet.

Dr. Jack has now returned to the fray. I attach his latest letter. I should be grateful if you could provide a draft reply for the Prime Minister to send to him by Wednesday 2 December. I have told him that we have no objection to his sending his letter to the other Pinterested parties" that he mentions.

I am sending a copy of this letter to Anthony Willis (Department of Industry).

WILLIAM RICKETT

Muir Russell, Esq.,
Scottish Office.

SO

HL

18 November 1981

I am writing on behalf of the Prime Minister to acknowledge your letter of 13 November. This is receiving attention and a reply will be sent to you as soon as possible.

I can confirm that we have no objection to your sending copies of your letter to the other interested parties you mentioned.

WILLIAM RICKETT

Dr W.G. Jack

Ack X So PM reply

Mr Rickett

'Heathcote',
25 Snowdon Terrace,
WEST KILBRIDE,
Ayrshire

13 November 1981.

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

Dear Mrs. Thatcher,

COMMITTEE OF INVESTIGATION FOR SCOTLAND

You will recall your helpful correspondence which resulted in the complaint by the three private enterprise businesses, Messrs. W. & J. Duncan, Mr. A. McC. Jack and Messrs. J.H. Watson & Son against the actions of the Scottish Milk Marketing Board to terminate their ex farm milk haulage contracts, being referred to the Scottish Secretary who called for a report (not a decision) from the Committee of Investigation.

You would not be surprised to learn that, after what seemed a completely unjustified delay, the Committee found in favour of the Board because the complainers had not proved that the action was "not in the public interest".

I find it very hard to believe that the Committee - and the Scottish Secretary - paid so little attention to the following:-

a) Three small private enterprise businesses are to be virtually extinguished (Mr. Younger conveyed the impression on 30.4.80 that every consideration would be given to this).

b) There was 100% rejection of the SMMB proposals by the producers directly concerned (and many more) - after the financial benefits had been explained to them. They testified to this at the Hearing.

c) Efforts by the producers to raise the matter at their own AGM were completely rejected.

Prime Minister, the private hauliers are grateful to you for your initial help and they may have to accept the findings of the Committee but, are you willing to preside over a Britain where private enterprise businesses - built up by earnest endeavour over many years - are to be so surreptitiously (and I use the word advisedly) cast aside and the will of the people is to be so blatantly flouted? Surely this is "not in the public interest."

Only three men - all SMMB officials - gave the opposite view at the Hearing. Not one producer - or Board member - appeared to support them there: even their Chairman made no effort to make a written or oral submission.

You did not hold out much hope for us in your previous correspondence: we have even less now but is there any avenue open to us to prove that Democracy in Britain is still alive? or have the Bully Boys and Big Brother arrived to stay?

With kindest regards and many thanks for your help.

I am,
Yours sincerely,

William G. Jack

WILLIAM G. JACK B.Sc. (HONS. AGRIC.), Ph.D.

I should like to see your policies succeed. Perhaps this is an example of why they are not working so well - yet!

I should like to send copies of this to various other interested parties. Perhaps you would let me know by 20.11.81 if you have any objection to this.

Annex C.

DEPARTMENT OF AGRICULTURE AND FISHERIES
FOR SCOTLAND
Chesser House, Gorgie Road, EDINBURGH, EH11 3AW
Telephone: STD 031-443 4020, ext. 2420

A McC Jack Esq
26 Halfway
West Kilbride
Ayrshire

5/11/81

Dear Sir,

COMMITTEE OF INVESTIGATION FOR SCOTLAND

1. I am directed by the Secretary of State to enclose a copy of the report by the Committee of Investigation for Scotland on the complaint made to him on 21 May 1980 by Messrs W & J Duncan, A McC Jack and J H Watson & Sons regarding the proposal of the Scottish Milk Marketing Board to rationalise milk haulage in their area.

2. The Committee's conclusions are summarised in Part 6 of the report, and you will note that they unanimously conclude that the complaint be rejected. I have to inform you that because of this conclusion the Secretary of State has no locus to take any further action in considering this complaint.

3. Under Section 19 of the Agricultural Marketing Act 1958, the Secretary of State is empowered to take further action relating to a complaint only if the Committee finds in favour of the complainers and reports that the matter complained of is contrary to the interests of milk consumers; or is contrary to the interests of any persons affected by the scheme and is not in the public interest. In the present case, the Committee's report concludes that the complaint be rejected, and finds only that the complainers themselves are affected adversely by the Board's proposal; they reject the complainers' assertion that the re-organisation is not in the public interest.

4. Section 19(4) of the 1958 Act requires that upon receiving the report the Secretary of State shall publish the conclusions of the Committee, and accordingly it is intended that the report will be published shortly and a Press Release issued announcing the Committee's conclusions.

5. Similar letters and copies of the report are being sent today to the other parties to the complaint and to their solicitors.

Yours faithfully

A B SCOTT

Annex B

THE AGRICULTURAL MARKETING ACT 1958

Complaint by Messrs W & J Duncan,
A McC Jack Esq and Messrs J H Watson & Son

as to the operation of the
Scottish Milk Marketing Scheme 1933 as amended

REPORT OF THE COMMITTEE OF INVESTIGATION FOR SCOTLAND

October 1981

Department of Agriculture and Fisheries for Scotland

PRICE £2.80 NET

CONTENTS

COMMITTEE OF INVESTIGATION FOR SCOTLAND

REPORT ON A COMPLAINT MADE BY MESSRS W & J DUNCAN, A McC JACK ESQ AND MESSRS J H WATSON & SON AS TO THE OPERATION OF THE SCOTTISH MILK MARKETING SCHEME 1933 AS AMENDED, IN RESPECT OF EX-FARM MILK HAULAGE

To: The Rt. Hon. George Younger, MP
Secretary of State for Scotland

PART 1 - INTRODUCTION

1.1 On 24 August 1980, you directed us to consider and report to you on the complaint as to the operation of the Scottish Milk Marketing Scheme contained in the letter dated 21 May 1980 from Messrs Cowan, Taylor and Steuart, 180 St Vincent Street, Glasgow, on behalf of Messrs W & J Duncan, Beith; A McC Jack Esq, West Kilbride; and Messrs J H Watson and Son, Irvine (hereinafter referred to as "the Complainers"). The direction and the letter of complaint are reproduced in Appendix 1 and 2 respectively.

1.2 The Committee met on 18 September 1980 to determine the procedure to be adopted in their consideration of the complaint and the agents for the Complainers were thereafter informed that any written representations were to be lodged with the Committee by 16 October 1980 with a copy also being sent by that date to the Scottish Milk Marketing Board (hereinafter referred to as "the Board"). Representations by the Board were to be lodged with the Committee by 13 November, 1980 with a copy being sent to the agents for the complainers by that date. Both parties submitted written representations to, and expressed a desire to be heard by, the Committee. Representations from the agents for the Complainers and from the Board appear as Appendix 3 and 4 respectively.

1.3 We decided that any hearing would be in public; that evidence would not be taken on oath or affirmation; and that each party would be entitled to appear on his own behalf or be represented by Counsel or by Solicitor. We also decided that at the hearing each party would be entitled to make an opening submission prior to leading evidence; that all witnesses would be subject to cross-examination; and that after all the evidence had been heard, the parties would be entitled to make closing submissions in the order of leading evidence. At the hearing, evidence would be led in the order, complainants; at the discretion of the Committee, any other person appearing and having an interest; and the Board. The Committee reserved the right to vary the above procedure but in the event there were no variations at the hearing from the procedure outlined above.

1.4 Public notice was given on 16 September 1980 by Press Notice circulated by the Scottish Information Office, of the direction to the Committee to consider the complaint and a further Press Notice was issued on 19 January 1981 intimating the arrangements for the hearing of the complaint beginning on 9 March 1981 and inviting persons or organisations with an interest in the subject of the complaint to submit written representations by 14 February 1980.

1.5 A number of individuals other than the parties to the complaint sent written statements to the Committee. We agreed to hear all who expresssed a desire to be heard. The list of individuals who submitted evidence (other than the parties to the complaint) comprises Appendix 5.

1.6 Within a week of the hearing, Messrs Ketchen and Stevens WS submitted to the Committee an Inventory of Productions extending to 19 documents together with copies of the relevant documents. These were admitted as evidence at the hearing.

1.7 Evidence and arguments were heard on 9, 10 and 11 March 1981 and on 4 May 1981. The Complainers were represented by Mr D Macaulay QC instructed by Messrs Cowan, Taylor and Steuart, Solicitors. The Board was represented by Mr John Murray QC instructed by Messrs Ketchen and Stevens, WS. In addition evidence was given by the individuals named in Appendix 6. The Committee decided that a verbatim record of the hearing would not be taken.

PART 2 - BACKGROUND

2.1 The Scottish Milk Marketing Board is an agricultural marketing board set up under the provisions of the Agricultural Marketing Act 1958 with its constitution and operations governed by the Scottish Milk Marketing Scheme 1933 as amended (hereinafter referred to as "the Scheme"). Section 12 of the Scheme requires the Board to maintain a register of every producer who applies to the Board for registration, while Section 13 exempts from the duty to register under the Scheme producers who sell milk only to persons in their employment or to neighbours for their own consumption. Under Section 16 of the Scheme all sales of milk by registered producers (unless licensed by the Board under Section 26 of the Scheme to sell milk by retail or semi- retail) must be made to or through the agency of the Board and the Board is bound to acccept all milk meeting the prescribed standards of quality legally tendered to it by registered producers and to pay for the milk. It is the duty of the Board to uplift from the premises of registered dairy farmers all milk legally tendered by them.

2.2 By Sub-section (1) of Section 15 of the Scheme the Board is given power inter alia to transport milk and under Sub-section (9) to co-operate with any person in doing anything which the Board is empowered to do under Sub-section (1). In terms of Sub-section 10, the Board is further empowered to arrange, promote or conduct agricultural co-operation, research and education in furtherance of efficient milk production and marketing. Section 21 of the Scheme empowers the Board to specify the person or persons by whom and the manner or manners in which the milk of any registered producer shall be transported and to determine the rates payable by the Board for the transport of milk by road. Section 24 provides for consultation with haulage contractors in the Joint Haulage Committee to which the Board and persons engaged in the haulage of milk by road are to be represented. The Board enters into individual Agreements with each road haulier in terms of a standard Agreement which provides inter alia that it will remain in force until terminated by one party giving one month's written notice to the other and further provides that where that Agreement has been terminated by the Board, the haulier may require the Board to acquire the road tankers which he operates and in that event the price payable by the Board to the haulier shall be the net cost price of the tankers to the haulier less a deduction of one-seventh of that cost price for every year or part of a year which shall have passed since the date of first registration of the road tankers. In 1978 the Board employed 172 milk tankers of which about 76% were owned by private hauliers, 4% by buyers and 20% by the Board. The present complaint has arisen from the decision by the Board to assume direct responsibility for a larger proportion of its ex-farm haulage commitments.

2.3 The Complainers' Case

The written submission made by the agents for the Complainers in their letter of complaint and in their representations to the Committee before the hearing may be summarised as follows:-

(a) the Complainers are hauliers who have for many years operated under contract to the Board collecting milk from dairy farms in north Ayrshire and Renfrewshire and delivering it to dairies as instructed by the Board;

(b) milk haulage is a highly specialised operation requiring specialised and costly vehicles and equipment, scrupulous hygiene, regular and fast collection and delivery, detailed knowledge of routes and accesses to farms, good personal relations with the dairy farmers concerned, and staff and drivers familiar with the work who can be relied upon to turn out at all times and in all weather conditions;

(c) so far as is known, the Complainers have operated to the complete satisfaction of all those affected or concerned and neither the Board nor any producer has had occasion to complain about, or comment adversely on, the nature of the service given by any of the Complainers, its efficiency, regularity or cost;

(d) the Complainers enjoy good relations with their drivers and other staff and the service provided by them has never been affected by any form of industrial action on the part of their drivers or other staff;

(e) the Complainers provide employment in an area of high unemployment and since they and their staff reside locally, they are readily available for work regardless of weather conditions. Local trade and, indirectly, employment are also affected by the commercial activities of the Complainers. Termination of their contracts would result in loss to local employment and trade;

(f) the sole reason given by the Board for terminating the Complainers' contracts is that the Board wishes to rationalise its milk haulage operations although it has not and never has been suggested that the Complainers have failed to perform their contractual obligations or otherwise give cause for termination of their contracts on legal or other grounds;

(g) the overwhelming majority of registered producers served by the Complainers had, in response to a questionnaire, expressed a preference for continuation of their milk collection by private enterprise;

(h) the Complainers are not aware of any evidence that assumption by the Board of the Complainers' milk haulage operations would lead to any improvement in the service or reduce charges to producers or consumers. The Board would incur irrecoverable expense by virtue of the compensation terms required to be offered. Larger vehicles could not be used on many routes; and

(i) haulage charges imposed on registered producers by the Board are higher than the prices paid by the Board to the Complainers and the terms of contract compare favourably with similar contracts negotiated in England with the Milk Marketing Board (England and Wales).

Representations by persons other than the Complainers or the Board

2.4 Mr R M M Clark, General Manager, Stevensons Dairy Farms, Cumnock, lodged a statement with the Committee. Stevensons Dairy Farms' interests include milk production, processing and distribution and for more than 40 years the enterprise has hauled milk under contract from the Board. The statement lodged with the Committee may be summarised as follows:-

(a) declining milk production, increased capacity of new milk tankers and improved deployment of the existing tanker fleet point to the need for a reduction in a number of units engaged in haulage;

(b) the first objective of the Board's haulage operations whether conducted directly or under contract, must be provision of an efficient, cost effective service having regard to the servicing of the higher value milk outlets;

(c) reduction in the total number of tankers in use could be achieved readily by withdrawing or suspending temporarily any increase in the Board's fleet. An increase in the proportion of milk hauled by the Board's own fleet could be achieved through gradual reduction of the number of tankers operated under contract by notifying private hauliers that since milk production was unlikly to increase, hauliers' contracts would not be transferrable and would not be saleable assets as they have apparently been in the recent past; and

(d) the Board must accept responsibility for excess milk tanker capacity in its area and while it might be desirable to increase the share of milk hauled by the Board's fleet, this objective should not be achieved by unilateral and ruthless application of a rigid policy by an organisation operating under statutory powers.

2.5 Mr T R Gallie, an elected member of Cunninghame District Council, in a letter to the Committee expressed concern about the likely effect in West Kilbride, an area of very high unemployment, if the local contractor Mr Jack who currently employed 9 local men was forced out of milk haulage which comprised 85% of his operations.

2.6 Mr G Brownlee, Kilbirnie, a registered producer, wrote to the Committee on his own behalf and on behalf of 4 other dairy farmers in the area outlining their main areas of concern, namely, the fear of losing a proven, reliable service given by the present haulier since by contrast the Board's tankers based at Paisley would have to travel a considerable distance before starting their lift of milk. The view was also expressed that the vast majority of the producers favoured retention of the private haulage arrangements.

2.7 Mr Richard Wilkinson, an elected member of Strathclyde Regional Council, in a letter to the Committee expressed concern about the effect of the withdrawal of the contract from Messrs W & J Duncan both in terms of employment and the firm's evident viability. He referred to the high regard in which the firm was held among the local farming community, and suggested that account should be taken of the valuable service offered by this firm over the years in any decision to withdraw business from it.

2.8 Mrs M C Drummond, a dairy farmer from Mouswald, Dumfries, submitted a number of written statements and documents in support of the view that the Board had not consulted registered producers adequately on the proposed rationalisation of ex-farm haulage arrangements and that the service offered by private hauliers was more efficient and less costly.

The response of the Board

2.9 The Board's written representations and the documents listed in the "Inventory of Productions" in Appendix 7 are summarised in the paragraphs which follow.

2.10 General

The general background to the Board's milk haulage policy outlined in its submissions may be summarised as follows:-

(a) Section 21 of the Scottish Milk Marketing Scheme empowers the Board to specify the person or persons and the manner or manners in which milk of any registered producer shall be transported and to determine the rates to be paid by the Board for transport of milk by road. The Board is exclusively responsible for payment of all accounts for transport of milk sold to or through the agency of the Board;

(b) the Board is acutely aware of its responsibility to carry out the transport operation on behalf of its registered producers as economically as possible and there has been renewed pressure during recent years, when cost inflation has severely eroded the net income of producers, to seek ways of reducing or at least containing ex-farm haulage costs;

(c) the number of milk producers registered with the Board has fallen and the total volume of milk sales off farms had also fallen in recent years. The demand for the liquid market has also been declining and there is therefore less need for longer haul milk to meet the marginal needs of this market. In addition the traditional mid-week peak demand for milk has been lessened thereby reducing the volume of spare tanker capacity required to meet the peak load;

(d) when the haulage arrangements were revised in 1978/79, 80% of milk in the Board's area was being carried by 43 private hauliers operating between 1 and 7 tankers, a total of 133 active tankers. The existence of so many small fleets inhibited rationalisation of the Board's haulage operations and improvements in the daily milk load of tankers;

(e) the proportion of milk carried by the Board's own fleet is much less than that of any other milk marketing board;

(f) the Board believed that substantial savings in ex-farm milk haulage were possible and drew up a comprehensive rationalisation and development programme to be implemented over 2 or 3 years from 1979 following consultations with representatives of the private hauliers in the Joint Haulage Committee. The trades unions concerned were also advised of the programme;

(g) these proposals were discussed in the Joint Haulage Committee in July 1979. The Board subsequently amended its proposals for expanding its own haulage fleet operations and significantly improved the compensation to be offered to private hauliers whose contracts were to be terminated;

(h) the first phase of the operation was completed amicably with an estimated saving of £196,000 a year. Board officials visited all hauliers to be affected in the second phase. In Wigtownshire, 3 private hauliers voluntarily terminated their contracts, reducing the Board's haulage bill by an estimated £90,000 a year. If similar savings are achieved on completion of the remaining proposals for the second phase, it is estimated that the overall annual reduction in the Board's haulage bill could be of the order of £300,000. This points to the scale of benefits which are expected to accrue to the Board, its producers and ultimately to the public as a result of the programme. It is estimated that potential savings of some £490,000 a year are possible on completion of the rationalisation programme;

2.11 Specific application of the Board's policy to the Complainers

The Board's representations insofar as they relate specifically to the Complainers may be summarised as follows:-

(a) on 2 June 1980, the Board in accordance with the terms of its contract with each haulier intimated its decision to terminate the contracts from 31 August 1980, a longer period of notice than was required by the contract;

(b) the Board planned to rationalise milk haulage over a wide area of Renfrewshire and Ayrshire by increasing the Board's transport fleet in depots at Paisley and Mauchline while at the same time re-allocating milk loading on other private hauliers' fleets in the area;

(c) the Complainers had not operated at all times to the complete satisfaction of the Board;

(d) while the Board had no comments on the relations between the Complainers and their employees it appeared that the premises of the Complainers had been picketed during the 1979 haulage strike and only the intervention of the Board (which had no such difficulties because of its separate arrangements with the Unions) allowed milk collection by these hauliers to continue;

(e) notwithstanding the results of the questionnare referred to by the Complainers a meeting of 80 producers in the affected area had expressed satisfaction with the Board's plan;

(f) the Board had agreed to improve the terms of compensation of the contracts. It is not the intention of the Board to introduce a substantial programme of replacement of existing tankers by larger vehicles;

(g) the comparisons made by the Complainers that the rates charged by the Board to producers are higher than the prices paid by the Board to the Complainers is irrelevant because the system for paying hauliers for milk transport is entirely different from the method prescribed in the Scheme for charging milk producers a standard haulage rate. The suggestion by the Complainers that the Board's rates are less favourable than comparable rates in England and Wales is rebutted by the Board which asserts that if the rates used by the Milk Marketing Board (England and Wales) were employed by the Board the current annual gross income of the Complainers would be significantly reduced;

(h) since the milk supply is falling it is inevitable that there will be some loss of jobs overall since fewer tankers will be needed. The Board has a clear obligation to its producers to seek ways and means to improve the efficiency of ex-farm milk haulage; and

(i) the Board has acted in conformity with its contractual rights and obligations.

PART 3 - HEARING

Subject to our findings in fact, which appear in Part 5, the salient features of the evidence given at the hearing are summarised in the paragraphs which follow in this Part of the Report.

3.1 Opening statement for Complainers

Mr Macaulay stated that the present scheme for collecting milk within the area served by the Scottish Milk Marketing Board involved 80% of the milk produced being collected and delivered by private hauliers under contract and the remainder by tankers owned and operated directly by the Board. From the map submitted by the Board it appeared that if the Board's proposals were carried out, milk haulage in the area of North Ayrshire and Renfrewshire would be carried out as to 55% by private hauliers and the remaining 45% by the Board's own fleet. Under these proposals the three Complainers would be entirely excluded from milk haulage. It was the Complainers' submission that this would be a contravention of Section 19, Sub-section 6 of the Agricultural Marketing Act 1958 in respect that it was against the interests of the milk producers and was further contrary to the interests of the Complainers whose sole or main activity was milk haulage. This was especially so because in the past they had been encouraged by the Board to gear their business specifically to meet the demands of milk haulage. Furthermore, the proposals were contrary to the public interest since the changes would not give a better, more efficient or more economical service. The Complainers had given many years of satisfactory service. None of them had been reasonably consulted on whether they would or could ally themselves with the changes proposed for milk haulage within the North Ayrshire/Renfrewshire area. It was the Complainers' submission that they were being unfairly treated because they were being unjustifiably excluded from milk collection in the heartland of the milk production area when there was no evidence that any of the milk producers were complaining about the efficiency of the service given to them. It would be the submission of the Complainers that the statistical approach, which appeared to be the justification for the Board's decision to terminate the contracts, was neither appropriate, sound in fact nor did it have proper regard to local issues. The projected savings suggested by the Board were questionable, and in particular since the producers themselves did not desire change, the Complainers would submit that the Board scheme should be rejected.

3.2 Evidence for the Complainers

(1) Mr William M Duncan. This witness spoke to the length of time that his firm, Messrs W & J Duncan, had been in business, the conduct and extent of its operations and the collecting area it served. He stated that there had never been any complaint by the Board or by any producer about the service given and relations with the Board had been amicable. He stated that on no occasion had he been given any inkling that the Board was dissatisfied with his performance. The routes taken by the firm's tanker fleet within the collection area were

checked twice a year by Board officials. He was concerned that the proposals presented to the Joint Haulage Committee by the Board in August 1979 had been put forward as a programme to be implemented and not one upon which there could be negotiation. He himself had not at any time been told by any Board member or official how it was proposed to operate the new arrangements within his firm's collection area. He doubted the Board's ability to achieve the projected savings unless a significant number of tankers elsewhere in the area were running substantially below capacity. He was critical of the proposals, particularly in view of the fact that the Board's fleet would be based at Paisley and he considered that adverse weather could restrict or delay milk collection operations. He considered that if the Board were to employ the firm's drivers in the event that the firm's contract was terminated, the distance which such drivers would require to travel from home to work at Paisley was such that they would in adverse weather be late in arrival and milk collection would be delayed. He suggested that changes in administration and efficiency of the Board's arrangements for metering milk collection and deliveries could lead to an improvement in the returns for registered producers. He doubted if savings reported as having been achieved in Wigtownshire following reorganisation of ex farm milk haulage there, would be repeated in the area of Ayrshire/ Renfrewshire where milk production suffered much less seasonal variation. He described the reaction of producers within his area to the questionnaire (Appendix 8) circulated among them and the subsequent attempt by certain producers to raise the matter of the Board's proposals at the annual general meeting of the Board held on 4 July 1980. He spoke to occasions when he had dismissed employees for theft and when the Board had reported defects in the condition of his tankers. He agreed that the number of producers within the area served by the Board had fallen significantly over the years, that some contraction in milk haulage operations was inevitable, that the Board had an obligation to its producers to keep haulage costs to a minimum and to this end was entitled to re-arrange the collection areas allocated both to its own fleet and to the fleets of private hauliers. He also agreed that the rate struck between each contractor and the Board annually for the collection of milk was calculated on a formula agreed with the Joint Haulage Committee which took account of all the costs incurred by each haulier. He believed that the balance of advantage lay with the tanker being based in the milk production area and running towards the depot with its accumulating load since this would tend to provide for earlier collection from the farms and earlier delivery to depots in the course of a day. He did not consider that larger transport units necessarily led to more flexibility in operations.

(2) Dr W G Jack. This witness spoke to the length of time that the firm (A McC Jack) had been in business, the conduct and extent of its operations over the years, the size of its present activities and the collection area which it served. He accepted that consequent upon a recent reduction by the Board of his collection area, there was spare capacity in his tanker fleet. He stated that the service given by the firm to the Board had never been interrupted, that relations with producers were very good, and that to his knowledge there had never been complaints about the service given by the firm. The drivers employed by the firm had not committed themselves to accepting employment with the Board if it were offered to them because of the distances involved in travelling from their homes near West Kilbride to either of the Board's depots at Paisley (20 miles) or Mauchline (26 miles). He doubted if tankers based at Paisley would provide a more efficient milk collection service. Nevertheless he believed that there was scope for improvement in the existing arrangements with tankers based in the milk production areas themselves. He indicated that about 2 years earlier he had suggested to the Board that private hauliers and the Board should meet with a view to discussing rationalisation of milk collection within the whole area but this had met with no response. While he commended the Board on being concerned about ex-farm milk haulage, he was critical of the methods adopted in their review and the conclusions reached by the Board. He doubted the practicability of using large tankers since few of the roads and farm accesses within his collection area would take heavier vehicles. He considered that the local drivers employed by his firm with extensive knowledge of the locality provided a unique service, particularly in bad weather. He did not consider that the Board's haulage operations in Wigtownshire were comparable with those in North Ayrshire/Renfrewshire and accordingly a solution for the latter area which was based on the results achieved in Wigtownshire was illogical. He considered that any solution for the North Ayrshire/ Renfrewshire area could only be based upon the particular circumstances prevailing there. He spoke to the fact that the firm had had no industrial disputes, although in the course of a national strike by haulage drivers, the firm's depot had been picketed. However the firm's tankers had continued to operate. On one occasion when the drivers employed by the Board had been on strike, the firm had assisted with the collection of milk within the area served by the Board's tankers.

(3) Mr Alexander McIntyre. This witness owned Dykefoot Farm, Kilmacolm and was in partnership with his brother at Craiglinscheoch Farm, Kilmacolm. He had ceased to produce milk at the former farm in December 1980, but was still producing milk at the latter farm. He stated that he had no cause for complaint with the

service given by Messrs W & J Duncan. He questioned if the service offered by them could be improved. He was critical of the Board's decision because there had been no consultation by the Board with the producers involved. He accepted that the Board was under pressure from producers to increase returns by improving the marketing of milk and possibly by becoming more substantially involved in the distribution of liquid milk. He was doubtful if the Board's proposals would lead to lower haulage costs, although he considered that some re-organisation might be possible and that this, coupled with keener negotiations with private hauliers, could lead to savings. In principle he considered that it was more satisfactory and economical to have the tankers based within the collection area rather than at a depot outwith the collection area. He agreed that the decision to cease milk production at Dykefoot Farm arose because of inadequate returns and admitted that with his brother he was also considering ceasing milk production at Craiglinscheoch Farm. He also spoke to being one of a number of producers who had submitted a motion of censure for consideration at the annual general meeting of the Board in July 1980. While he accepted that as the number of dairy farms fell, the distance between farms tended to increase and that accordingly there could well be scope for rationalisation of haulage arrangements, he doubted the ability of the Board's drivers to carry out work as efficiently or with the tolerance and reliability of the private hauliers' drivers based in the collection area. His view was that the private haulier could always operate more efficiently than the Board.

(4) Mr H P Nicol, Lecturer in Department of Business Studies in Heriot Watt University. This witness spoke to his report which is appended hereto (Appendix 9). He also explained there was evidence that large organisations were dispersing their haulage fleets and handing back work to specialist independent hauliers. It appeared to him that the Board was going against this trend without adequate explanation. In relation to the documents produced by the Board about savings made on re-organisation of haulage operations in Wigtownshire, he criticised the documents as providing no sound basis for the calculations on which the Board's case was based. He suggested that the Board's projected saving of £490,000 was based on doubtful premises and logic and that the economic justification for extension of the rationalisation programme was therefore unsound. He accepted that there had been a significant decline in the number of producers within the Board's area over the years and that as a consequence the number of calls would be reduced, that collection of the same amount of milk from farm sources could therefore take less time and that the Board had an obligation to minimise haulage costs in order to maintain returns to producers at the highest possible level. In a reference to the

published annual report and accounts of the Board for 1980, he agreed that the net cost to the Board for hauling milk in 1980 as compared with 1979 had increased by about 10%, that the cost of haulage by the Board's transport fleet in both years totalled just under 19% of the total cost of haulage incurred during each year, and that if operations by the Board's own fleet had increased in 1980, the running costs of the Board's fleet would be less than those of private hauliers under contract to the Board. He agreed that a depot containing between 10 and 12 vehicles was about the right size for a transport depot. Since much depended on the quality of supervision he questioned whether in an organisation such as the Board, where there was the tendency to move from the constraints of market forces, the level of efficiency was as great as in private haulage.

(5) Mr J H Watson. This witness spoke to the length of time his firm Messrs J H Watson & Son had been in business, the conduct and extent of their operations both in the past and at present and the extent of their collection area. He said that the firm was more broadly based than the other Complainers in that it also operated a non-tanker fleet employed mainly in food haulage. If the present contract for ex-farm milk haulage with his firm was terminated, 4 of the firm's drivers would require to be dismissed and there was little prospect of their finding other work in the area. He considered that the local knowledge of drivers was invaluable especially in adverse weather. He commented that the existing tankers could use the more direct routes to the farms and he did not consider that larger tankers would be suitable for milk collection in the area served by his firm. He spoke to the good relations that he had with his employees, and commented that although the firm's premises had been picketed during the haulage strike in 1979, his own drivers had remained at work. He pointed out that under the terms of the Board's contract with private hauliers, the Board was, on termination of a contract, obliged to buy the owner's tankers unless the owner decided otherwise. As there seemed little scope for alternative use of their tankers by the Complainers, the Board would have to buy these tankers on the prescribed valuation terms. He described the details of the haulage agreement and the manner in which the rates and conditions of contract were negotiated between the Board and hauliers' representatives in the Joint Haulage Committee. He did not consider it likely that even if the Board offered employment to any drivers dismissed by his firm, they would consider it practicable to travel daily to Paisley for work. He agreed that he had heard no adverse comments expressed about the milk collection service operated directly by the Board's own tankers. He was concerned that the compensation to be offered on termination of his firm's contract contained no recognition of the service given by the firm over many years.

(6) Mr Andrew Templeton. This witness spoke to having been employed by Messrs J H Watson & Son for 35 years as a milk tanker driver. He spoke to the service given by the firm to producers and the lack of complaints about that service. He admitted that he himself would be retiring soon but was concerned about the lack of employment within his locality for younger colleagues who might be made redundant by termination of the Board's contract with the firm. He doubted if a better service could be provided by any other haulier whether private or Board, and was satisfied that producers in the area wished the present arrangements to continue.

(7) Mr Thomas C Reid, Dairy Farmer, Burrowland Farm, Kilwinning. This witness spoke to the excellent service which Messrs J H Watson & Son had given over many years. He considered that the use of larger tankers in the area was not practicable especially since there had been occasional problems of access with existing vehicles. He stated that producers locally believed that milk collection should remain with the private hauliers as at present. He doubted the Board's ability to achieve the projected savings from rationalisation of the ex-farm haulage arrangements. He considered that the ability of a producer when any problems arose, to contact a haulier based locally outweighed any marginal saving to be achieved by dispensing with the services of that haulier. He agreed that the Board had a duty to provide the most economical milk collection service possible in the interests of producers and accepted that if the proposals in fact would lead to reduced costs, the Board should proceed with them so long as milk collection could be made within reasonable hours. He also accepted that if the drivers employed by the Complainers were to be employed by the Board on their present runs, the service offered need not deteriorate. He expressed doubts that this would be so in view of the distance that such drivers would require to travel from their homes to the depots before beginning milk collection. He agreed that new drivers could become equally familiar with their routes in time.

(8) Mr Stanley Dillon. This witness spoke to being employed by Messrs W & J Duncan as a milk tanker driver and of the excellent service afforded to producers by that firm. He indicated that if the contract with that firm was terminated by the Board, and he were offered employment by the Board, he would accept it. He said that new drivers could become familiar with their routes and with the producers from whom liquid milk was collected in about 1 or 2 weeks.

(9) Mr James Liggett. This witness stated that he had been employed for 15 years as a relief tanker driver by Mr A McC Jack. He spoke to the satisfactory service given to producers and to the good relations existing between himself and other employees and the firm. If his employment with the firm was terminated he would not accept employment with the Board because of the distance from his home in West Kilbride to the Board's depot in Paisley. He preferred to work for a small, local firm.

3.3 Evidence from other interested parties

(1) Mrs M C Drummond, Dairy Farmer, Mouswald, Dumfries. This witness spoke to the documents she had provided to the Committee. She spoke of certain difficulties experienced in the Dumfries area with large articulated tankers in snow. She expressed support for private enterprise and was convinced that direct Board haulage could not improve on the service given by private hauliers.

(2) Mr D Reid, Dairy Farmer, Mossside, Dalry. This witness was associated with the representations made by Mr G Brownlee. He was served by the firm of Mr A McC Jack. He spoke to the dissatisfaction of a number of producers in the area with the Board's proposals even after a meeting at Lochwinnoch between producers in the area and Board officials. He expressed concern about the distance of the Board's depot in Paisley from his area and also suggested that the Board had provided no convincing information as to how savings in haulage costs were likely to be achieved. He acknowledged that the Board had a duty to organise the most efficient and economical ex-farm haulage service possible, but local producers were sceptical about the likely success of the Board's proposals. They were concerned that day to day control of haulage arrangements would become remote from producers. If it could be demonstrated that the Board's proposals would produce savings analagous to those achieved in Wigtownshire, he would be satisfied with the Board's proposals for his area. He agreed that if there was spare capacity within the haulage arrangements presently in operation, the Board would be entitled to consider reduction of the number of tankers employed in order to make more effective use of the total capacity available within the Board's area. He was however concerned that the Board had not given information to producers to show precisely how savings would arise from dispensing with the services of the Complainers.

(3) Mr R Lamont, Dairy Farmer, Cockenzie, Dalry. This witness was also associated with the representations made by Mr G Brownlee. He was served by Messrs J H Watson & Son. He was concerned about the Board's proposals and considered that unlike the private haulier, the Board's officials had no incentive to provide an efficient and economic service. He agreed that the Board had an obligation to minimise costs and to make such savings as were possible throughout the Board's area and accepted that if it were possible to dispense with the services of five tankers in the Ayrshire/Renfrewshire area, the Board would be right to do so. He suggested that haulage contracts might be the subject of competitive tendering but agreed that he had not previously been aware of the procedure for negotiation of haulage rates through the Joint Haulage Committee.

3.4 Evidence for the Board

(1) Mr I A M McAlpine, Managing Director of the Board. Mr McAlpine spoke to the history of the proposals and their consideration by the Board at Board meetings. He further spoke to the issuing of formal notices of termination of contract to each of the Complainers. He explained why the Board came to consider the rationalisation of ex-farm haulage. He related the change in the form of ex-farm milk haulage operations, the decline over the years in the number of producers, the increase of liquid milk sales together with the change in demand for milk from the liquid milk market. He also spoke to the increase in tanker size over the years. He explained that the Board did not intend to introduce larger tankers in areas which were clearly not suited for them. He also detailed the discussions that took place in the Joint Haulage Committee. He outlined the aims of the Board's programme and the means whereby this would be achieved under reference to the documents appended hereto. He pointed out that the Board hauled with its own fleet a lower proportion of milk than any other milk marketing board in the United Kingdom. He considered that larger operating units, especially those with mixed haulage fleets, tended to provide a more flexible operation with heavier loading. This permitted some tankers to be taken off the road in the quieter winter months and drivers to be absorbed elsewhere in the business. He explained that the Board also believed that the operation of ex-farm milk haulage would be more secure from disruption by industrial action if the Board hauled a larger proportion of milk with its own fleet. He explained that the Board had endeavoured to keep producers informed about the proposed changes in the ex-farm haulage operations. He himself had taken part in a meeting with producers in Lochwinnoch attended by 80 producers. He

described the terms upon which the Board would take over tankers from the Complainers upon termination of their contracts. He spoke to the decline over the years in the number of haulage contracts. He described the basis upon which the Board's own transport fleet was administered. He contended that the Board's direct haulage units had been operating satisfactorily for many years and that there was no reason to believe that the service they provided was any less efficient or less acceptable to producers than that of private hauliers. The proposals for compensation on termination of a contract were more generous than required by the terms of the Milk Haulage (Road Tanker) Agreement. He considered that the programme of rationalisation was in the best interests of producers. He denied that the proposals had been generated by the savings effected in Wigtownshire. The Board was satisfied, following a general survey made of the arrangements in Ayrshire/ Renfrewshire that savings comparable to those made in Wigtownshire could be similarly made in Ayrshire/ Renfrewshire. The purpose of the Board's proposals was to secure that a larger collection area would be allocated to each haulage unit, (whether Board or private haulier) to obtain a better loading factor. The proposals inter alia involved Cargo Express taking over the collection area presently served by Messrs J H Watson & Son, but while there had been informal discussions regarding this, there had been no detailed negotiations on the matter. He suggested that one of the factors in the Board's consideration as to which of the hauliers' contracts should be terminated, had been their past history. There were no further proposals for rationalisation of the haulage operations in the Ayrshire/ Renfrewshire area in the immediate future. He stated that the Board was satisfied that the existing staff and facilities in the Board's depots were capable of managing and maintaining the extra tankers which it was proposed should be based there. The Board had adequate back-up facilities to cover all reasonable contingencies whether caused by mechanical breakdown or winter weather. The Board was not in a position to guarantee employment to all employees of the private hauliers affected by termination of contract but would offer employment to as many as possible.

(2) Mr Gordon A Pope, Finance Director of the Board. This witness spoke to the cost of ex-farm haulage shown in the Board's Reports and Accounts produced. He explained that since the Board was bound to implement the provisions of the EEC Regulations Nos 1422/78 and 1565/79 which required the operation of the Board's commercial undertaking (which included its own haulage operations) to be made subject to a separate system of financial management and administration, the Board's accounts for 1980 had been prepared in a different manner from those for preceding years. He spoke to

estimated savings achieved following rationalisation of haulage operations in Wigtownshire. He explained the make-up of the rating formula negotiated annually between the Board and hauliers' representatives in the Joint Haulage Committee: the Board's fleet was costed in the same way. He was satisfied that implementation of the proposals in the rationalisation programme could achieve the total estimated savings.

(3) Mr Joseph D Hannah, Director of Farm Services. He spoke to the division of responsibility within the Board's area including checking of all routes and vehicles. He spoke to the difference in the average loading factor of the tanker fleets of private hauliers and of the Board's own fleet and detailed the circumstances attending the review of haulage operations in Wigtownshire and in Ayrshire/ Renfrewshire. He was satisfied that if the proposals for the latter area were implemented, the average loading factor for each tanker serving in that area could be improved from the present average of 1.8 to at least 2.2 loads a day. In the Board's experience, a depot from which about 10 tankers operated was the optimum size for an efficient and flexible service. He explained that the Board had decided to terminate the haulage contract with Messrs J H Watson & Son after an examination of all milk collection within the area including the scale of the Board's own operations, the size of each private hauliers' unit and the location of its depot. He maintained that the Board, with its long experience in milk haulage, was as capable of maintaining an efficient service as any private haulier. He spoke to the Board's complaints about tankers owned by Messrs W & J Duncan and Messrs J H Watson & Son and indicated that these had been a factor in the Board's decision to terminate the contracts. The Board had no plans to introduce large tankers. He outlined the formation of the firm of Cargo Express and indicated that there had not yet been detailed discussion about revision of its collection area but he did not consider that there would be any difficulty in reaching agreement with the firm. He had discussed the proposals at meetings of producers and was satisfied that the apprehensions of most producers had been allayed. He confirmed that on his visits to the Complainers following the Board's decision to terminate the contracts, he had merely conveyed the decision of the Board and had not offered consultations on the proposals. He explained that the Board might consider making special arrangements to help drivers who accepted employment with the Board after being made redundant when their firm's contract was terminated.

PART 4 - SUBMISSIONS OF PARTIES

Submissions for the Complainers

4.1 Mr Macaulay said that the Board's evidence had not altered the fact that the proposals by the Board were contrary to the interests of producers, the hauliers concerned and against the public interest. The Board was entitled to change the scheme in relation to its interests but there had been no satisfactory evidence that the Board's proposals did not contravene Section 19(6) of the Agricultural Marketing Act 1958. The balance of evidence favoured the Complainers and the Committee should therefore find in their favour. The steps the Secretary of State might take under Section 19(6)(a), (b) or (c) of the 1958 Act would be based on the Committee's Report. Acceptance of the Board's proposals would lead to obliteration of the hauliers' businesses without reason or equity. The evidence given by the Board showed little depth of study and failed to demonstrate advantages or savings to producers or to anyone else. The Board had failed to provide substantive costs of its own haulage operations based on distance, number of drivers, working hours and work schedules; the scheme had been based on notional figures which could not be tested. The problems of extracting information from the Board had made it difficult for the Complainers to produce a satisfactory case. On the other hand the Complainers had established that they had run well established and efficient milk collection services and nothing had been said at the hearing to detract from this statement. Evidence given by producers had confirmed that the Complainers were popular with producers who had gone so far as to express positive preference for private hauliers: not one producer had given evidence to the Committee to the effect that he did not like the service given by the Complainers. The Complainers did not dispute the right of the Board to remove slack in the haulage operations if milk production was falling but there was room for negotiation in such circumstances: the Board had not produced evidence of slack in the operations of the Complainers.

4.2 He also asserted that the equities were in favour of the Complainers. Involvement in milk haulage by the three hauliers concerned in the Complaint had been built up over many years under the specific control and approval of the Board. Each had made considerable capital investment to meet the contractual requirements of the Board when, without warning or reasonable consultation, notice of termination of contract was received by each of the Complainers. The Board's scheme struck at the whole basis of 'fairness' which although not a legal concept was a valid consideration in the Committee's investigation of a complaint. Messrs J H Watson & Son were to be replaced by another private haulier, but milk collection in their area might have been re-organised after due consultation with them instead of their being replaced.

4.3 He said that the Complainers had given unbroken service in milk collection over many years (some before the Board was established); no milk had been lost through the activities of the Complainers; there had been no loss of service arising from

industrial disputes; and relationships built up over the years between the hauliers, their drivers and producers combined to ensure a reliable milk collection service. Termination of the Complainers' contracts would cause loss of substantial investment made by the Complainers and would probably cause job losses (although a vague understanding on employment of drivers willing to transfer to the Board had been given). Until the Board's notice of termination of contract, relations between the Board and the Complainers had been good. The complaints made about the Complainers' vehicles had been trivial and no significance should be placed on them, although it appeared from the evidence given by the Board that the decision to terminate the contracts had been based partly on these complaints. The Board had given inaccurate evidence to the Committee and there was no guarantee that the change in the arrangements would secure a better service.

4.4 The Complainers did not dispute that the experiment in milk haulage in the Wigtownshire area achieved some savings in costs but it did not necessarily follow from these results that similar savings would be achieved in the Ayrshire/ Renfrewshire area. There were substantial geographical differences between the areas; considerably less fluctuation in milk supplies between summer and winter in Ayrshire/ Renfrewshire than in Wigtownshire; and, unlike Wigtownshire, no private hauliers had voluntarily gone out of business and so precipitated reorganisation of milk collection. The success of the Wigtownshire changes could possibly be attributed to operations in that area having been grossly inefficient before re-organisation. Nothing conclusive could be inferred from the Board's evidence in relation to the application of the Wigtownshire experience to the Complainers' routes. No attempt had been made by the Board to provide costings of operations within the Ayrshire/ Renfrewshire area nor to demonstrate that the Board's re-organisation in that area had any great hope of success. It had emerged in the Board's evidence that detailed information was apparently available about the pattern of uplift of milk from individual farms together with detailed routes but the maps provided by the Board to the Committee had been demonstrably inaccurate. The Committee were entitled to more specific information but it was clear that the Board had not thought out the full implications of the proposed changes and there was no evidence that implementation of the plan would make milk haulage operations in the area more efficient. The criticism of the Board's accounts relating to milk haulage operations, given in evidence, had not been answered satisfactorily by the Board. The Board's proposals for North Ayrshire and Renfrewshire meant that of the private hauliers originally operating in the area only 2 (Cargo Express and McKinnon) would remain, with the Board doing the rest of the work. For no apparent reason Messrs J H Watson & Son were to be replaced by Cargo Express.

4.5 Finally Mr Macaulay invited the Committee to report in favour of the Complainers because the balance of evidence favoured the Complainers' case that the Board's proposals were contrary to the interests of the Complainers; contrary to the interests of producers; and against the public interest.

Submissions for the Board

4.6 Mr Murray submitted that the content of the Board's evidence was adequate. The Committee were dealing with the Complaint under Section 19(6) of the 1958 Act and their remit was limited to this. They would require to report in relation to any operation of the Scheme or any act or omission of the Board in its administration of the Scheme. The Scheme referred to was the Scottish Milk Marketing Scheme 1933 and there was no rational complaint about that Scheme. Consequently there was no evidence of any act or omission of the Board contrary to the Complainers' interests and contrary to the public interest. The Complaint failed in both respects.

4.7 He recalled that the Board was representative of producers in the larger part of Scotland. The Complaint was against the decision by the Board to terminate contracts with private hauliers, the terms of which contained provision for termination at one month's notice and required the Board to compensate hauliers whose contracts were so terminated. The compensation offered to the Complainers was generous and more than met the terms of the contract. There was a continuing decline in the number of producers in the Board's area and in milk output, coupled with a smaller market for milk for human consumption. Transport requirements for the liquid market and other markets had therefore fallen - lower uptake in the liquid market had reduced the need for long haul milk and there had also been a decline in the mid-week peak demand for liquid milk.

4.8 Section 21 of the Scottish Milk Marketing Scheme 1933 required the Board to pay all haulage costs incurred in collecting milk from farms and delivering it to dairies and to recover these costs by deduction from producers through the standard haulage rate. These haulage operations (costing about 0.5p per litre) were a significant element in the Board's costs. Before the recent re-organisation of ex-farm haulage in the Board's area, 80% of the tankers involved were under contract to the Board and 20% were owned by the Board. The proportion of milk hauled by the Board's own fleet was significantly less than in any other milk marketing board area. There was nothing contrary to the public interest in the Board's seeking to increase its proportion of direct haulage. The formula agreed in the Joint Haulage Committee as the basis for remuneration of hauliers led inevitably to a different rate being applied to each of the 3 hauliers involved in the Complaint.

4.9 Tanker capacity had increased over the years from 1400 gallons to 2150 gallons. It was the immediate objective to secure with the existing (2150 gallon) tankers an average of 3800 gallons loading a day (for two journeys) with three journeys being possible depending on proximity of farms to dairies and the availability of milk. Milk haulage operations in the Board's area in 1979/80 had cost £5.4m (£5.2m for ex-farm milk collection) compared with £4.8m in 1978/79. There was mounting pressure on the Board to improve returns to its producers and the Board had to consider ways of reducing or containing haulage costs. At the beginning of the review there had been 43 private haulage units (with 133 tankers plus spare tankers) operating under contract to the Board. The

Board also had its own fleet operating from 5 depots. The Board's programme of re-organisation designed to reduce surplus tanker capacity had been discussed in the Joint Haulage Committee (which included 4 representatives of the Road Haulage Association) in June 1979 when the Board's representative had said that a 10% reduction in tankers was possible if loadings were increased. Following discussions in the Joint Haulage Committee the Board had amended the plan to provide for a smaller increase in the Board's direct haulage operations than had been proposed originally. The memorandum (dated 2 August 1979) submitted to the Committee, had recorded the intention to develop haulage from the Board's depots where there was scope to do so without any increase in resources applied, and thus to secure more efficient use of Board investment. Experience in the Board's Glenrothes depot had shown that 10 or 11 tankers could be operated efficiently from a single depot. Consequently the Board had decided to increase to 10 or even 15, the number of tankers in its depots at Paisley, Mauchline and Stranraer. Tankers were well able to do more than 2 journeys a day and development of such operations was not dependent upon detailed investigation of routes in advance of the Board's assuming direct responsibility for new milk collection routes but rather upon commonsense and experience. The Board's staff knew from day to day where, and what quantity of milk was to be collected from farms and because demand by dairies and creameries varied from day to day, there was considerable advantage in the Board's having direct control of tanker movements.

4.10 The Board's plan was to be implemented in two phases. The first phase was successfully completed in late 1979 with 9 tankers being taken out of service. Under the second phase, some haulage contracts were to be terminated because fewer tankers would be needed and collection areas were to be revised. The terms of the haulage contracts and provisions in the Scheme gave the Board the right and the power to do this. Extracts from the minutes of meetings of the Board held in 1979 showed that the proposals for Ayrshire/ Renfrewshire had not arisen from the success of the plan in Wigtownshire but had formed part of a comprehensive exercise based on more effective use of the Board's depots at Mauchline, Paisley and Stranraer. The changes which would have increased use of the depots at Mauchline and Paisley had been deferred pending the outcome of the reference of the complaint to the Committee. However, the Wigtownshire experience had confirmed the relevance of the plan since substantial savings had been made there. The Board's depot in Paisley had the capacity to handle milk collection in West Ayrshire for which the Board was presently paying a haulier. Mr Duncan had conceded in evidence that he was collecting 1000 gallons a day less than in the recent past because one large producer retailer was using more milk in his enlarged pasteurising plant. Similarly the evidence had shown that tankers operated by both Mr A McC Jack and by Messrs J H Watson & Son were not as fully loaded as they had been in the past. The Board was satisfied that the area served by 28 tankers in September 1979 could be covered by 23 tankers under the Board's plan. To achieve this saving the Board had to terminate some contracts in areas close to

the Board's depots at Paisley and Mauchline. It was sound sense on the part of the Board to terminate the contracts of the smaller units since the larger contractors could provide a more flexible service and with one exception (in a relatively isolated part of South Ayrshire) this had been done. Furthermore the 3 Complainers were all relatively remote from other milk producing areas. After taking all these factors into account the Board had decided to terminate the contracts of the 3 hauliers concerned with the hauliers being replaced in the main by Board's tankers based at Paisley and Mauchline. The likely effect was a less costly service to producers and consumers: there was no sense in the Board's continuing to incur the cost of maintaining private hauliers' depots while there was capacity in the Board's depots. The full results of the proposed changes could at present only be estimated but although milk production varied seasonally in Wigtownshire more than in Ayrshire/ Renfrewshire, there was no reason to believe that savings which had accrued in Wigtownshire would not be realised in Ayrshire/ Renfrewshire. The likely savings were based not only on termination of the contracts of the Complainers but on re-organisation of ex-farm milk haulage throughout the Board's area.

4.11 The Board fully understood the complaint that the Complainers were to lose well established businesses. On the other hand, hundreds of producers were giving up milk production each year and the Board had a duty to minimise costs and maximise returns to producers. The Board recognised the concern of producers that they might get a poorer service but the Board was no newcomer to milk haulage and there had been no complaint about the Board's own haulage operations.

4.12 Concluding his submission, Mr Murray agreed that each haulier could claim that termination of his contract (although in accord with the terms of the contract) was not in his interests but it did not follow that such termination was contrary to the public interest. In the view of the Board, the public interest lay in the Board's rationalising ex-farm milk haulage to save money. The Committee should reject the Complaint. The Board did not wish in its submission to make specific reference to complaints about alleged shortcomings in the Complainers' milk haulage work as these were not a significant element in the Board's reaching its decision. The primary elements in the choice of Cargo Express were that the enterprise was based at Kilmarnock and had 5 tankers while Messrs J H Duncan & Son had 3.

PART 5 - COMMITTEE'S FINDINGS IN FACT

5.1 Having considered the evidence given at the Hearing and the documents produced by parties, the Committee find the following facts admitted or proved.

5.2 Over the years since 1960 there has been a marked decline in the number of producers served by the Board. At 31 March 1975 the total number of producers was 3627. At 31 March 1980, the number of producers had declined to 2988. Between 31 March 1980 and 9 March 1981 about 140 more producers had ceased production.

5.3 Milk production increased every year until 1978 but over the two succeeding years it fell by about 4%.

5.4 In the year ended 31 March 1975, milk production in the County of Renfrew was 46,659,000 litres while in the year to 31 March 1980, production had increased to 47,175,000 litres. During this period, the number of producers in the County fell from 177 to 144.

5.5 In the four years to 1980 sales of milk to the liquid milk market declined. Best estimates suggest that it will continue to decline at the rate of between 1 and 2% a year. Conversely, the proportion of milk sold for manufacturing has increased substantially over recent years.

5.6 The decline in demand in the liquid market has been accompanied by a levelling of demand in mid-week compared with demand at weekends and in consequence the need for milk for the liquid market to be hauled long distances has been materially reduced. It seems unlikely that there will be a significant upturn in the liquid milk market which might stimulate an increase in production.

5.7 Since 1967 ex-farm haulage of milk has been transformed by the change from haulage in cans to bulk haulage in tankers. The capacity of tankers has increased over the years and those now generally used hold 2150 gallons.

5.8 Milk supplied to the Board by producers is hauled by private hauliers under contract to the Board and by the Board's own fleet. In 1955 (when almost all milk was collected in cans) about 1040 hauliers under contract to the Board collected most of the milk in the Board's area. By 1978, the Board's tankers based at depots throughout the Board's area were hauling about 20% of the milk while 43 private hauliers (with 133 operational tankers) carried 80%.

5.9 The Board hauls directly a much smaller proportion of milk from farms than any other Board in the United Kingdom. In the North of Scotland and the Aberdeen and District Milk Marketing Board areas and in Northern Ireland, all bulk haulage is carried out directly by the Board or by producers. The Milk Marketing Board (England and Wales) fleet collects 55% of the milk from farms.

5.10 The Board maintains two depots in Ayrshire/Renfrewshire, at Mauchline and at Paisley. The Board presently operates 7 tankers from each of these depots.

5.11 In 1980 there were 7 private hauliers operating under contract to the Board within Ayrshire and Renfrewshire, who together owned 34 tankers.

5.12 The Board allocates collection areas to each of the private hauliers and arranges training of all drivers.

5.13 Messrs W & J Duncan have their depot in Beith. The collection area allocated to them is shown in general terms in the map appended to the Board's representations. They presently operate 4 tankers for bulk haulage of milk. The licence for 1 tanker was withdrawn in June 1980 because the tanker was being used for purposes other than the conveyance of milk, in breach of the conditions of contract with the Board. They employ 5 full-time drivers. Apart from a haulage contract for the fifth tanker with a company based on Ardeer, their business is devoted wholly to milk haulage. The number of farms from which milk is collected has fallen from 120 about 10 years ago to 88 at present. In recent years increased use of milk of his own production by a large producer retailer has reduced the amount of milk collected by the firm by about 1000 gallons a day. The bulk of milk collected by them is delivered to Lochwinnoch and the remainder to Glasgow. Each of the 4 tankers has 2100 gallon capacity. In each of the last two years the firm has collected approximately 6.2 million gallons (28.2 million litres). The firm has been continually under contract to the Board since 1933. In about 1966 and again in 1976 the firm had occasion to dismiss a driver who had been found guilty of theft of milk. In 1976 and 1977 the firm received complaints from the Board about defects in two vehicles.

5.14 Mr A McC Jack has his depot in West Kilbride. The collection area allocated to him is shown generally in the map appended to the Board's representations. He owns 3 operational tankers and one spare tanker. He also owns a platform lorry engaged in non-milk haulage. He employs 3 drivers who live locally and also has available 3 local relief drivers and another person upon whom he can call if necessary. He has been under contract continuously to the Board since 1933. Delivery of milk from his collection area is made mainly to Glasgow with a small amount going to Largs. At weekends he also hauls milk to Mauchline. His milk collection area was recently reduced when Board tankers which had taken over the collection previously done by Cumbrae Transport also undertook collection from farms in the Greenock area served until then by him. Most of the farms served by Mr Jack lie towards the southern end of his collection area. The tankers owned by him have a capacity of 2150 gallons and he has hauled about 3.4 million gallons (15.5 million litres) for the Board in each of the last 2 years. The average daily gallonage collected was about 3150 (against maximum loading capacity of 6000 gallons). Over the year as a whole his tankers are apparently running at below 75% capacity.

5.15 Messrs J H Watson & Son are based in Irvine, about 26 miles from Glasgow and 23 miles from Mauchline. The collection area allocated to the firm is shown generally in the map appended to the Board's representations and covers 69 farms. They own 4 tankers (each with a capacity of about 2000 gallons) 3 of which are operational and one spare. The firm own 15 vehicles and are also engaged in general food haulage. They employ 25 persons of whom 7 can drive tankers, 3 being regular tanker drivers, 2 spare, and 2 who are generally employed on food haulage, being available as relief tanker drivers at week-ends. The firm have carried on average over each of the last 3 years, about 3.9 million gallons (17.7 million litres) of milk for the Board with an average loading of 1700 gallons for each run. Forty per cent of the firm's business is derived from milk haulage. If the Board's contract were terminated, 4 drivers and one member of the office staff would be made redundant. Between 1978 and 1980 the Board found it necessary to bring to the notice of the firm certain defects in the operation of their vehicles but at no time was it suggested that these defects were of a nature to cause the Board to consider termination of the contract.

5.16 Payment to each of the hauliers under contract to the Board is based on a rating formula agreed in the Joint Haulage Committee. Thereafter a specific 'rate for the job' is notified to each haulier: this takes account, inter alia, of the number of vehicles licensed by the Board for tanker haulage, the number of tanker drivers employed and the distance the contractor's tankers will travel each day to effect milk collection within the allocated area. The routes covered by each haulier are checked by Board staff usually about twice a year.

5.17 The rating formula agreed in the Joint Haulage Committee takes account of standing charges (including depreciation), running costs, overheads and profits, and provides a sum for milk measurement and responsibility for metering. The Agreement between the Board and hauliers in the Joint Haulage Committee on the rates to apply in 1981, is set out in Appendix 10.

5.18 Milk production increased until 1978 but since then there has been a gradual decline. In 1975/76, 215 million gallons (977 million litres) was collected from farms at a cost of £3.208 million. In 1978/79 the amount of milk hauled reached a maximum of 238 million gallons (1081.3 million litres) costing £4.791 million. In the year to 31 March 1980 the amount of milk hauled ex-farm fell to 232 million gallons (1,052.7 million litres) but, because of inflation the cost of ex-farm haulage increased to £5.217 million. Between the year to 31 March 1976 and the year to 31 March 1980 the cost of ex-farm haulage per litre increased from 0.328p per litre to 0.496p per litre. At September 1979 the cost of ex-farm haulage by private hauliers was on, average, 0.473p per litre whereas the average cost for haulage by the Board's own tankers was 0.429p per litre.

5.19 For Messrs W & J Duncan, for 1978/79, the agreed rate for the job struck for Messrs W & J Duncan was 0.36 per litre; for Mr W McC Jack, 0.50p per litre; and for Messrs J H Watson & Son, 0.48p per litre. In that year the average cost of ex-farm haulage in the Board's area was 0.443p per litre. For the year 1979/80 the average cost of ex-farm haulage to the Board was 0.496p per litre and the rate agreed for Messrs W & J Duncan was 0.44p; for Mr A McC Jack, 0.66p and for Messrs J H Watson & Son, 0.56p.

5.20 With the ending of the United Kingdom milk price guarantee arrangements on 31 December 1977, all returns for sales of milk by, or through the agency of, the Board have, since 1 January 1978, had to come directly from the market. In 1978 the Board instructed its officials to investigate ways of improving the price to be paid to producers and in particular to consider how the cost of ex-farm haulage might be reduced. Producers indicated their support for this review at the annual general meeting of the Board in 1978 and at meetings throughout the Board's area in 1978 and in 1979.

5.21 In March 1979 the Board's officials produced the Report which is set out in Appendix 11. At the meeting of the Board on 5 April 1979 the paper was discussed and the Board instructed Mr McAlpine to proceed as suggested by way of positive approaches to certain hauliers and to commence negotiations with appropriate hauliers to extend the Board's transport operations in an orderly manner.

5.22 In June 1979, Board officials discussed the proposals to increase the Board's share of direct ex-farm haulage with representatives of the trade unions representing the drivers. A paper (Appendix 12) was submitted to the Joint Haulage Committee at a meeting on 2 July 1979 when the representatives of the private hauliers expressed concern about the proposals and asked for further time to consider them.

5.23 A further Report by Board officials (Appendix 13) was considered by the Board on 2 August 1979. The Board then agreed that certain haulier's contracts should be terminated with the Board (as required by the contract) purchasing the haulier's tankers and deploying them in the Board's depots south of Clyde (at Stranraer, Mauchline, Paisley and Kirkcudbright) with a view to the Board's hauling about 40% of the ex-farm milk and the possibility of this being increased over a period to 52%. The Board also permitted a degree of latitude to Mr McAlpine in his negotiations with the hauliers and agreed that the Board's Executive Committee should be consulted by him as necessary during the course of his planning and negotiations with hauliers.

5.24 At a meeting of the Joint Haulage Committee on 22 August 1979, the hauliers' representatives reluctantly accepted the Board's proposals on the basis that they had already been approved by the Board.

5.25 The proposals approved by the Board provided for implementation in phases. In the first phase 9 tankers were to be taken out of service by agreement with individual hauliers. This phase was completed with estimated savings to the Board of £200,000 a year. The next phase involved termination of contracts with some private hauliers in Wigtownshire and in Ayrshire/ Renfrewshire.

5.26 At the meeting of the Board on 3 April 1980, Mr McAlpine reported that the first phase of the haulage rationalisation plan had been completed by November 1979 and that the second phase had begun towards the end of 1979 with Messrs T McClure Ltd, and Messrs Agnew and Lithgow having agreed to their contracts being terminated. He had also reported that in Ayrshire, Messrs Houston Brothers had ceased milk haulage and that in Wigtownshire, Messrs W K Moodie intended to stop milk haulage during May or June 1980. He had commented at the meeting that a number of producers in Renfrewshire had expressed reservations about the Board's plans and that he and Mr Hannah had attended a meeting of producers at Lochwinnoch and believed they had successfully explained the financial benefits to producers of the Board's proposals. The Board agreed that Mr McAlpine should continue with the rationalisation plan previously approved by the Board.

5.27 At the meeting of the Board on 2 May 1980, Mr McAlpine confirmed that Messrs W K Moodie, had agreed, voluntarily, to cease milk haulage in July 1980. The Board agreed that its law agents should now give formal written notice of termination of contract to those hauliers whose services would no longer be needed.

5.28 The Board's proposals for Wigtownshire have taken effect following voluntary termination of the contracts with Messrs T McClure Ltd (on 31 October 1979), Messrs Agnew & Lithgow (on 16 December 1979), and Messrs W K Moodie (on 30 June 1980), each of whom had operated 3 tankers and one spare tanker under contract to the Board. Over that period the Board's fleet was increased from 7 operational tankers and one spare tanker to 11 operational tankers and 3 spare tankers by the acquisition of some of the tankers of these private hauliers. Since then the Board has reduced the number of spare tankers in their depot to 2. As a result the collection and distribution of milk in Wigtownshire is now carried out by 4 fewer operational tankers and one less spare tanker, with a corresponding reduction in the number of drivers. It is reasonably estimated that in a full year, the net savings to the Board (including savings in costs of tanker maintenance) total £90,000. This figures does not take account of the sums paid as compensation to the former hauliers.

5.29 Notice of termination of contract was sent to each of the Complainers on 1 June 1980, to take effect on 1 September 1980.

5.30 The Board was informed at the meeting on 4 July 1980 that a formal complaint arising from the Board's notice of termination of the contract of each of the Complainers, had been lodged with the Secretary of State. The Board agreed to suspend meantime termination of the contracts concerned.

5.31 The proposals to which the Board is presently committeed involve a substantial re-organisation of milk collection within Renfrewshire and the substitution of Board's tankers operated from the Paisley depot for those operated largely by Messrs W & J Duncan and Mr A McC Jack. Similarly, Messrs J H Watson & Son are to be replaced in part by tankers from the Board's depots and partly by Cargo Express following re-organisation of collection areas.

5.32 In Ayrshire, the notice of termination of the contract with Messrs Stevenson's Dairy Farms (one tanker) was suspended by the Board when the Complaint was referred to the Secretary of State. On cessation of business by Messrs Houston Brothers Ltd two of their tankers had been taken over by Messrs McCall and Greenshields (based in Kilmarnock) and the remaining 2 tankers and a spare tanker were taken by the Board into the Mauchline depot. In 1980 the firm of McCall and Greenshields became Cargo Express.

5.33 If the Complainers' contracts were terminated, ex-farm milk collection within Ayrshire/ Renfrewshire would be undertaken by 5 private hauliers and the Board's tankers based upon Paisley and Mauchline. The total number of tankers operating within the area would then be reduced from 48 to 43. The number of private hauliers would be reduced from 11 to 5 and there would be no haulage units with less than 4 tankers operating under Board contracts.

5.34 The Board's depots at Mauchline and at Paisley can each manage the planned increase in the number of tankers without augmentation of the premises, facilities, administrative or maintenance staff. The Board has no plans to employ larger tankers (bigger than 2150 gallons capacity) on ex-farm haulage.

5.35 It is reasonable to estimate that the net savings to be effected by terminating the contracts of the Complainers and implementing the revised plans for milk collection in Ayrshire/ Renfrewshire would be significant.

5.36 The compensation terms offered to private hauliers include an ex gratia payment for each vehicle and provision for a payment up to £500 towards redundancy payments to drivers, in addition to the sums for which provision is made in the haulage Agreement.

5.37 At present the average daily loading of tankers operating in Ayrshire/ Renfrewshire is 1.8. It is reasonable to assume that if the Board's proposals are fully implemented, the average daily loading of the tankers would increase to 2.2.

PART 6 - CONCLUSIONS

6.1 The Committee recommend that the complaint be rejected for a number of reasons which we set out in the following paragraphs.

6.2 It was argued by the Complainers in the first place that the Board's proposals were contrary to the interests of the producers within the collection areas of the three Complainers, and were not in the public interest. The Committee noted that there was ample evidence, not only from the Board's minutes but also from those producers who gave evidence, of a concern to achieve efficient and economical ex-farm haulage. This concern was motivated substantially by the fact that producers meet the cost of ex-farm haulage by deduction from the pool price paid for their milk. There was no evidence of dissatisfaction with the service given by the Board's own tanker fleet nor that the Board's service was either unsatisfactory or inefficient. The evidence satisfied us that the Board's depots at Paisley and Mauchline could accept further tankers without any increase in the administrative and maintenance staff required to operate a larger fleet and would make more efficient use of these depots. We were satisfied by the evidence that the depots were appropriately situated to serve the milk collection areas presently allocated to the Complainers. Furthermore we were satisfied that by re-organisation of the routes for tankers operating from the two depots and of the operations of the remaining private hauliers tankers it would be possible to achieve better loading factors, and so reduce the number of tankers used.

6.3 The Committee consider that the Board was fully justified in its view that, because in recent years there had been a less marked fluctuation in demand between mid-week and week-end sales of milk for the liquid market, and because larger tankers are being used, it has become possible to deploy tankers more efficiently and so reduce the number of tankers needed. In addition, the number of producers has been falling significantly, year by year. Consequently, re-organisation of tanker routes and collection areas has become both feasible and necessary.

6.4 The Committee therefore consider that if the Complainers' contracts were terminated, material savings in the cost of ex-farm haulage could be achieved by an augmented Board tanker fleet based in Paisley and Mauchline together with re-organisation of milk collection between the Board's tankers and the remaining private hauliers. Fewer tankers would then be employed and concentration of the tanker fleets in fewer depots should reduce overheads and maintenance costs which are included in the rates paid to the Complainers for maintaining their depots and maintenance systems. The total cost of ex-farm haulage would therefore be reduced.

6.5 It was strongly urged for the Complainers that the Board had produced no detailed proposals for route alterations which demonstrated either that the proposals were in fact feasible or that they would produce economies. The Committee consider that these criticisms are very largely unwarranted. We note that in evidence

Mr Duncan stated that Board officials checked the routes taken by his firm's tankers twice a year. The evidence for the Board satisfied us that the Board has the expertise to determine the efficient use of its own tanker fleet and to advise generally on the probable effects of the proposals for re-organisation of milk collection. The Committee accept that it is not realistic at this stage to expect that the Board should be able to produce specific and detailed routes to support the proposals. The logic of events outlined above amply supports the proposition that the Board's proposals will yield significant savings in ex-farm haulage costs.

6.6 The Committee consider that an estimate of the likely savings to be effected by the proposals for Ayrshire/Renfrewshire can reasonably be drawn from the Board's experience following the changes made in Wigtownshire. There was some force in the assertion made by the Complainers that milk production was more seasonal in Wigtownshire that in Ayrshire/ Renfrewshire, and that journeys for tankers were generally shorter in Wigtownshire. These factors, it appears to us, have little relevance because the efficiency of ex-farm haulage is more appropriately measured by the number of trips achieved by each tanker daily and the use made of its carrying capacity. The Committee accept that if the Board's proposals for Ayrshire/ Renfrewshire were implemented not only would fewer tankers be employed, but these tankers would achieve on average a greater number of runs daily and better average loading on each trip than at present. The results in Wigtownshire yielded a substantial saving to the Board and hence to producers. We consider that the Board was entitled to infer that significant savings in the costs of ex-farm haulage would likewise be achieved by its proposals for Ayrshire/ Renfrewshire. Such savings must benefit producers by reducing the annual cost of ex-farm haulage which is a charge on producers.

6.7 The Committee noted evidence given by producers (and in one case by a farmer who had ceased milk production) recording their apprehension that if the proposals were put in hand, the service would be less efficient. In particular, these witnesses felt that the present drivers were familiar with the routes and were on very good terms with producers. We believe these fears to be exaggerated in the light of the evidence that the Board's drivers also enjoy friendly relations with producers and overcome similar hazards involved in difficult access to farms and adverse weather. Furthermore, the Board trains all drivers (including those employed by private hauliers) and we learned from an experienced driver that a driver would become familiar with a new route in one or two weeks. We therefore find nothing to substantiate the submission that the Board's proposals are detrimental to the interests of the producers served by the Complainers or to the interests of producers generally within the Board's area. The Complainers in their representations and certain producers in their evidence also suggested that the Board intended to bring larger tankers into use on ex-farm haulage. We are satisfied from the evidence given by the Board that this is not in prospect.

6.8 It was also argued for the Complainers that the proposals were against the interests of the Complainers themselves. Section 19, Sub-section 6 of the Agricultural Marketing Act 1958 provides that a Committee of Investigation may consider whether any act or omission of a Board administering a scheme is "contrary to the interests of any persons affected by the scheme and is not in the public interest". Thus, not only must the Complainers demonstrate that the proposals are contrary to their interests, they must also show that they are not in the public interest. The Board was legally entitled to give notice of termination of each of the Complainer's contracts as it did on 1 June 1980. The compensation offered by the Board to each of the Complainers is more than that amount each Complainer could legally have expected in terms of his contract. The fact that each of the Complainers has operated for many years in milk haulage with the active approval and encouragement of the Board is not, we consider in itself, a basis for complaint in terms of the Act. The Committee accepts that the effect of terminating the contracts with Messrs W & J Duncan and Mr A McC Jack would effectively bring their businesses to an end and that termination of the contract with Messrs J H Watson & Son will materially curtail their business. Consequently some drivers and other staff presently employed by the Complainers will lose their jobs. However, the Committee must balance the loss of business and of work against the substantial savings in ex-farm haulage costs and increased returns to producers. In the view of the Committee efficient and economical ex-farm haulage is an objective which it is in the public interest to secure. The Committee cannot accept that the Complainers have shown that the Board's proposals are both contrary to their interests and are not in the public interest.

6.9 Before passing from the submissions presented on behalf of the Complainers, the Committee would comment that while they accept in general the submissions made on behalf of the Board, they were concerned that the Board did not provide specific and detailed information in evidence to support the proposals. The Committee, while accepting that the proposals set out in the Reports presented to the Board in March 1979 and in August 1979, pointed clearly to substantial savings, would have expected the proposals to have been supported by detailed planning and costing schedules which were not made available in evidence.

6.10 The Committee noted the Board's intention that the collection area presently served by Messrs J H Watson & Son is to be served by Board tankers operating from Paisley and by the fleet of Cargo Express (which has fairly recently came into existence). The evidence before the Committee did not show why Messrs J H Watson and Son should be replaced although it was suggested, but subsequently repudiated in evidence that maintenance deficiencies in Messrs J H Watson & Son's tankers had influenced the decision. The Committee regret that evidence in this matter was given only by Board officials and that no member of the Board appeared as a witness. Nevertheless, the lack of such evidence does not detract from the Committee's conclusion on the complaint.

6.11 While we accept that the Board was fully entitled to give notice terminating each of the Complainer's contracts and to conduct general negotiations for implementing its proposals within the Joint Haulage Committee, we consider that, especially having regard to the long and good service given by the Complainers, there is justification for their criticism that no opportunity was given to them to discuss the proposals with the Board before the decision was taken.

6.12 The Committee conclude that the interests of consumers of milk are not adversely affected by the proposals, that the proposals are not contrary to the interests of producers, and that although the proposals are detrimental to the interests of the individual Complainers, they are not contrary to the public interest.

6.13 Finally, we wish to record our thanks to the representatives of both the Complainers and the Board for the way in which the evidence was presented to us and the submissions made on behalf of the respective parties. We are also indebted to the careful manner in which each of the witnesses gave evidence and to the clarity and frankness with which they gave evidence. We would also record our gratitude to our Secretary, Mr A Macdonald and to our Assistant Secretary, Mr S Rosie for their invaluable assistance throughout the enquiry and in preparing this Report.

6.14 Summary of Conclusions

(1) The Committee recommend that the Complaint be rejected.

(2) The Committee reject the Complainers' assertion that the Board's ex-farm haulage re-organisation programme is contrary to the interests of producers and is not in the public interest.

(3) Fewer producers, less fluctuation in daily demand for the liquid market and use of larger tankers allow the Board to deploy fewer tankers more efficiently.

(4) In Ayrshire/ Renfrewshire, termination of the Complainers' contracts, coupled with re-allocation of milk collection between the Board's augmented fleet based at Paisley and Mauchline and the remaining private hauliers, will concentrate tankers in fewer depots and so reduce overheads.

(5) The Board employs a well qualified and experienced staff able to organise a cost-effective milk collection service by the Board's tankers and those of private hauliers; and to operate the Board's tanker fleet efficiently.

(6) Although milk production is more seasonal in Wigtownshire than in Ayrshire/ Renfrewshire, similar savings can be achieved in Ayrshire/ Renfrewshire as were made in Wigtownshire following re-organisation of ex-farm haulage. Such savings will arise from fewer tankers being employed, increased loading and fewer journeys.

(7) Fears expressed by some producers that the haulage service given by the Board's tankers would be less efficient or acceptable than those given by the Complainers, are unfounded.

(8) The Complainers have not shown that termination of their contracts is both against their interests and not in the public interest. The Board is entitled, in terms of the standard contract, to terminate these contracts on due notice being given. The compensation offered by the Board to the Complainers more than meets the contract requirements.

(9) While satisfied that the Board's proposals will effect savings, the Committee would have expected more specific evidence of detailed planning to have been submitted to them.

(10) The Committee were not satisfied that the Board had explained adequately why Messrs J H Watson & Son had been replaced in part by Cargo Express.

(11) The Committee consider that the Board is justly to be criticised for having failed to discuss the proposals for re-organisation of ex-farm haulage with the Complainers individually, before the decision to terminate their contracts was made.

(12) The Committee conclude that although termination of their contracts is against the interests of the Complainers, it is not detrimental to the interests of consumers or producers and is not against the public interest.

K J Cameron, QC (Chairman)

A Forman, OBE

R Gordon, CA

I W Macdonald, MA D Litt CA

A Macdonald OBE
(Secretary)

S Rosie
(Assistant Secretary)

October 1981

APPENDIX 1

AGRICULTURAL MARKETING ACT 1958

The Secretary of State for Scotland in pursuance of the powers conferred on him by Section 19(3) of the Agricultural Marketing Act, 1958 has given instructions that his direction be conveyed to the Committee of Investigation for Scotland that the Committee is to consider, and report to him on, the complaint as to the operation of the Scottish Milk Marketing Scheme contained in a letter dated 21 May, 1980 from Cowan, Taylor and Steuart, 180 St Vincent Street, Glasgow on behalf of W & J Duncan, Beith, A McC Jack, West Kilbride and J H Watson & Son, Irvine. A copy of this letter is appended hereto.

Given under the Seal of the Secretary of State for Scotland on 21st August 1980

Assistant Secretary

APPENDIX 2

COWAN, TAYLOR & STEUART

INCORPORATING COWAN & J. M. TAYLOR, NELSON & CO. JOHN STEUART & GILLIES

Solicitors & Notaries

REGINALD WELLS
R. L. MALCOLM
J. S. PEACOCK
R. L. JOHNSTON
J. C. DICKSON

CONSULTANT
WALTER NELSON

180 St. Vincent Street
Glasgow G2 5SJ

TELEPHONES: 041-204 1181/7
TELEGRAMS: IMTAF GLASGOW

IN YOUR REPLY PLEASE QUOTE OUR REF. M/S.

YOUR REF.

21st May, 1980.

Rt. Hon. George Younger, M.P.,
Secretary of State for Scotland,
New St. Andrews House,
St. James Centre,
EDINBURGH,
EH1 3SX.

Dear Sir,

Scottish Milk Marketing Board's Proposed Expansion of Ex-Farm Milk Haulage

We have been consulted by three independent milk haulage firms, operating within the North Ayrshire area, namely W. & J. Duncan, Beith, A. McC. Jack, West Kilbride and Jas. H. Watson & Son, Irvine, in connection with the above. A representative of the three firms, Dr. William G. Jack, has been in correspondence with you and a meeting was held at Chesser House, Edinburgh on 14th April between Dr. Jack and other representatives of these firms and members of the Department of Agriculture and Fisheries for Scotland, in connection with the matter.

As you are aware, our clients have expressed their objections to the proposed scheme of the Scottish Milk Marketing Board for the expansion of the Board's own milk tanker fleet (as notified to the Road Haulage Association), which of course would cause the contraction or extinction of our clients' fleets and consequently of their respective businesses. In addition, the Board's proposals are clearly against the interests of the producers and without adequate safeguards could well operate against the interests of the general public. The former have shown their preference for the status quo, thus indicating their belief that the present system operates in their best interests, while, with regard to the latter, there surely can be no circumstances whereby the extension of a monopoly arrangement should be approved or condoned without close scrutiny and enquiry on account of the ample precedent in other spheres of the adverse effect of a monopoly on the public as a whole and in particular with regard to the effect on prices and service.

Accordingly, our clients wish to tender a formal complaint regarding the Scottish Milk Marketing Board's proposed scheme and we should be obliged if you would accept this letter as intimation of such formal complaint. In terms of Section 19 of the Agricultural Marketing Act, 1958, on behalf of our clients, we would formally request that you refer the complaint to the Committee of Investigation for their consideration.

Yours faithfully,

APPENDIX 3

AGRICULTURAL MARKETING ACT 1958

COMMITTEE OF INVESTIGATION FOR SCOTLAND

REPRESENTATIONS

for

W & J DUNCAN, Gateside, Beith, Ayrshire; A. McC. JACK, 26 Halfway, West Kilbride, Ayrshire; and J.H. WATSON & SON, Quarry Road, Irvine, Ayrshire - COMPLAINERS

1 These written representations supplement but do not supersede the complaint made in the letter of 21st May 1980 from the Complainers' Agents to the Secretary of State for Scotland, and the further letter of 24th July 1980 from said agents to the Department of Agriculture and Fisheries for Scotland. These representations do not exhaust the points which the Complainers would wish to make at the hearing.

2. The Complainers wish to be heard by, and to submit evidence to, the Committee. They would also wish to have an opportunity of responding in writing to any Representations lodged by the Board or other parties.

3. The Complainers are hauliers who have for many years operated under contract with the Scottish Milk Marketing Board, collecting milk from producers (farmers) in North Ayrshire and Renfrewshire and delivering it to the Board in bulk. The history, scale and area of operation of each of the complainers, and the dates of the relevant contracts with the Board, are as follows:

W & J Duncan

Commenced/..

Commenced business in milk haulage in 1927 and now operate 5 tankers collecting throughout Renfrewshire and delivering in that area and in Glasgow approximately 6.25 million gallons of milk annually.

A.McC. Jack

Commenced business in milk haulage in 1932 and now operate 3 tankers collecting in North Ayrshire and delivering in that area and in Renfrewshire, Lanarkshire and Glasgow approximately 5 million gallons of milk annually.

J. & H. Watson & Son

Commenced business in milk haulage in 1921 and now operate 4 tankers collecting in North Ayrshire and delivering in that area and in Glasgow approximately 4.4 millon gallons of milk annually.

4. The collection and haulage of bulk supplies of milk is a specialised activity requiring vehicles of a special type, scrupulous attention to hygiene, regular and fast collection and delivery, a knowledge of local roads and accesses, and personal acquaintance with the milk producers concerned. The introduction of modern methods has required substantial investment in vehicles and other equipment, and it is essential to maintain a staff and drivers who are familiar with the work and who can be relied upon to turn out regularly for work at all times and in all weathers. The relevant details of the vehicles, equipment and staff and drivers of the Complainers are as follows:

W & J Duncan

5 vehicles/..

W & J Duncan

5 vehicles fitted specifically as milk tankers with all equipment required to meet the Scottish Milk Marketing Board directions; 4 regular drivers and 4 relief drivers the latter being also involved in maintenance and repair and office duties.

A.McC. Jack

4 vehicles fitted specifically as milk tankers with all equipment required to meet the Scottish Milk Marketing Board directions; 3 regular drivers and 3 relief drivers the latter being also involved in maintenance and repair and office duties.

J.H. Watson & Son

4 vehicles fitted specifically as milk tankers with all equipment required to meet the Scottish Milk Marketing Board directions; 3 regular drivers and 3 relief drivers the latter being also involved in maintenance and repair and office duties.

5. Over the periods indicated above, the Compaliners have operated successfully and, so far as is known, to the complete satisfaction of all those affected or concerned in their operations. So far as is known, neither the Board nor any producer has ever had occasion to complain about or comment adversely upon the nature of the service offered by any of the Complainers, its efficiency, its regularity or its cost.

6. The Complainers have enjoyed uninterruptedly good relations with their drivers and other staff, and the service provided by them has never been affected by strikes or other forms of industrial action on the part of their drivers or other staff (as was the case elsewhere, particularly/..

particularly during the winter of 1978/79). Messrs. Jack and Watson were affected by picketing during the winter of 1978/79 but were able to maintain an uninterrupted service.

7. The Complainers provide employment in an area of high unemployment. Their drivers and other staff live locally enabling them to turn out for work 365 days per year regardless of weather conditions.

8. The Complainers also provide local trade and, indirectly, local employment through that trade.

9. By letters dated 2nd June 1980 from the Scottish Milk Marketing Board, the Complainers were given notice of termination of their haulage contracts with the Board. Said notices of termination have been temporarily withdrawn in view of the present reference to the Committee of Investigation.

10. The sole reason put forward by the Board for giving notice of termination of said contracts is that the Board itself wishes to undertake the collection and haulage of the milk presently undertaken by the Complainers. It is alleged that this will enable the Board to "rationalise" their haulage activities. It is not, and never has been, suggested that the Complainers or any of them have failed duly to perform their contracts or acted in breach of contract or given any other grounds for termination, legal or otherwise.

11. Enquiries by questionnaire from the 204 farms in the areas served by the Complainers elicited 200 replies as follows:

Farms/..

Farms in favour of milk collection by private enterprise	196
Farms in favour of milk collection by SMMB	nil
Farms up for sale	1
Producers ceasing milk production for other reasons	3

12. The Complainers are not aware of any evidence that, if their milk collection and haulage operations were to be taken over by the Scottish Milk Marketing Board, there would be any improvement in the service offered, or reduction in the prices charged, to producers or consumers of milk in the area.

13. On the contrary, the Board would incur irrecoverable expense in compensating the Complainers and taking over their vehicles. The Board have alleged that the "rationalisation" envisaged would involve, inter alia, the use of larger and more modern vehicles, in which event it appears that the vehicles taken over from the Complainers, or at any rate some of them, would be of no use to the Board and would have to be sold at a loss. In any event, the accesses to many of the farms concerned are unsuitable for larger vehicles and there is therefore a limit to which any "rationalisation" on the lines suggested would be possible or effective.

14. The economies inherent in the present arrangement are demonstrated by the fact that the prices charged by the Board to producers are higher than the prices paid by the Board to the Complainers. The terms of the contracts between the Complainers and the Board are extremely favourable to the Board when compaired with similar contracts in England.

15. Further,/..

15. Further, any meaningful "rationalisation" on the lines suggested by the Board would inevitably involve loss of local jobs and local trade because the Board's transport activities would be concentrated upon Paisley and travelling to and from Ayrshire could prove an impossible burden in winter conditions.

16 The Board's proposal would result in the Complainers Jack and Duncan going out of business with further loss of local jobs and local trade. There is no prospect of these Complainers entering other fields of the haulage business, which offer no opportunities in the present climate and which would in any event involve fresh investment in vehicles of a different type, which these Complainers could not afford. The compensation offered by the Board is wholly inadequate at £4500 per vehicle when quite apart from their earning potential replacement cost is in the region of £28,000 per vehicle.

17. While Messrs. Watson would not go out of business, there would be a serious loss of business (approximately 40%) to them, and some loss of jobs would be inevitable.

18. In these circumstances the Complainers submit that implementation of the proposals of the Board would (a) be contrary to the interests of persons affected by the scheme and (b) not be in the public interest.

APPENDIX 4

AGRICULTURAL MARKETING ACT 1958

COMMITTEE OF INVESTIGATION FOR SCOTLAND

REPRESENTATIONS

by

The Scottish Milk Marketing Board

1. The Board submit these representations in respect of a complaint regarding the operation of the Scottish Milk Marketing Scheme from Cowan, Taylor & Steuart, 180, St. Vincent Street, Glasgow, on behalf of W. & J. Duncan, 13 Main Road, Gateside, Beith, A. McC Jack, 26 Halfway Street, West Kilbride and J.H. Watson and Sons, Meadow Cottage, Quarry Street, Irvine.

2. The above three hauliers operate as milk haulage contractors for the Board under the terms of a contract entitled "Milk Haulage (Road Tanker) Agreement", a copy of which is annexed hereto.

3. On 2nd June, 1980, the Board, under the terms of paragraph 24 of the said contract, intimated their decision to terminate the contract in respect of each of these three hauliers, with effect from 31st August, 1980, (a longer period of notice than is required).

4. The complaint has arisen because of the Board's decision to terminate these three contracts which the Board is legally entitled to do.

5. While this initial reference is made briefly to the bare facts of the complaint, it is the Board's intention to describe to the Committee the wider aspects of the situation which has confronted the Board in the field of ex farm haulage.

6. The Scottish Milk Marketing Scheme states in Section 21:

<u>Haulage</u>

(1) The Board shall have power to specify the person or persons by whom and the manner or manners in which the milk of any registered producer shall be transported.

(2) / ...

(2) The Board shall have power to determine the rates payable by the Board for the transport of milk by road, and may exercise this power in relation to all persons specified by them under Sub Section (1) hereof, or in relation to particular classes of such persons or to individual specified persons.

(3) Except as otherwise provided in Sub Section (4) hereof, all accounts for the transport, whether by road or otherwise, of milk sold to or through the agency of the Board shall be paid by the Board.

7. In exercising this power to organise and pay for the transport of milk ex farm, the Board are naturally conscious of their basic responsibility to carry out this function on behalf of their registered producers as economically as possible, and indeed, in the recent period of years when excessive cost inflation has been severely reducing the net income of milk producers, there has been renewed pressure on the Board to seek ways and means of reducing, or at least curtailing, the cost of ex farm haulage of milk.

8. Some indication of the trend of ex farm haulage costs can be gauged from the following data dealing with the Board's ex farm haulage bill in the last five years:

Years Apr/Mar	Litres Hauled Millions	Total Cost £ Millions	Index	Cost/Ltr. Pence	Index
1975/6	977.0	£3,208	100	0.328p	100
1976/7	998.4	£3,583	112	0.359p	109
1977/8	1,047.4	£4,120	128	0.394p	120
1978/9	1,081.3	£4,791	149	0.443p	135
1979/80	1,052.7	£5,217	163	0.496p	151

9./...

9. The accelerating trend of cost increases during this period, compelled the Board to make a comprehensive review of the haulage position in 1978/79, to ascertain ways and means of improving the efficiency of the operation.

10. In recent years, a growing number of milk producers were leaving the Industry (3.9% in 1978/9, 4.1% in 1979/80). The total volume of Milk sales also started to decline in 1979, and this trend has continued in 1980/81, with a loss of some 5% in volume of milk sales off farms in this two year period. Furthermore, the demand for milk for the liquid milk market, which is the Board's priority outlet, has also been declining since 1978/79. This has meant a reduction in the longer haul milk to supply the marginal needs of this market. Another feature has been some reduction in the peak demand for the liquid market in mid-week, due to efforts by the Board to even out the weekly milk flow, and thereby reduce the need for "extra" tankers for this purpose.

11. As a result of these important changes, the number of existing road tankers was seen to be excessive in the course of the review, particularly so if a re-arrangement of the haulage pattern could be effected to improve the load factor, i.e., the volume of milk hauled per tanker per day.

12. At the time of the review, in 1978/79, there were no fewer than 43 haulage units in the private sector operating under contract to the Board, and carrying fully 80% of the milk. This is a proportion which is greatly in excess of that so dealt with in the rest of the UK. Indeed, in the North of Scotland and Aberdeen Milk Marketing Board areas, and in Northern Ireland, all ex farm tankers are operated by the Milk Marketing Boards, while in England and Wales, over 60% is handled directly by the Board.

With a total of 133 active tankers, the size of basic fleet operated by the private hauliers varied from 1 to 7 tankers, with an average of 3¼ tankers, which was much smaller than the average scale of the Board's tanker operations, (average 5½ tankers). The existence of so many small fleets has prevented a more rational approach to the haulage/...

haulage operation, and an improvement in the daily load of tankers which, in 1979, was averaging only 3,800 gallons (17,275 litres) per day.

13. To effect the substantial savings which were deemed possible in the overall ex farm haulage operation, therefore, the Board agreed to a comprehensive rationalisation and development programme, to be implemented over a period of 2/3 years from 1979, following consultation with representatives of the private haulage sector in the Road Haulage Liaison Committee, which has functioned successfully for the last 10 years as the forum for negotiations between the Board and private contractors. The Trade Unions were also advised of the programme.

14. The Programme's aims were:

a) to reduce as soon as possible in late 1979 the size of certain private hauliers' fleets by one tanker, where excess capacity clearly existed, and thus to increase their average daily tanker load and reduce operating costs. (Phase 1).

b) to terminate, over a period of some two years, the contracts of a number of small private hauliers in proximity to five Board transport depots, with a view to increasing the scale of operation of the latter, and at the same time allowing rationalisation of routes by a re-arrangement of haulage over a wider area, thus gaining the benefits of improved loading from the use of fewer tankers, and simultaneously offering greater opportunity for the future introduction through their own fleet of new ideas for road tanker collection services (Phase 2).

c) to encourage, where appropriate, the amalgamation of private haulage fleets to create larger and more economical ex farm haulage units.

15. These broad policy proposals were discussed in the Milk Haulage Liaison Committee on two occasions in July, 1979. As a result of these meetings, the Board amended their initial planned scale of expansion/...

expansion for their own transport fleet so that, instead of aiming for 50% of the milk volume, this has been curtailed to 38/40% of the total milk supply, while the compensation terms to be offered to hauliers were significantly improved, and were substantially in excess of the basic requirements of the haulage contract.

16. The revised terms were presented by senior Board officials to a further meeting in August, 1979, open to all private hauliers engaged in milk haulage in the Board's area, and attended by each of the hauliers concerned in this complaint, at which the overall Board haulage policy was outlined and discussed. As a result, the Board's revised programme was accepted.

17. Subsequently, Board officials visited relevant hauliers involved to discuss and negotiate the implementation of the Board's programme. The withdrawal of the individual tankers, as selected, in Phase 1 of the programme was completed on 31st October, 1979, in an amicable fashion. A total of nine tankers were withdrawn from nine hauliers, and the annual savings accruing to the Board have been calculated as £196,000 at that time.

18. At the same time, initial visits were also made by Board officials to those hauliers who would be involved in the longer term programme (Phase 2) which it was planned to put into effect over a much longer period. The three hauliers involved in the complaint were included. Arising from these visits, four hauliers volunteered to terminate their contracts on the compensation terms offered by the Board.

19. As an example of the scale of savings which are possible under the rationalisation programme (Phase 2) the experience in Wigtownshire can be quoted. Here, three hauliers with nine operational tankers, have voluntarily terminated their contracts in the course of the past year, and the Board's transport depot at Stranraer has now taken over their haulage operations, with a saving of no less than three tankers from the nine being operated previously by these three hauliers. The ability to rationalise the haulage over a wide area as a result has brought a substantial saving to the Board's haulage bill, calculated at/...

at £90,554 per annum.

20. Overall in Phase 2, the Board aim to terminate the haulage contract in respect of 29 operational tankers. If, as is not unreasonable to assume, the general scale of saving at Stranraer is repeated in other areas, the overall annual reduction in the Board's haulage bill would be in the order of £300,000. This points to the scale of the benefits which can accrue to the Board and their milk producers, and hence to the public generally, as a result of the programme. On this basis (taking Phases 1 and 2 together) it will be seen that potential savings of some £490,000 per annum are possible and would curtail the total ex farm haulage bill by about 9.4% on last year's total cost, a major improvement in efficiency and worth £164 per producer per year.

21. The Board have a basic duty to their producers to organise ex farm transport in the most efficient manner and it is this requirement which must be paramount in their thinking and their future action. While the Board appreciate the work of the private hauliers, and have said so on many occasions, they cannot accept that a vested interest should stand in the way of overall improvements in road haulage efficiency, for the benefit of all milk producers, and in the public interest. A reduction in the cost of haulage will assist in reducing the trend for farmers to give up milk production and so help to maintain levels of employment in the country areas served by the Board. The Board, being conscious of the problems of hauliers, have tried to temper their decision with generous compensation for those hauliers who will be involved in the rationalisation programme.

22. Having dealt at length, but of necessity, with the Board's comprehensive rationalisation programme to ensure that the Committee can view the complaint in the correct context, it is also necessary to make some specific reference to the position of the complainers.

23. The Board plan to rationalise milk haulage over a wide area of Renfrewshire and Ayrshire. This will entail a build up of the Board's/...

Board's transport depots at Paisley and at Mauchline to about 20 operational tankers in total, giving the appropriate scale of operation needed for the future. At the same time as the Board fleet at these two depots is expanded overall by 5 tankers, the re-allocation of milk will increase loading on other private hauliers' fleets in the area, without the need for additional tankers, and thus an overall saving of 5 tankers is envisaged. Further, this will only be possible by a major reshuffle of the haulage arrangements over this large area on the termination of the contracts of the three hauliers, Messrs. Duncan, Jack and Watson.

24. Having described the Board's overall rationalisation programme and its application to the Renfrewshire and Ayrshire areas, it is now relevant to deal with some important points raised in the representations by the complainers:

25. (Page 1 paragraph 3)

The annual average quantities of milk which have been uplifted over the last three years by the three hauliers, who have each been operating under contract with the Board since its inception in 1933 are as follows:

W.J. Duncan - 6.2m gallons (28.2m litres) - 4 operational tankers + 1 spare

A. McC. Jack - 3.4m gallons (15.5m litres) - 3 operational tankers + 1 spare

J.H. Watson & Sons - 3.9m gallons (17.7m litres) - 3 operational tankers + 1 spare

26. (Page 2 paragraph 4)

The introduction of modern methods of milk collection has created the need for substantial investment in milk collection vehicles and ancillary equipment. These costs, however, are fully reflected by the Board in its rating formula. The Boards pay hauliers on the basis of each milk collection tanker being employed on a 365 day basis and arrive at an agreed rate for the job to be undertaken based on the maximum number of tanker operators required to operate these/...

vehicles on a 365 day basis. The number of agreed operators in respect of the complainers' haulage operators is as follows:

W.J. Duncan	-	5
A. McC. Jack	-	4
J.H. Watson & Sons	-	4

Each haulier is paid by the Board in respect of each operator 58.4 weeks' wages to cover holidays and sickness. Hauliers can, of course, have as many licenced operators as they wish, and usually any additional licenced operators to the agreed required number are members of staff who have other means of full time employment.

While the provision of suitable tanker operators is the hauliers' responsibility, the training and licencing of these operators in connection with milk collection duties is the responsibility of the Board (see the attached operator's licence). Individual operators are licenced on an annual basis. In addition to their wages, each licenced operator required for the operation of the hauliers' tankers is paid the sum of £260 per annum by the Board in recognition of measurement and sampling duties.

27. (Page 3 paragraph 5)

It is not true that the complainers have all operated at all times to the complete satisfaction of the Board. In the case of W. & J. Duncan, this haulier has given considerable cause for concern over the years. On two occasions, the Board have had to revoke two of his operators' licences, due to their having been involved in serious malpractice, which culminated with them being charged with theft of milk from farms. In both cases, they were found guilty. In addition, the condition of Duncan's milk collection vehicles was, over a long period of time, most unsatisfactory, in contravention of the Milk Haulage (Road Tanker) Agreement, Paragraph 4, giving rise to many complaints from distributors and producers alike. There is produced copies of the lists of defects notified to W. & J. Duncan in 1976/77 in the Appendices. It is, however, fair to indicate that, over the last two years in particular, since Mr. Duncan's sons came into the business, there has been a decided improvement. However, within the last few months, it came to the Board's notice that W. & J. /...

J. Duncan were using one of their tankers to haul material for ICI, Ardeer, in contravention of the "Bulk Transport of Milk (Scotland) Order, 1976" which states; "No person shall use, or cause to be used, any milk tanker for the purpose of conveying and consigning milk in bulk, unless the container of the milk tanker has been used exclusively for containing milk" and of Clause 6 of the Road Tanker Agreement.

J.&. H. Watson and Sons, while in the main operating satisfactorily in terms of collection and delivery, have given cause for concern with regard to the condition of their vehicles, in contravention of the Milk Haulage (Road Tanker) Agreement, Paragraph 4. There is produced herewith copy notice of defects in 1978 - 80 in their vehicles.

A. McC. Jack purchased a milk collection vehicle some years ago without appropriate Board authority and commenced to operate it. This vehicle is still in operation and is utilised on a half-day only basis. Even allowing for the spare capacity of this vehicle, the Board's regional office at Ayr have found A. McC. Jack most unwilling to assist when requested with the salvage of warm milk as a result of farm tank breakdowns from farms in the district.

28. (Page 3 paragraph 6)

During the 1979 haulage strike in the private sector, Messrs. Jack and Watson were picketted, and were only allowed to continue the collection of milk as a result of the direct intervention of the Board. The Board had no such difficulties by reason of its separate arrangements with the Unions.

29. (Page 4 paragraph 10)

The Board, on the basis of earlier statements in this submission, cannot accept this statement by the complainers. The rationalisation of milk haulage in their area of operation is paramount although it is agreed that as an important feature of the rationalisation programme, the Board aim to enlarge their own transport/...

transport unit to give them a bigger share of the total milk transport operation, thus providing a better balance enabling the pursuance and innovation of new methods and techniques, and gaining the advantages of larger units.

30. (Page 4 paragraph 11)

The Questionnaire (a copy of which is enclosed) which was sent out by the three hauliers to 204 producers is not considered to be acceptable. Firstly, it was despatched before milk producers in the area were fully informed of the true situation. Secondly, the form and style of the questionnaire is clearly biased and full of innuendos, and could not be regarded in any sense as an impartial enquiry.

Subsequently, a well attended meeting of about 80 milk producers in the affected area was held at Lochwinnoch, when Board officials were able to describe the Board's plans in detail, and reassure those producers concerned of the excellent reputation of the Board's transport fleet throughout the Board's area for reliability of service and to point out that there would be a significant financial benefit to all milk producers from the Board's rationalisation programme. On this basis, the producers present expressed their satisfaction with the Board's plan.

31. (Page 5 paragraph 12)

The complainers have never, at any time, contacted the Board with regard to the Board's decision to terminate their contract and thus obtain information on the benefits to producers from the Board's plan.

Further the Board would contend that they are basically concerned with informing their own producers about the benefits of their haulage plan and how this will affect the service provided and the overall cost benefits which will accrue, and these will be public benefits. This has been done in the Board's Milk Bulletin as well as at producer meetings as referred to earlier in this submission. The greater/...

greater flexibility made possible by operation of a larger unit leads to better loading factors per tanker, as the Wigtownshire experience demonstrates.

32. (Page 5 paragraph 13)

It is accepted that the Board have agreed to pay compensation to the complainers on the occasion of termination of contract, although this is not in fact part of the contract. This can be regarded as a measure of the Board's appreciation of their services. While it will be a short term offset against the longer term benefits of the rationalisation rpogramme, the balance of advantage is clearly in favour of the latter.

As required by the contract terms, the Board have offered terms to acquire the tankers of the complainers if they desire to sell to the Board. This clause was specifically inserted in the contract at the request of the hauliers to meet the eventuality of any termination of contract and thus to safeguard the haulier in respect of his remaining investment in a specialised vehicle. While, as pointed out earlier in this submission, some of the tankers which might be acquired by the Board would become surplus to requirements, this would need to be looked at in the context of the Board's total transport fleet which, in any case, each year requires some replacement vehicles.

Further, the point being made that some of the tankers which might be acquired from the complainers would be immediately replaced by larger tankers is refuted. While the Board have intimated their intention to introduce a few larger capacity farm collection tankers, and indeed one is on the road at present, this will be done on a selective basis. It is not the case that all current road tankers will be replaced by larger capacity vehicles.

33. (Page 5 paragraph 14)

The comparison made here is irrelevant, as the system for paying hauliers for milk transport is entirely different from the method laid down in the Scheme for charging milk producers a standard haulage/...

haulage rate. While the reference to England is also considered to be irrelevant it should be pointed out that contrary to the suggestion by the complainers that the Scottish Milk Marketing Board rates are less favourable, the true position is that if the rates used by the English Board were employed in the SMMB area the current annual gross income of the complainers would be reduced significantly.

34. (Page 6 paragraphs 16 & 17)

To the Board's knowledge, A. McC. Jack have a number of platform vehicles and at least one refrigerated container vehicle. W. & J. Duncan have a garage with a repair business. While J.H. Watson and Sons would lose their milk haulage they have other substantial transport business.

In view of these observations, it is obviously difficult for the Board to predict the possible future plans of the complainers.

As far as compensation terms are concerned, it would again be pointed out that there is no provision in the contract for such payments and that the Board's action in providing an Ex Gratia payment of £4,500/vehicle is a generous gesture not likely to be carried out by other commercial organisations. As a measure of its relevance comparison can be made with the allowance in the haulage rate formula for overheads and profit currently standing at £4,050 per tanker per year.

Since the milk supply is falling, it is inevitable that there will be some loss of jobs overall, particularly if tankers are to maintain an efficient and economical loading factor. But only if this is done can transport costs be kept down so as to encourage farmers to continue milk production and thus to maintain the viability of a great many small businesses and rural employment, including transport. Dairying is one of the most labour-intensive of agricultural enterprises. Some of the extra drivers employed by the Board will be at Mauchline which is a rural area, certainly more so than is Irvine.

35./...

35. The Board must re-iterate that they have a clear responsibility to their milk producers at a time when net incomes from milk production are under such severe pressure to seek all possible ways and means to improve the efficiency of ex farm milk haulage. Increasing efficiency is also basic to current Government philosophy and also as a means of meeting economic recession.

If the Board can successfully improve the efficiency of ex farm haulage operations and prevent further cost escalation to some significant degree as their rationalisation programme has been clearly shown to be capable of achieving, milk producers will benefit while the consumer of milk will also gain indirectly since the need for a higher return from the marketplace will thereby be reduced.

Over the years since 1933, there have been substantial changes in milk transport as technology has advanced. In the two decades from 1955 dozens of small hauliers who formerly transported milk in cans had their contracts terminated by the Board as the switch to bulk collection of milk by tankers developed. The latter brought the need for fewer vehicles and bigger transport units.

The 1980's are displaying a new phase of development in the need to combat the adverse effects of cost inflation in general and the oil price explosion in particular, while taking into account the recession in milk production and the liquid market offtake. Much more efficient use of vehicles for better loading is needed. A move towards larger and more flexible haulage units must play a significant part in this exercise as has been amply demonstrated in other areas in the UK. The Board also believe that they must play a bigger and more active role in this development by enlarging their own transport fleet and creating bigger individual (but not giant) units which can derive some benefit from their bulk buying power and the ability to innovate in this sector in the years ahead.

36. Lastly, while the Board have tried to illustrate the wider aspects of the problems in the ex farm haulage sector of transport and their programme/...

programme of development they would point out that their legal position in respect of the Milk Haulage (Road Tanker) Agreement, which is the contract with private hauliers, cannot be in doubt, and that they have acted generously in carrying out the terms of this contract as it applies to the complainers.

I.A. McALPINE

IAMcA/IRC
11.11.80

APPENDIX 5

INDIVIDUALS WHO SUBMITTED WRITTEN EVIDENCE (OTHER THAN THE PARTIES TO THE COMPLAINT)

R M M Clark, Stevenson's Dairy Farms, 42 Ayr Road, Cumnock, Ayrshire.

P R Gallie (Cunningham District Council), 9 Winton Drive, Skelmorlie G2 2LA.

G Brownlee, 113 Herriot Avenue, Kilbirnie, Ayrshire.

Mrs M C Drummond, Panleth Hill, Mouswald, Dumfries.

H P Nicol, Department of Business Studies, Heriot Watt University, Edinburgh.

Councillor Richard Wilkinson AHA, Strathclyde House, 20 India Street, Glasgow G2 4PF

INDIVIDUALS WHO GAVE ORAL EVIDENCE AT THE HEARING

William M Duncan, "Eriskay", 13 Main Road, Gateshead, Beith, Ayrshire
Dr W G Jack, Heathcote, 25 Snowdon Terrace, West Kilbride.
Alexander McIntyre, Dykefoot Farm, Kilmacolm, Renfrewshire.
H P Nicol, Department of Business Studies, Heriot Watt University, Edinburgh.
James H Watson, Meadow Cottage, Quarry Road, Irvine, Ayrshire.
Andrew Templeton, 80 Blacklands Crescent, Kilwinning, Ayrshire.
Thomas C Reid, Burrowland Farm, Kilwinning, Ayrshire.
Stanley Dillon, 99 Newhouse Drive, Kilbirnie, Ayrshire.
James Liggett, 9 St Bride's Drive, West Kilbride,. Ayrshire.
Mrs M C Drummond, Panleth Hill, Mouswald, Dumfries.
D Reid, Mosside, Dalry.
R Lamont, Cockenzie, Dalry.
I A M McAlpine, 6 Newton Avenue, Elderslie, Renfrewshire.
Gordon A Pope, 22 Newtyle Road, Paisley, Renfrewshire.
Joseph D Hannah, 43 Brisbane Street, Largs, Ayrshire

APPENDIX 7

INVENTORY OF PRODUCTIONS

for

THE SCOTTISH MILK MARKETING BOARD,
Underwood Road, Paisley

1. Prints of Annual Report and Accounts of The Scottish Milk Marketing Board for 1975/80.

2. Schedule of Ex-Farm Haulage Costs.

3. List of Tanker Hauliers in Private Sector.

4. Copy letter from Milk Marketing Board for Northern Ireland to Mr. J. Hannah dated 2nd March 1981.

5. Copy letter from Milk Marketing Board to Mr. J. Hannah dated 2nd March 1981.

6. Copy extract from SMMB Cost of Haulage Statement for year ended 30th September 1978.

7. Copy Comprehensive Rationalisation and Development Programme dated 25th June 1979.

8. Copy Breakdown of Earnings by Phase I. Contractors - Actual and Notional Payments Year 1.10.78 - 30.9.79.

9. Copy Board's Submission - Para 19 - Rationalisation Programme - Wigtownshire.

10. Note re Para 20 of SMMB Submission.

11. Note re Para 23 of SMMB Submission - Before and After Phase II. of Rationalisation Programme.

12. Analysis of Hauliers' Accounts.

13. Board's Returns and Accounts for W. & J. Duncan.

14. Board's Returns and Accounts for A. McC. Jack.

15. Board's Returns and Accounts for J.H. Watson & Son.

16. Copy letter from SMMB to All Tanker Hauliers dated 10th February 1981 showing "Rate for the Job".

17. Calculation of Net Benefits of Rationalisation to date in support of Para 32 of SMMB Submission.

18. Note re Application of English Rates referred to in Para 33 of SMMB Submission.

19. Note showing Forecast of Compensation Costs referred to in Para 34 of SMMB Submission.

A.McC. JACK, W. & J. DUNCAN, J.H. WATSON & SON APPENDIX 8

NOTE TO FARMERS

EX FARM MILK HAULAGE

Following a visit from an official of the Scottish Milk Marketing Board it is likely that the above private enterprises, established in total some 170 years, will disappear after the winter of 1979-80. The work will then be carried out by part of a giant transport unit organised directly by the Scottish Milk Marketing Board.

The move is being made in the interests of alleged economy, but we would ask for all producers' support in an effort, however forlorn, not for the "status quo" but for an even better service from the private haulier than you have had in the past.

We could provide much information about this take over (and will gladly do so on request - please telephone WK 823209, Beith 2550, Irvine 79254) but the following examples may be of interest:-

1. None of the three firms has ever lost a day's work through industrial dispute.
2. All drivers in SMMB would be in one union: their industrial relations with the management have still to be tested!
3. In the worst days of many previous winters the firms have been able to double their tanker staff and, with the help of farmers, get the milk through. It will be a tall order to ask the SMMB tanker staff to double overnight.
4. Has it ever been shown in the long run that any big concern can be run more efficiently than small private enterprise units?
5. Drivers, if they choose to join SMMB, would have to travel to and from Paisley daily.

No doubt SMMB officialdom has done its sums and could present an attractive case for change on paper: We have not done many sums, we have been busily engaged over the years ensuring that our vehicles are always ready for the road even though it meant four or five of us round the one vehicle through most of the night for no shift allowance, overtime, etc. - just pride in our work and service.

It would be a help if you are interested in encouraging private enterprise if you would be good enough to return the attached note either to the driver or in the enclosed stamped addressed envelope Your help and interest in our survival will be much appreciated. With your help we would like to pursue this much further.

Yours sincerely,

EX FARM MILK HAULAGE

NAME _____ FARM _____

We would like our milk to be collected by * _____

after the winter of 1979-80.

* Insert SMMB or your regular private firm.

(Other small family businesses are being axed in the same way through the SMMB area)

APPENDIX 9

Report by H.P. Nicol, B.A., M.B.A.

on

the commercial and cognate aspects of the representations for W. & J. Duncan, Beith, A. McC. Jack, West Kilbride, and J.H. Watson & Son, Irvine

and

by the Scottish Milk Marketing Board dated 11.11.80, and related published material.

A. Introduction

1. I normally reside at Strathmuir, Kilmacolm and I have been employed since 1976 as a lecturer in the Department of Business Organisation of Heriot-Watt University. My career prior to entering university education was in business - I was latterly Commercial Director of Ross Plastics Ltd., Irvine - except for military service when I served as a transport officer in the R.A.S.C.

2. I was brought up in the market town of Castle Douglas and remember clearly hearing about the creation and early years of the Scottish Milk Marketing Board from those of my parents' friends who were dairy-farmers; and having five uncles who were farmers in Ayrshire or Renfrewshire it did not take much effort to learn of the importance of "the milk cheque".

In considering the material available to me, it seems possible to marshall it and to discuss it under a small number of headings:

Commercial and policy considerations

Organisational implications

Industrial Relations matters

These are topics within my subject area of business organisation and business policy.

B COMMERCIAL IMPLICATIONS

4. The Board's in its representations (para 7, p.2) claims to be terminating the contracts of the hauliers named in the interest of "reducing or at least curtailing the cost of ex-farm haulage of milk"; and there may be an economic case for doing so. If so, the figures which the Board proceeds to show do not make it

The Board's figures are described as "Total Costs" - that is to say, they are for the whole of the Board's area of operations including districts where herds may be quite small and relatively far apart. The hauliers in this case serve a compact and high-yielding area.

Being total costs, they also include those of the SMMB'S own transport fleet - as reference to their published Reports and Accounts shows.

I have to admit to being puzzled by a discrepancy between the figures the Board gives in their Representations and their Reports and Accounts, viz.

Total Cost of Haulage

Yr. ending 31 March	Annual Reports & Accounts	These Representations	Error	Discrepancy
1976	£3,224,000	£3,208,000	0.5%	£ 16,000
1977	£3,645,000	£3,583,000	1.7%	£ 62,000
1978	£4,208,000	£4,120,000	2.1%	£ 88,000
1979	£4,910,000	£4,791,000	2.4%	£119,000
1980	£5,388,000	£5,217,000	3.2%	£171,000

For/

For ease of reference, I will base my calculations on the figures which the Board has given in these representations. Whichever set of figures is correct, it is clear that large amounts of money are involved and the Board has a duty to control costs wherever possible, but in a time of inflation it is not enough to say that it has cost more each year so that in 1979/80 it costs half as much again to transport a litre of milk as it did in 1975/76, for the following reasons:

(1) Since this is a service for which the Board charges the farmers, it is necessary to know as well as its outgoings, the relevant income which the Board has received.

(2) The "index" of rising costs has to be compared with other costs or indices over the same period, and indeed with other income.

From the published Reports and Accounts the following table of indices has been constructed.

Year ending 31 March	1976	1977	1978	1979	1980
Sales of Milk	100	133	158	191	195
Salaries & N.I.	100	112	135	149	-
Admin. expenses	100	110	133	145	-
Cost of haulage/litre	100	109	120	135	151

(The figures given by the Board for Salaries and National Insurance contributions, and for Administrative Expenses in the 1980 Report and Accounts are such that it is clear that they are not strictly comparable with those for the earlier years in this series).

SMMB'S own transport

There is another area of confusion: the SMMB'S own fleet carries a significant proportion of the milk involved, between 17.3% and 18.7% or between one-fifth and one-sixth of all the milk carried in terms of the cost involved.

Since the cost per litre for carriage which the Board quotes appears to be greater than the amount paid to the hauliers in this case (a point on which I am awaiting confirmation) it is even a possibility that the Board could be responsible for part of this extra cost which it has implied is due to the hauliers' activities.

Efficiency of operations of SMMB compared with Messrs. Duncan, Jack & Watson

In any event, the hauliers involved here have to operate within the price the Board pays them. If they do not contain their costs they make a loss.

In para 10 of their Representation the Board gives the percentage reduction in the number of producers, presumably for the whole of their area of operations, but two reductions of about 4% do not appear to justify the removal of all of the service of three hauliers particularly as the case for cheaper operation by the Board has not been established.

Unfortunately, this is an area where there can be much argument and little illumination unless precise standards for allocation of overheads can be agreed. In the case of hauliers, they have to bear all management, supervision and repair overheads out of the amount paid them by the Board. In the case of the SMMB, such items can be treated in a variety of ways.

ORGANISATIONAL IMPLICATIONS

These have already appeared, to some extent, in the discussion of the economic aspects.

The central point is that, without the sort of direct reference to the necessity of remaining solvent which applies with great and continuous urgency in small businesses of the type run by Messrs. Duncan, Jack and Watson, what is known as "organisational slack" easily and indeed usually develops.

The Board has not established that its current transport operations are more economical than those of these hauliers, and it would be a remarkable organisation if it were to believe that it could give irrefutable assurances that as its transport operations grow it would not also find its costs growing.

Economies of Scale

I have no doubt that the Board believes that it can achieve economies of scale. Unfortunately, a whole body of research concerned with mergers and acquisitions - "take-overs" in other words - has shown that these have not been achieved. The so-called "economics of scale" are more honoured in the breach than the observance.

Other personnel aspects /

Other personnel aspects

There is a subsidiary point concerned with organisations. Many organisations, and many of us as individuals, have had the painful experience of finding that trusted employees have been guilty of some lapse from their accustomed standards of honesty. The Scottish Milk Marketing Board would be indeed fortunate if it has not also had this experience.

In any event, while the arguments which the Board has advanced are mainly economic rather than moral, as organisations grow in size impersonality seems to make the idea of a "fiddle" less serious.

INDUSTRIAL RELATIONS

The definitive work on small firms in Britain is the Bolton Report (Report of the Committee of Inquiry on Small Firms, HMSO, Cmnd 4811, November 1971). In its findings it pointed out that industrial relations were better in small firms than in larger; and this view has never been seriously contested.

More important in the present case, is the decision implemented by BP and by Shell, during the time the SMMB has been planning to centralise its haulage operations, to divest themselves entirely of their road-tanker operations, which are now carried out by a number of smaller firms. In the sensitive area of industrial relations, reasons are seldom publicised, but when organisations with a reputation for forward-thinking do something, it is worth taking notice of their actions and considering seriously the wisdom of following the opposite course.

H.P.N.

APPENDIX 10

THE SCOTTISH MILK MARKETING BOARD

Underwood Road · Paisley PA3 1TJ

Telephone: 041-887 1234 *Telex: 779012*

Our Ref: JDH/JH 10th February, 1981

To: All Tanker Hauliers

Dear Sirs

Ex-Farm Collection of Milk

At a meeting of the Joint Haulage Milk Liaison Committee on Friday 6th February, 1981, agreement was reached on amendments to the allowances which are taken into consideration in arriving at your "Rate for the Job".

These amendments will operate from 1st February, 1981.

Standing Charges

(a)	Licences	Actual Cost
(b)	Insurances	Actual Cost - Maximum of £600 per vehicle.
(c)	Wages	Actual Cost (58.4 week basis)
(d)	National Insurance & Pensions	13.7% of total wage bill or up to 15.7% of total wage bill where a private scheme exists.
(e)	Accident & Sickness Benefit Scheme	An allowance of £24.50 per annum per relevant employee.
(f)	Training Levy	1% of total wage bill where bill exceeds £25,500.
(g)	Washing	£317 per tanker per year (excluding spare tanker)
(h)	Depreciation	£3,100 per tanker per year (excluding spare tanker This has been calculated on the current replacement cost of a Clydesdale Cab & Chassis (Less discount & tyres), milk pump and hydraulic kit and system, and a 2,100 gallon stainless steel tank as at 1st February, 1981. It is based on a 6.5 year life for Cab & Chassis, a 13 year life for the tank and a 5 year life for the hydraulic system.

Running Costs

(a)	Fuel	Wholesale price (for applicable zone)
(b)	Oil	0.42p per mile
(c)	Tyres	3.42p per mile
(d)	Maintenance	14.56p per mile

Overheads & Profit	£5,500 per year per operational tanker for tankers "plated" over 15 tons gross (excluding spare tanker).
Meters	£320 per annum (for 5 years from date of purchase) plus £140 per annum for maintenance.

Spare Tankers

Where a contractor owns a relief tanker in a fleet of up to five working tankers, he will be allowed £8,600 for its Overheads, Profit and Depreciation, and will also be allowed the actual cost of the licence and insurance of his relief tanker.

In a fleet of three working tankers, for example, he would earn £5,160 (£8,600 x 3/5 = £5,160) plus the actual cost of the licence and insurance costs of the relief tanker, for example £539 for licence plus £500 for insurance, a total of £5,160 + £1,039 = £6,199. The payment of the actual cost to licence and insure any relief tanker will be made irrespective of the number of working tankers in his fleet.

If a contractor does not have an "official" spare vehicle he will be allowed 6% of certain standing charges for hiring purposes. He can, of course, obtain a relief tanker from the Board, and conditions of such a hire are set out in a memorandum to you dated 10th February, 1981.

There are no objections to a contractor, who has a relief tanker which is not employed, hiring it out to a neighbouring contractor.

The Transport Rating Officer will visit you to review your rate as soon as possible.

Yours faithfully,

J. D. Hannah

J. D. Hannah
Director of Farm Services

APPENDIX 11

THE SCOTTISH MILK MARKETING BOARD

EX FARM TANKER HAULAGE

The recent experience with ex farm tanker haulage in the South West of Scotland in January during the industrial dispute has merely highlighted the need to review general haulage arrangements for the uplift of milk ex farm.

About 1,080 million litres of milk (237 million gallons) are hauled annually by about 172 tankers. In terms of basic categories the Board operate 20%, private hauliers, 76%, and buyers 4% of the tanker fleet. In all other Board areas the Board haul a larger proportion of the milk from 100% in Aberdeen, North of Scotland and Northern Ireland to nearly 40% in England and Wales, where the buyers haul around 30%. Historical facts have had a bearing on these different developments.

Private hauliers had an even larger proportion of our milk haulage prior to 1955 and the development of bulk collection did indeed afford the Board an opportunity to create a larger haulage fleet especially in Fife. The original Board plan in developing bulk collection revolved simply around the idea that the existing haulier in a district who was losing most can milk from the switch to bulk was offered the first chance to go over to tankers. From such a nucleus a rather ad hoc and pragmatic development proceeded with the aims of providing at least 1 million gallons per annum for a tanker and creating a "reasonable" number of tankers in each haulier's fleet but almost inevitably arriving at a situation of having too many hauliers with too many small fleets. Where milk production is scattered or at least not dense, smaller fleets have to be accepted, but elsewhere larger fleets should be able to offer certain advantages of flexibility especially if they are linked to general haulage activities.

The other point which is important is that the Board at the outset had to guarantee a haulier switching to bulk a reasonable degree of continuity of work to justify investment in a specialised vehicle and indeed it is part of our agreement that any haulier who wishes to give up tanker haulage or who has his contract terminated, will have the ability to sell his tankers to the Board at current market value. To date this has not been necessary.

The Board have never operated a formal annual contract system with hauliers but have maintained continuity of work as long as the job is being carried out satisfactorily at the appropriate rate for the job. In recent years only one haulier has had his tanker contract terminated due to poor performance and his vehicles were bought by another private haulier.

In the last few years, increasing attention has been paid to tanker haulage operations. One of the factors limiting more efficient operation has been the variation in demand by buyers in the liquid market on a day to day basis. The Board are well aware of the peak demand on Thursdays with a trough occurring conversely on a Saturday. This has, of course, the effect of needing longer hauls of milk at the time of peak demand, some from the Southern Counties, and of necessity means that more tankers have to be provided overall with fewer farm runs possible per tanker on the days of above average liquid market demand and a subsequent slack in the system on some other days, especially Saturdays. It is, of course, not just a question of extra tankers but also of extra drivers and these have to be "carried" in the system virtually all year, involving extra cost to the Board.

Now, of course, the Board has a premium payment for excess mid-week milk demand to compensate in their marketing account for the "excess" costs in their haulage account, although there is no inter-account transfer payment. The introduction of the premium has also had some effect on reducing the level of excess mid-week demand and this is tending to indicate that a few tankers could be withdrawn.

The main factor, however, affecting "demand" for tankers has been the decline in the last three years in the level of liquid milk sales, coupled with a growth of milk production. This has meant fewer long distance tankers have to be brought up from the Southern Counties to service the industrial belt. These same tankers are now available in the South West to do perhaps three times the volume of collection compared with a few years ago, and thus the development of "surplus" tanker capacity begins to appear. It is obvious that this will be especially so in winter, e.g. January, when milk supplies are seasonally low particularly in the more seasonal production areas in the South West.

The swing in seasonal milk production is, of course, a basic handicap in creating the most efficient pattern of ex farm haulage and is illustrated by the level of milk production in the mid month of each quarter in 1977/78.

May	110.17 m.l.
August	85.90 m.l.
November	80.27 m.l.
February	80.19 m.l.

Thus May production on a daily basis is 33% higher than in November and inevitably influences the number of tankers needed in the total fleet, with a built in tendency to create a surplus for much of the year. However, in the flush period with shorter runs, the productivity per tanker can be increased so that it is not a case of needing a third extra tanker. The above data does, however, also illustrate the short term nature of the peak demand for tankers.

The regular tanker fleet is, of course, backed up by a significant number of spare tankers which are largely now in the hands of the more reasonable sized hauliers and cater for the increased time off the road due to preparation for and the carrying out of MOT tests, normal routine and emergency maintenance on the chassis and engine and the newer need for meter and pump checks. There are indeed no fewer than 51 back up tankers, including 18 SMMB tankers (35%) providing nearly a 1 for 3 ratio of spares to regular operating tankers, which is now considered excessive. Many of these spare tankers are, however, old tankers which are not capable of regular sustained service and are of relatively low market or written down value and would not be replaced.

It must also be noted that there are three trunker tankers of about 4,200 gallons capacity which are operated by private hauliers for long distance haulage with the main regular requirement being the Edinburgh market demand satisfied from Dumfriesshire. In the flush period these trunkers are invaluable to move excess milk back from mid-Scotland, especially Glenrothes, to manufacturing creameries in the South-West. Spare ex farm tankers are also used extensively for this purpose.

However, out of the 223 tankers and 3 trunker tankers, currently available, it is considered that 12 tankers are surplus in the light of 1979 peak requirements. One of the trunker tankers is partly superfluous. While it might be said that at the peak virtually all current tankers are used either ex farm or ex creamery to clear local surpluses in mid-Scotland, the latter work could be covered to a greater extent by the temporary hire of large tankers (say, half a dozen) from the "hire and reward" non-milk haulage operators.

APPENDIX 12

THE SCOTTISH MILK MARKETING BOARD

EX FARM HAULAGE IN S.M.M.B. AREA.

1. The Board have become increasingly concerned about the continuing sharp rise in haulage costs in total and per litre. While it is acknowledged that inflation is the basic cause there are inevitably growing pressures for action to increase the efficiency of operation of their milk collection system as a whole.

2. Taking account of the long period of development of the tanker fleet in the Board's area and the lack of a clear cut policy concerning the scale of business, it is still the case that there are no fewer than 43 haulage units in the private sector operating on contract to the Board. These units carry fully 80% of all milk in the Board's area, a proportion greatly in excess of that so dealt with in the rest of the U.K. Indeed in the North and Aberdeen Board areas and in Northern Ireland all tankers are operated by the M.M.B's.

3. The private hauliers have varying sizes of basic fleets from 1 to 7, but average only 3½ tankers. The large number of small units makes it almost impossible to push up the daily loading of tankers to the desired level and indeed over the year, the average loading is only about 3,800 gallons per day.

4. A favourable factor which should increase loading and reduce the necessary number of tankers is the decline in the mid week demand for long distance tankers for the central belt liquid market and this coupled with the decline in the total liquid milk demand since 1975 is a key factor in the new search for greater efficiency.

5. Careful studies by Board staff have lead to the conclusion that a substantial reduction of the order of 10% can be made in the number of operational tankers on a daily basis thus giving increased loadings and appreciable cost savings.

6. In the view of the Board a more rational haulage system can be achieved in two ways.

7. By working towards larger operating units and especially with mixed haulage fleets, a more flexible and heavier loading operation can be arrived at. It is easier in practice to re-arrange pick-ups and routes within one haulier's area than between a number of hauliers. Mixed fleets would be more able to operate a more flexible system with some tankers being taken off the road in the quieter winter months and the drivers absorbed in the rest of the business.

8. As a further feature the Board are conscious of the strong desire by their producers to handle more of their own produce - to seek a form of greater added value or bigger gross margin. After all there is a £5 million a year haulage bill and it is only natural to wish to minimise the actual cash flow outwards. The Board are accordingly intending to build up their own tanker fleets at their five main depots to much larger units to gain the economies and flexibility of larger scale. It is also believed that it is easier to be innovative with one's own fleet in terms of new ideas for collecting milk from farms. Lastly, there is the question of industrial relations and greater security of operation in times of industrial conflict in the road haulage industry to be considered.

9. The Board will thus be forced to act within the terms of the haulage agreement to intimate to certain hauliers that the number of tankers which they operate will need to be reduced and appropriate compensation will be paid, recognising the value of tanker(s) displaced and, if necessary, acquired by the Board.

In some cases the Board will in time be intimating that they intend to terminate a haulier's contract according to the agreement with a view to increasing the scale of operation at a Board transport unit. In such cases the Board would acquire the tanker and offer jobs to the drivers involved.

10. In some areas where the Board have no plans to acquire tankers, there will be studies and enquiries to seek the creation of larger private haulage units to aid rationalisation and greater operating efficiency by a form of amalgamation.

11. In looking at the Board's plans to enlarge their own participation in farm collection of milk it is difficult to be precise at this stage as to the extent and the time table. It is probable that progress will vary but it could be envisaged that the Board would be seeking to deal with about half the milk by 1981, working in phases. It is probable that activity would be centred on one depot at a time working through a series of local rationalisation exercises.

12. Voluntary approaches by hauliers wishing to reduce fleets or give up milk haulage will, of course, be welcome as part of the overall plan, which it is hoped will be seen as a necessary action by milk producers and their Board in the current and future stringent economic climate.

25th June, 1979

APPENDIX 13

THE SCOTTISH MILK MARKETING BOARD

EX FARM TANKER HAULAGE

In a paper to the Board at the April 1979 meeting the case was presented for a further rationalisation of ex farm tankers, involving the elimination of perhaps 12 private tankers, and a positive move towards the much greater participation by the Board as operators in their own right, thereby increasing their proportion of milk handled from the current 20% to, say, 50% by the end of 1981.

The Board agreed "that the Managing Director should proceed as suggested and to commence negotiations with appropriate hauliers to extend Board transport operations in an orderly manner."

Since then further discussions have taken place with Union and private haulier representatives to expound this Board decision to greatly extend their present coverage of ex farm haulage by the cancellation of existing haulage contracts in part, or in total, and to build up the size of their tanker fleets at Paisley, Mauchline, Stranraer and Kirkcudbright by the acquisition of private hauliers' tankers.

It has been stated that initially a few tankers could be withdrawn from existing fleets and thereafter the Board would wish to pursue a staged programme of cancellation of selected hauliers' contracts with acquisition at written down value of the tankers - as required by the contract - in all cases, plus an ex gratia compensation payment per tanker and aid in meeting the compulsory redundancy payments which may apply if the Board is unable to take over a driver's services.

The hauliers' liaison committee members preferred stated general take-over terms for all rather than varied terms according to each haulier.

At a meeting on 30th July the hauliers' committee conveyed back to Board officials the reaction of a meeting of all hauliers (there are 43 in total) which basically was one of protest and a request to the Board to reconsider their expansion policy, while acquiescing in the need to slim down the total fleet to some degree.

Failing a change in Board policy the hauliers seek better compensation terms for loss of business. Currently it is estimated that the average written down value of tankers acquired would be about £10,000 each and on top of this an ex gratia payment of £2,000 per tanker for cases where a single tanker is withdrawn, and £3,250 per tanker where a whole fleet is taken out, have been offered. In the current formula for ex farm tanker remuneration, overheads and profit are valued at £4,050 per annum, about half being attributed unofficially to each item.

A preliminary review of the possible rationalisation programme shows that some 8 tankers could soon be taken off the road with the degree of further savings being more difficult to quantify until the build up of Board depots by acquisition has been put into action, although it is believed that another 4 to 7 tankers could be saved. Taking a total of at least 12 tankers eventually being withdrawn, this would represent an estimated saving of £300,000 per year, a goal well worth pursuing.

The wider issue of the Board "acquiring" private hauliers' tankers by cancellation of the contract is, of course, a trickier one to implement. In looking at sound economic reasons for enlarging existing Board fleets, there could be a case for absorbing all the tankers of 18 hauliers. The size of these hauliers varies from 1 to 4 tankers - several now haul nothing else but milk and consequently would literally be "put out of business" by Board contract cancellation, while others are only part of a general haulage business. However, to proceed with a sensible rationalisation programme entailing a build up of Board depots one cannot avoid the stigma of putting out the small haulier and the political aspect of this needs to be considered by the Board.

If the haulage policy agreed by the Board in April is confirmed the hauliers would prefer the Board to state as quickly as possible those firms likely to be affected at a meeting of all hauliers to be addressed by the Board's Managing Director on 22nd August.

For guidance it is felt that a minimum of 10 tankers (and spares) per Board depot should be aimed for in terms of economical operation and servicing. It is possible, therefore, to consider something like the following picture of Board depots and their operating tankers.

Tanker Depot	Now	Future (a)	Future (b)
Glenrothes	9	10	10
Galloway	6	14	14
Mauchline	6	11	20
Paisley	6	13	17
Kirkcudbright	4	11	13
Rothesay	2	2	2
	33	61	76
Approximate % of milk	20%	40%	52%

The estimated purchase cost of programme (a) on present terms offered would be about £600,000 and for programme (b) about £880,000, both spread over, say, two years.

The other point to make is that it has been stated to the hauliers that the Board would desire to encourage amalgamations or take-overs on commercial terms within the private sector in areas where the Board did not currently operate transport depots, e.g. Dumfries, Lanark, Lothians, so that the benefits of more efficient loading and routing from larger fleets could be gained in future by the Board as the marketing organisation.

Summary

Broadly the Board are asked to reaffirm their desire to:-

(a) reduce the number of private tankers as much as possible quite quickly - say, 8 - and buying these, if necessary.

(b) pursue by cancellation of contract a clear policy of acquiring selected private hauliers' tankers (and drivers) to build up the four Board depots south of the Clyde on the basis of a valuation of the written down value of each tanker (per contract and formula) plus a compensation payment and a substantial share of the redundancy costs.

(c) acquire sufficient tankers to build up their proportion of ex farm haulage from the existing 20% to a stated level, e.g. say, 40%, or, say, 50% approximately.

If the Board feel that the acquisition policy is correct, it may be considered prudent to go for a more limited programme like (a) above and to consider some advantage in offering slightly better terms to those all-milk hauliers whose contracts are cancelled, e.g. £4,000 per tanker compensation which would probably add about £18,000 to the total cost. It should, however, be pointed out that the hauliers are talking in terms of £5,000/6,000 per tanker compensation.

IAMcA/MGC
2nd August, 1979.

cc SO

Scotland

10 DOWNING STREET

From the Private Secretary

22 May, 1980.

The Prime Minister has asked me to thank you for your further letter of 11 May about the Ex Farm Milk Haulage arrangements proposed by the Scottish Milk Marketing Board.

The Prime Minister is very concerned that small businesses such as yours should thrive. But she believes you and the representatives of the other family businesses do have adequate opportunity to have their complaints properly heard, and she does not feel able to take the matter up herself with the SMMB.

The Prime Minister was glad to know that your daughter, Marion, had an enjoyable day in London recently and came to Downing Street. Mrs. Thatcher has asked me to let you have, for your daughter, the enclosed signed photograph.

T. P. LANKESTER

Dr. William Jack

GB

Yes please
mt

10 DOWNING STREET

Prime Minister

Another letter from Dr Jack about milk distribution in Scotland. You have already written personally to Dr Jack three times, and the Scottish Office seem to be doing their best (see Flag A).

Would you be content for me now to send a nice letter on your behalf, regretting that you can't meet the Chairman of the SMMB and enclosing a signed photo for the child?

T.P. 2/5

cf PPS.

Heathcote
25 Snowdon Terrace,
WEST KILBRIDE,
Ayrshire KA23 9HN.

11 May 1980

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

Dear Mrs. Thatcher,

W. & J. DUNCAN, A.McC. JACK, J.H. WATSON & SON
EX FARM MILK HAULAGE WITHIN S.M.M.B. AREA

You will recall our previous correspondence in which you showed great personal interest in our problem and gave us much helpful information. We are pursuing vigorously all lines open to us to try to maintain the private enterprise service to around 200 producers who have assured us that they prefer the private enterprise service to the large impersonal unit proposed by SMMB. (The Board have now applied for road fund licences for no less than 30 vehicles in their first application to the Scottish Licensing Authority).

While it has been made abundantly clear to us that neither yourself nor the Scottish Secretary of State can formally intervene we feel that it must be of some concern to you both (a) that small thriving businesses should be squeezed out and (b) that the wishes of around 200 producers should be ignored. Would it be at all possible for you to consider an informal personal intervention at this stage (a) to save at least three thriving private enterprise businesses and (b) to save SMMB following the footsteps of British Leyland or British Steel? A friendly persuasive discussion between yourself and the Chairman (or other officials) of the Board might work wonders and keep at least a small part of Great Britain on the right road.

Sorry to keep troubling you with this but it is a matter of business life or death for three (at least) private enterprise units in this area.

I am,

Yours sincerely,

William G. Jack.

Dr. W.G. Jack

Dear Mrs Thatcher,

It was a great thrill for me to see you last week in Downing Street when you came back from Yugoslavia. I was visiting London with my school, West Kilbride Primary.

Many thanks for the experience

Yours Sincerely

Marion Jack.

Scotland

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Tim Lankester Esq
Private Secretary
No 10 Downing Street

25 April 1980

Dear Tim, TL 28/4

You will no doubt recall the vexed case of Dr William Jack, a Haulage Contractor who was aggrieved at proposals by the Scottish Milk Marketing Board to do more of their own haulage.

To complete your records, you might like a copy of the attached letter of 21 April from Dr Jack. As you will see from the first paragraph of the letter, we seem to be making some progress.

Yours sincerely,

Godfrey Robson

GODFREY ROBSON
Private Secretary

PS/DAFS.

'Heathcote',
25 Snowdon Terrace,
WEST KILBRIDE, KA23 9HN.

21st April, 1980.

Rt. Hon. George Younger, M.P.,
Secretary of State for Scotland,
New St. Andrew's House,
St. James Centre,
EDINBURGH, EH1 3SX.

Dear Mr. Younger,

EX FARM MILK HAULAGE WITHIN S.M.M.B. AREA

I am very grateful to you for your part in arranging the meeting which representatives of the three private enterprise milk haulage firms had with your officials at Chesser House on Monday. Many aspects of the situation were discussed and considerable help was given.

I am a little concerned that the meeting dealt only briefly with the fate of small private enterprise businesses: it would surely be very much "not in the public interest" to see these small private enterprise businesses suffer. I hope you will be good enough to keep this very much in the forefront in future negotiations.

In the meantime,
Very many thanks for your help.

I am,

Yours sincerely,

William G. Jack.

Dr. W.G. Jack.

Confidential filing

Scotland.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Dr William G Jack
'Heathcote'
25 Snowden Terrace
West Kilbride
Ayrshire
KA23 9HN

26 March 1980

PL
26/3

Thank you for your letter of 27 February about ex-farm milk haulage arrangements within the area of the Scottish Milk Marketing Board. The Prime Minister has sent me a copy of her letter of 17 March to you.

I have taken note of your specific request that we do not approach the Scottish Milk Marketing Board and I shall of course respect that request.

I agree that the most profitable course would now be for the representatives of the three family businesses, on whose behalf you have written, to have an opportunity to state their case in detailed discussion, and I suggest therefore that a meeting be now arranged with senior officials of my Department in Edinburgh.

I have instructed my Department accordingly, and you will be contacted further, in the next few days, to arrange a mutually convenient date.

An official of the Department will be in touch with you in the next few days to see if this is acceptable.

GEORGE YOUNGER

2

"HEATHCOTE",
25 SNOWDON TERR.
WEST KILBRIDE
AYRSHIRE KA23 9HN
28/3/80.

12
2/4

W. & J. DUNCAN, A. McC. JACK, J. H. WATSON & SON.

MRS D. THATCHER,
10 DOWNING STREET,
LONDON.

Dear Mrs. Thatcher,

EX FARM MILK HAULAGE WITHIN SMMB AREA

It is a pleasure to acknowledge and thank your recent correspondence on the above. Everything is very much appreciated and a great encouragement to us.

Many thanks,

I am,

Yours sincerely,

W. Jack

cc SO vb

Scotland

17 March 1980

Dear Dr Jack

Thank you for your further letter of 27 February about the Scottish Milk Marketing Board's decision to expand its direct milk tanker operations.

I note the result of what I assume was an informal poll of a group of producers in your vicinity, who apparently expressed a preference for continued milk collection by contractors rather than by the Board's own fleet. As you know, if any producer feels aggrieved by the Board's decision he can either apply to the Board for the matter to be referred to an arbiter appointed by the Secretary of State for Scotland, or ask the Secretary of State to refer his complaint to the Committee of Investigation.

I understand that you will now be writing to the Secretary of State, and I have asked him to examine the matter most carefully.

All good wishes

signed

MT

Dr. William Jack

jfh

10 DOWNING STREET

PRIME MINISTER

You said you would reply to the further letter from Dr. Jack about milk haulage in Scotland. I attach a draft based on advice from the Scottish Office; at Flag A is a note explaining the situation.

TL

14 March 1980

10 DOWNING STREET

THE PRIME MINISTER

reply sent 16/3 KO.

Thank you for your further letter of 27 February about the Scottish Milk Marketing Board's decision to expand its direct milk tanker operations, and about the results of a poll of producers.

I have been in touch with the Secretary of State for Scotland who tells me that the poll ~~I note the result of what I assume was an informal poll of a group of producers in your vicinity, who apparently expressed a preference for continued milk collection by contractors rather than by the Board's own fleet. As you know, if~~ any producer who ~~feels aggrieved by~~ objects to the Board's decision ~~he~~ can either apply to the Board for the matter to be referred to an arbiter appointed by the Secretary of State for Scotland, or ask the Secretary of State to refer his complaint to the Committee of Investigation.

I understand that you will now be writing to the Secretary of State, directly and I have asked him to examine the matter most carefully.

Dr. William Jack

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Tim Lankester Esq
Private Secretary
No 10 Downing Street
LONDON SW1

12 March 1980

Dear Tim,

SCOTTISH MILK MARKETING BOARD

Thank you for your letter of 3 March enclosing a further letter from Dr William Jack about milk haulage in the Scottish Milk Marketing Board area.

The Solicitor to the Secretary of State has been asked to consider whether Dr Jack's representations are appropriate for reference to the Committee of Investigation and if so whether it should be regarded as a formal complaint or if Dr Jack should now be invited to state his complaint fully and formally in writing with a view to its being referred to the Committee. I shall let you know what is decided.

You may be interested to know that the Chairman of the Scottish Milk Marketing Board referred specifically to the proposed change in the Board's haulage policy at their Annual General Meeting in June last year. No producer present made any reference to it in the subsequent open discussion. These proceedings were published in the Board's own journal the following month (circulated to, among others, all producers in the Board's area) and it excited no public comment there either.

I enclose a suggested draft reply for the Prime Minister's consideration. You have the background in detail from earlier correspondence.

Yours sincerely,

Godfrey Robson

GODFREY ROBSON
Private Secretary

E.R.

DRAFT FOR THE PRIME MINISTER

Dr W G Jack
"Heathcote"
25 Snowden Terrace
West Kilbride
Ayrshire
KA23 9HN

Thank you for your further letter of 27 February about the Scottish Milk Marketing Board's decision to expand its direct milk tanker operations.

I note the result of what I assume was an informal poll of a group of producers in your vicinity, who apparently expressed a preference for continued milk collection by contractors rather than by the Board's own fleet. ~~On the other hand, I gather that producers did not object when the Board's proposal to expand their own tanker fleet was announced.~~ ~~However~~ As you know, if any producer ~~felt~~ feels aggrieved by the Board's decision he ~~could~~ can either apply to the Board for the matter to be referred to an arbiter appointed by the Secretary of State for Scotland, or ask the Secretary of State to refer his complaint to the Committee of Investigation.

I ~~note~~ understand ~~from your letter~~ that you will now be writing to the Secretary of State, and I have asked him to examine the matter most carefully.

Scotland file

B/C

B/F 10.3.80

3 March 1980

The Prime Minister has received the further enclosed letter from Dr. William Jack about milk haulage in Scotland. The Prime Minister would like to reply to this letter herself, and I would be grateful for a draft. The Prime Minister has asked if you would be good enough to draw the letter to your Secretary of State's attention.

In view of what happened last time when Dr. Jack wrote, it would be as well to bear in mind his heading "For the attention of the Prime Minister only".

T. P. LANKESTER

Godfrey Robson, Esq.,
Scottish Office

B/C

PPS

W & J DUNCAN, BEITH; A McC JACK, WEST KILBRIDE; JAS H WATSON & SON, IRVINE

PRIVATE, FOR THE ATTENTION OF
THE PRIME MINISTER ONLY

'Heathcote',
25 Snowdon Terrace,
WEST KILBRIDE,
Ayrshire KA23 9HN.

24/2/80

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

Dear Mrs. Thatcher,

EX FARM MILK HAULAGE WITHIN SMMB AREA

Following our previous correspondence, we have reason to believe that the milk producers within the area of the three private enterprise businesses immediately at risk have expressed a preference for collection as follows:-

Collection by private enterprise	194
Collection by SMMB	-
Producers selling out or giving up ...	4
TOTAL	198
TOTAL FARMS IN AREA	201

Following your advice we intend, if no success is obtained by other means, to approach the Secretary of State for Scotland and we would ask for your help in advising Mr. Younger to take appropriate action. Besides all the involved arguments that can be presented for both sides, two simple facts are surely of great importance.

1. The Board is a Producers' Board. The producers have stated clearly what their instructions are: it is reasonable to expect that the Board will follow these instructions.
2. A transfer of milk haulage from the private haulier to SMMB transport would be a disastrous blow, initially to three long established private enterprise firms (and later to many more). The country needs surely more and not less private enterprise at this time.

We feel that we can present a very good case for the continuation (and improvement) of private enterprise milk transport in the SMMB area and would welcome your help in our efforts.

I am,

Yours sincerely,

William G. Jack.

(Dr. William G. Jack)

We have contacted Mr. Younger with a view to a preliminary discussion: we will be very appreciative if you can find time to help us by taking this a stage further with him before he takes the matter up with SMMB.

Many thanks.

Every good wish to your government's present programme!

file

3 March 1980

I am writing to acknowledge your letter to the Prime Minister of 27 February about farm milk haulage within the SMMB area.

I will place this before the Prime Minister and a reply will be sent to you as soon as possible.

T. P. LANKESTER

Dr. William Jack

1

10 DOWNING STREET

Prime Minister

You corresponded with Dr Jacks about milk handling in Scotland last December (Flag A). He now wants you to intervene with the Younger.

I think a private secretary reply would be appropriate, but I will show you a draft. Agree?

TL

I will do it.

Please do the reply and write back to Tony Lane

25/2

Prime Minister → Copy to S.O. Scotland Ms.

Dr Jack is at least grateful for your information.

TL. 17/12

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

14th December, 1979.

TL 21/12

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

R 18/12

ack

Dear Mrs. Thatcher,

MILK HAULAGE EX FARMS WITHIN SMMB AREA

It is a pleasure to write to acknowledge your most informative and helpful letter of 4th December 1979. I am most concerned that the Scottish Office has been presented with only one side of the story and accordingly has taken a decision which I feel sure is not in line with the general government policy of supporting small business enterprises.

I am very grateful for your help (in the midst of such a busy time) and would deem it a great favour if you would support us should we be able to present a case to the Secretary of State.

I am,
Yours sincerely,

William G. Jack.

Dr. W.G. Jack

PRIME MINISTER

I attach a draft letter for you to send to Dr. William Jack in reply to his earlier letter (Flag A) about the Scottish Milk Marketing Board.

Mr. Younger, as you agreed, wrote to the Chairman of the Board asking him to explain the Board's decision to expand their own tanker fleet at the expense of the private hauliers. The Chairman's reply is at Flag B, and this shows that the decision was taken wholly on commercial grounds in order to reduce costs and reduce the Board's vulnerability to industrial action in the private sector. It seems that they were badly affected by the road haulage strike last winter. But the private hauliers will still transport 60% of the total milk supply.

The Scottish Office do not think that Dr. Jack has any real case against the Board, though it may well be that his own business -- unfortunately - is adversely affected.

The Scottish Office produced a much longer, and more bureaucratic, draft. I have tried to humanise it a bit, and shorten it, though I fear it will not be of much comfort to Dr. Jack.

Thanks - very neat.
I doubt their reasoning has been
but we have tried.
MT.

30 November 1979

cc SO Scotland TW

CF
To note. And keep?

10 DOWNING STREET

THE PRIME MINISTER

4 December 1979

Dear Dr Jack

I promised that I would write to you again about the decision of the Scottish Milk Marketing Board to extend the operation of its own milk tanker fleet.

Following your letter of 24 October, I discussed the matter with George Younger, the Secretary of State for Scotland, and agreed with him that he should invite Sir William Young, Chairman of the Scottish Milk Marketing Board, to explain the background to the Board's decision. Although you had said in your earlier letter that you did not wish the Scottish Office to be brought in, I hope you will appreciate that this was the only way I could get at the facts. However, I can assure you that your name has not been disclosed to the Board.

It is certainly Government policy to support private enterprise, and small businesses in particular. But the Scottish Milk Marketing Board is not in any sense a nationalised industry. It is a co-operative of small businesses - the dairy farmers. It does not receive any assistance from the taxpayer, but operates on behalf of and under the control of the dairy farmers themselves.

There is no doubt that the Board has power to operate milk haulage by its own vehicles as well as by contractors, and I understand that at present about 20% of the milk is carried by its own fleet (the lowest percentage of all the UK Boards). Sir William Young has explained that the Board has for the past year or so been considering changes in its haulage operations in the light both of changes in the level and pattern of milk production and of its experience during the strike of drivers

/in the

in the private haulage sector. Both to save cost and to reduce its vulnerability to industrial action, it proposed certain changes to the Milk Haulage Liaison Committee at two meetings last July.

Following these meetings I understand that the Board agreed that the planned scale of expansion in the Board's transport fleet would be limited to cover 38 to 40% of the total milk supply instead of 50% as originally planned; and that the compensation terms to be offered to hauliers would be significantly improved. The revised terms were, I understand, presented by Board officials to a further meeting of the Committee in August which was open to all private hauliers engaged in milk haulage; and the Board's revised programme was accepted.

The Board's decision to expand its tanker fleet appears to have been taken in the best interests of its 3,000 or so members. I know you do not accept that it will result in an improved service, and I do of course understand that some private hauliers, such as yourself, will be adversely affected by it. But I do not think the Government could justifiably try to intervene to influence what is essentially the Board's commercial judgement.

In fact, the Government have no direct power to intervene in the commercial activities of the Board. But there are safeguards for the public against the Board's misusing its powers; and you could if you wished make use of these safeguards. If you wanted to pursue this route, you would need to make a formal complaint to the Secretary of State for Scotland. He would decide whether to direct the Committee of Investigation constituted under the Agricultural Marketing Act 1958 to consider and report to him on the complaint. If the Committee were then to report that the Board had acted against the interests of an individual and not in the public interest, it would be open to the Secretary of State to direct the Board to rectify the matter.

However, I have to say that, on the facts available to me, I think it unlikely that a complaint in this case would succeed. The best protection which I believe you and other contractors in

/practice

practice have is the knowledge that any decision by the Board which increases its operating cost would directly penalise its own producer members; and they, I hope, would not be slow to call the Board to account for it.

signed

MT

Dr. W.G. Jack

DRAFT FOR THE PRIME MINISTER

Dr W J Jack
Heathcote
25 Snowdon Terrace
WEST KILBRIDE
Ayrshire

~~As my private secretary wrote~~

But on the facts as explained to me I think you were wrong.

I promised that I would write to you again about the decision of the Scottish Milk Marketing Board to extend the operation of its own milk tanker fleet, ~~once I had looked into the matter~~.

~~I do regret 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. On the other hand I am sure you will appreciate that my own staff in No 10 do not have detailed information about such matters as the operation of the Milk Marketing Boards, and accordingly they had to consult someone. I can assure you, however, that this consultation was kept strictly within Government.~~ Following your letter of 24 October, I discussed the matter with George Younger, the Secretary of State for Scotland, and agreed with him that he should invite Sir William Young, Chairman of the Scottish Milk Marketing Board, to explain the background to the Board's decision. ~~because I found it impossible to provide a considered reply to your representations without such information. At no time, however, was your name disclosed to the Board.~~ I can assure you that your name has not been disclosed to the Board.

Although you had said in your earlier letter that you did not wish the Scottish Office to be brought in, I hope you will appreciate that this was the only way I could get at the facts.

It is certainly Government policy to support private enterprise, and small businesses in particular. But the Scottish Milk Marketing Board is not in any sense a nationalised industry. It is a ~~but a~~ co-operative of small businesses - the dairy farmers. It does not receive any assistance from the taxpayer, but operates on behalf of and under the control of the diary farmers themselves.

There is no doubt that the Board has power to operate milk haulage by its own vehicles as well as by contractors, and I understand

Phys a mr Cannadine 031 443 4020 2092

that at present about 20% of the milk is carried by its own fleet (the lowest percentage of all the UK Boards). Sir William Young has explained that the Board has for the past year or so been considering changes in its haulage operations in the light both of changes in the level and pattern of milk production and of its experience during the strike of drivers in the private haulage sector. Both to save cost and to reduce its vulnerability to "~~external~~" industrial action, it proposed certain changes to the Milk Haulage Liaison Committee, at two meetings last July.

outside contract

Following these meetings I understand that the Board agreed:

(a) that the planned scale of expansion in the Board's transport fleet would be limited to cover ~~about~~ 38 to 38/40% of the total milk supply instead of 50% as originally planned; and that

(b) the compensation terms to be offered to hauliers would be significantly improved.

The revised terms were, I understand, presented by Board officials to a further meeting of the Committee in August which was open to all private hauliers engaged in milk haulage; and the Board's revised programme was accepted.

INSERT (A) ~~and I do think that are there a major h between bad~~

such as yours.

~~As you have pointed out, the decision by the Board may adversely affect small businesses. On the other hand, the Board must operate in the interests of its 3,000 or so members.~~ The Government have no direct power to intervene in the commercial activities of the Board, ~~and it would not be our policy to do so.~~ But there are, however, ~~as Lord Mansfield mentioned in his letter~~ safeguards for the public against the Board's ~~possible~~ misuse ~~of the~~ of its powers ~~of the Board~~. But you ~~Before these safeguards could~~ would be activated, however, ~~there~~ would need to ~~be~~ make a formal complaint to the Secretary of State for Scotland. ~~who~~ It would ~~be for him to~~ decide whether to direct the Committee of Investigation constituted under the Agricultural Marketing Act 1958 to consider and report to him on the complaint. ~~If the Committee of Investigation reported that any act or omission of the Board was contrary to the interests of any person affected by the scheme~~

and you could if you wished make use of these safeguards. If you ~~wished~~ wanted to pursue this route,

~~This is what happens but~~ ~~I can achieve substantial economies by expanding~~ own haulage fleet. ~~and it's to take every step~~ ~~I can to minimize costs.~~

(A)

10 DOWNING STREET

The Board's decision to expand its taxi fleet appears to have been taken in the best interests of its 3,000 or so members. I know you ~~will not find it hard to accept a~~ ~~this~~ do not ~~at~~ accept that ~~this~~ it will result in an improved service, and I do of course ~~be the do can~~ understand that some ~~small~~ private hauliers, such as yourself, will be adversely affected by it. But I do not think the Government ~~can agree agree against the Board's commercial judgment~~ could justifiably try to intervene to influence what is essentially ~~that is~~ the Board's commercial judgment.

In fact, the Government . . .

~~The Se~~

~~Pl~~

~~Ch~~

If the ~~Board~~ Committee were then to report that ~~had~~ the Board had acted against the interests of an individual and ~~against~~ not in the public interest, it would be open ~~for~~ to the Secretary of State to direct the Board to rectify the matter.

// However, I am to say that, on the facts available to me, I think it unlikely that a complaint in this case would succeed. The best...

and not in the public interest, the Secretary of State could, if he thought fit to do so after considering the report and after giving the Board an opportunity to make representations:-

(a) by Order make such amendments in the scheme as he considered necessary or expedient for the purpose of rectifying the matter;

(b) by Order revoke the scheme; or

(c) if the matter was one which was within the power of the Board to rectify, he could by Order direct the Board to take such steps to rectify the matter as would be specified in the Order.

Any Order made would require to be laid before both Houses of Parliament.

While ~~therefore~~ I entirely understand ~~and sympathise with~~ the points you have made, I hope you will agree that the Government should not - even if it could - try to influence an essentially ~~commercial judgment of the Board~~, and that the best protection which ~~the Board's~~ ~~contractors~~ in practice have is the knowledge that any decision by the Board which ~~could be shown to have~~ increases its operating cost would directly penalise its own producer members; ~~who~~ and they ~~would surely~~ will surely not be slow to call the Board to account for it.

I believe you and other contractors

~~But from what I have said above,~~ Hours. I have to say ~~that~~ from the facts that are available to me, it seems that

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Tim Lankester Esq
Private Secretary
No 10 Downing Street
LONDON SW1

26 November 1979

Dear Tim,

SCOTTISH MILK MARKETING BOARD

I refer to our earlier exchanges following representations made by Dr W J Jack, Heathcote, 25 Snowdon Terrace, West Kilbride, Ayrshire to the Prime Minister about changes in the milk haulage arrangements by the Scottish Milk Marketing Board.

Mr Younger has now heard from Sir William Young, Chairman of the Scottish Milk Marketing Board explaining why the Board want to increase the proportion of milk hauled directly by Board tankers and setting out the steps that have been taken to implement their decision. I think you will find that the letter offers a full explanation. I now attach

(i) a copy of Sir William's letter (dated 17 November, but delayed in the post) and

(ii) a draft letter which the Prime Minister might consider sending Dr Jack.

Yours sincerely,

GODFREY ROBSON
Private Secretary

THE SCOTTISH MILK MARKETING BOARD

Underwood Road · Paisley PA3 1TJ

Telephone: 041-887 1234 *Telex: 779012*

17th November, 1979.

The Right Hon. George Younger, M.P.,
Secretary of State for Scotland,
Scottish Office,
Whitehall,
LONDON, SW1A 2AU.

Dear Mr Younger.

I thank you for your letter of 7th November and am pleased to furnish you with appropriate information on the Board's haulage arrangements.

As you know, the Board are responsible under the Scottish Milk Marketing Scheme for the organisation and payment of ex farm haulage of producers' milk. The annual bill is in excess of £5 million and has been rising substantially in recent years due to cost inflation especially in respect of labour and fuel. About 20% of the milk is carried by the Board's own fleet from a number of haulage units, and the remainder by 43 private hauliers on contract.

The Board have been considering for the past year ways and means of improving the efficiency of our ex farm haulage operations. During this period we experienced a considerable dislocation of our haulage operations as a result of the strike of drivers in the private haulage sector, which was particularly damaging in the South-West of Scotland. There have also been significant changes in the level of milk production and market demands. The rate of decline in producer numbers has been accelerating and thus fewer calls by tankers, varying from area to area, are now required. More recently the actual volume of milk to be uplifted has been decreasing at an alarming pace.

Having surveyed the total scene therefore, as a result of their deliberations, the Board decided that they should take certain steps to re-organise and rationalise ex farm haulage operations with a view to significant cost savings being obtained, to reduce the vulnerability of the Board to industrial action in the private sector and to provide a better basis for future innovations and improved handling techniques.

The aims were -

1. To reduce as soon as possible the size of certain private hauliers' fleets by one tanker, where appropriate, thus increasing the overall daily loading of the remaining tankers and reducing operating costs.

2./

2. To terminate over a period of some two years the contracts of a number of small private hauliers in proximity to five Board transport depots with a view to increasing the scale of operation of the latter, thus gaining future benefits from further rationalisation of routes and loading and making it easier to introduce through their own fleet new ideas for road tanker collection services.

3. To encourage, where appropriate, the amalgamation of private haulage fleets to create larger and more economical ex farm haulage units.

The Board's broad policy proposals were then discussed with representatives of the private hauliers in the Milk Haulage Liaison Committee, which has existed for negotiation and consultation purposes for many years. Two such meetings were held in July.

As a result of these meetings, the Board amended their original policy proposals on two counts.

1. The planned scale of expansion in the Board's transport fleet was curtailed so that instead of about 50% of the milk, only about 38/40% of the total milk supply was planned to be handled after the rationalisation programme was completed.

2. The compensation terms to be offered to hauliers either for the loss of a tanker or for the termination of a contract were significantly improved and were substantially in excess of the minimum set out in the contract.

The revised terms were presented by Board officials to a further meeting in August open to all private hauliers engaged in milk haulage at which the overall policy was outlined and discussed. As a result the Board's revised programme was accepted.

Subsequently Board officials have visited the relevant hauliers involved to discuss and negotiate the implementation of the Board's programme. The withdrawal of the individual tankers, as selected, was completed at 31st October in an amicable fashion.

In September, initial visits were also made by Board officials to those hauliers who would be involved in the longer term contract termination programme. A number of North Ayrshire hauliers were included. As a result, three hauliers in Wigtownshire volunteered to terminate their contracts at an early date and indeed one has already withdrawn from ex farm haulage, on the compensation terms offered by the Board. Further discussion will be taking place between the selected hauliers and Board officials during 1980, well before the target dates for contract termination in the second half of the year.

Possible amalgamation discussions have also been initiated with certain hauliers, although none have as yet borne fruit.

The/

The Board have a basic duty to their producers to organise ex farm transport, now such a major cost item, in the most efficient manner and firmly believe that a major rationalisation programme was necessary at this juncture if the potential future cost savings were to be made.

Ex farm transport in our area has been characterised by a large number of small private hauliers which, while offering certain benefits, also present a number of major disadvantages in terms of the most effective loading of tankers at all times. Whereas last year our Board handled only 20% of our milk, in England and Wales the M.M.B. handled 42%, the Northern Ireland Board hauled 50% and the North of Scotland and Aberdeen Boards hauled 100% of their own milk. We are thus out of line with the other Boards, and the Board's plans to improve their share of haulage of our producers' milk will still leave us at the bottom of the league.

While the Board appreciate the work of the private hauliers and have said so on many occasions, they cannot accept that a vested interest should stand in the way of overall improvements in road haulage efficiency to the benefit of our milk producers. The Board have, accordingly, tried to temper their decisions with generous compensation for the private hauliers who will be involved in the rationalisation programme.

The representatives of the hauliers at the meeting in August clearly stated that they were satisfied that the Board had recognised their obligations and had carried out their consultations and negotiations with hauliers in the Milk Liaison Committee in a very satisfactory manner.

Aware of the sensitivity engendered by such matters, I have perhaps been over elaborate in explaining the background to our ex farm milk haulage rationalisation programme but trust that these comments will now make it possible for you to deal adequately with the correspondence received by the Prime Minister.

Yours Sincerely

William Young

Dr. JACK

file

10 DOWNING STREET

From the Private Secretary

8 November 1979

SCOTTISH MILK MARKETING BOARD

The Prime Minister has read your letter of 7 November and is content for your Secretary of State to write to the Chairman of the Scottish Milk Marketing Board in the terms of the draft which you enclosed. She has also written to Dr. Jack - copy enclosed.

T. P. LANKESTER

Godfrey Robson, Esq.,
Scottish Office.

TCR.

MFJ

cc SO

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.

Yours sincerely

Margaret Thatcher

Dr. W.G. Jack

56

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 is enough for the time being.
TL
7/11

Tim Lankester Esq
Private Secretary
No 10 Downing Street
LONDON SW1

7 November 1979

letter at Flag A agreed not

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

GODFREY ROBSON
Private Secretary

DRAFT LETTER FOR THE PRIME MINISTER:

Ed -

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

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.

Yours sincerely,

George Younger.

R 8/11

"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,

pp William G Jack

Dr. W.G. Jack. mg.

Caroline
No need for further mtg.
CS. 8/11
TL.

MR. LANKESTER

I spoke to George Younger's office this afternoon and they told me that a discussion did take place 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.

CS

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

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

DRAFT FOR PRIME MINISTER

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.

File

HS

Dr William Jack

10 DOWNING STREET

From the Private Secretary

5 November 1979

As I told you and Alan Fraser in Lord Mansfield's office the Prime Minister was most unhappy with the way in which Dr. Jack's letter of 26 September about the transportation of milk in Scotland was handled. I have now on her instructions sent a telegram to Dr. Jack - copy enclosed. The Prime Minister will want to write to Dr. Jack in reply to his latest letter of 24 October when she has had an opportunity to discuss the substance of his complaint with your Secretary of State: we are trying to set up a meeting for later this week.

T. P. LANKESTER

Godfrey Robson, Esq.,
Scottish Office.

TELEGRAM TO DR. W.J. JACK, HEATHCOTE, 25 SNOWDON TERRACE, WEST KILBRIDE, AYRSHIRE.

The Prime Minister has read your letter of 24 October and the earlier correspondence starting with your letter of 26 September about the transportation of milk by the Scottish Milk Marketing Board. She has instructed me to apologise most sincerely for the manner in which your earlier letter was handled - in particular, for our having passed the letter to the Scottish Office against your wishes, and without first obtaining your permission to take up your complaint with them.

The Prime Minister is now personally looking into the substance of your complaint and will write to you shortly.

Tim Lankester
Private Secretary to the Prime Minister

5 November 1979

10 DOWNING STREET

PM agreed not to send the manuscript letter — and that I should write.

12/7/11

10 DOWNING STREET

THE PRIME MINISTER

Sunday 4th Nov 1979

Dear Dr. Jack,

I have today seen your letter dated 26th September with subsequent correspondence for the file here.

You are quite right - your letter should never have gone to the Treasury Office in view of your specific request that it should not be forwarded. I apologise most deeply.

Then it seems we made a further

had error by not dealing with the essential nature of your complaint.

We should have written back and asked your permission to take it up anonymously.

I regard the problem as very serious and the complaint requires an answer. I will now look into it myself.

Once again, my humble apologies.

Yours sincerely

Margaret Thatcher

Tim,

Tell Lord Mansfield that I intend to send this letter off today by recorded delivery and that both our offices have made a thorough mess of things. If we had to forward the letter we might at least have expected a complimentary reply. Mr George Younger to see me and we will enquire into the actual complaint. Mr

4

PRIME MINISTER cc Mr Ingham

You should perhaps be aware of this correspondence since the correspondent, a Dr. Jack (who runs a small transport business in Scotland) is threatening to make it public. I passed Dr. Jack's original letter on to the Scottish Office, and Lord Mansfield - as you will see - wrote a rather negative reply. But although the drafting could have been less bureaucratic, it is hard to see how he could have been more helpful. It would have been better, in retrospect, if I had sent a private secretary reply myself.

I do not think there is anything more we can do for Dr. Jack, but of course I will send the Scottish Office a copy of his latest letter.

But we were asked not to pass it on to the Scottish Office.

TL

1 November 1979

We really must do that again. I had written rudely to him. No. We must find out if he has a supporter in the PO

F BK

10 DOWNING STREET

From the Private Secretary

31 October 1979

Attached is a further letter from Dr. W.G. Jack. I doubt whether there is any need for a further reply. Please let me know if you think either we or your Department should correspond further with Dr. Jack.

T. P. LANKESTER

Godfrey Robson, Esq.,
Scottish Office

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

24th October, 1979.

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

Dear Mrs. Thatcher,

Further to my letter of 26.10.79 and your reply from Lord Mansfield, I am bitterly disappointed that:-

a) You did not respect my wishes to keep the matter "private and confidential in the meantime".

b) You did not as I specifically requested refrain from informing the Scottish Office at this stage.

c) That your Scottish Office team have been so perfectly and cleverly hoodwinked by certain members of SMMB.

d) That you all hide behind this so convenient yet so pathetic "we cannot interfere".

e) Most important of all, that you would appear to be quite prepared to accept successful thriving private enterprise businesses (which are your only hope in 1980 and beyond) going to the wall.

Surely Prime Minister you can do very much better than this.

We intend to make this public shortly and then of course be obliged to provide details of this correspondence available to the press etc. if requested.

Yours sincerely,

William G. Jack

Dr. W.G. Jack

c.c. Sir Keith Joseph
Mr. John Corrie

FROM THE MINISTER OF STATE, SCOTTISH OFFICE

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

R 23/10

Dr William G Jack
"Heathcote"
25 Snowdon Terrace
West Kilbride
Ayrshire

22 October 1979

The Prime Minister has asked me to reply to your letter of 26 September about the apparently impending assumption, directly by the Scottish Milk Marketing Board, of a larger proportion of their milk haulage commitments. As you will know, I am the Minister directly concerned with the milk industry in Scotland.

The Scottish Milk Marketing Board is essentially a compulsory co-operative of dairy farmers in Scotland (excluding the North East and the Highlands) set up at the request of the vast majority of dairy farmers at the time and maintained in being by the continued support of dairy farmers today, to enable dairy farmers to market their milk efficiently and profitably. The Board operates on commercial lines. Provisions in the Agricultural Marketing Act 1958 and certain EEC legislation provide safeguards for the public against possible misuse of the monopoly powers of purchase and sales of milk vested in the Board under the Scottish Milk Marketing Scheme 1933. Apart from these safeguards however, which are analogous to those affecting other commercial enterprises under the Restrictive Trade Practices and Fair Trading legislation, the Government have no power to intervene in the activities of the Board and have no financial stake in its operation.

MANSFIELD

10 DOWNING STREET

From the Private Secretary

28 September 1979

I am writing on behalf of the Prime Minister to thank you for your letter of 26 September. This is receiving attention and a reply will be sent to you as soon as possible.

T. P. LANKESTER

Dr. William G. Jack

Dr. W. Jack

10 DOWNING STREET

From the Private Secretary

28 September 1979

Printed reminder? pls

12/10

I enclose a copy of a letter to the Prime Minister from Dr. William G. Jack about the Scottish Milk Marketing Board. I would be grateful if you would arrange for your Secretary of State, or one of his Ministerial colleagues, to reply on the Prime Minister's behalf. Please may we have a copy of the reply for our records here in due course?

T. P. LANKESTER

Godfrey Robson, Esq.,
Scottish Office.

IN STRICTEST CONFIDENCE
MEANTIME PLEASE

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

26th September, 1979.

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

Dear Mrs. Thatcher,

As a lifelong believer in the virtues and value of private enterprise I would ask for your personal intervention in a very disturbing situation developing within the area of the Scottish Milk Marketing Board. Much of the milk within the area is transported ex-farm by over forty private haulage firms who have been advised that, with the possible exception of some ever increasing larger units, their services will soon be no longer required: their work is to be taken over by a giant transport system run directly by the Board. This virtual nationalisation of the smaller companies (with compensation offered akin to that offered by the 1945-51 Socialist Government in their nationalisation fiasco) will mean that the prompt and personal service of even more private enterprise businesses in the country will be lost - perhaps for ever.

I write on behalf of a private family firm established some fifty years who have never lost a day's work through industrial dispute and who would never become a lame duck seeking government assistance: I cannot forecast what the record of the Soottish Milk Marketing Board transport unit will be over the next fifty years.

I would be very grateful if you would not pass this on to the Scottish Office at present: Your personal attention will be much appreciated.

I shall be very glad to expand on this should you be good enough to consider the fate of some forty small private enterprise businesses important enough for your personal attention and help.

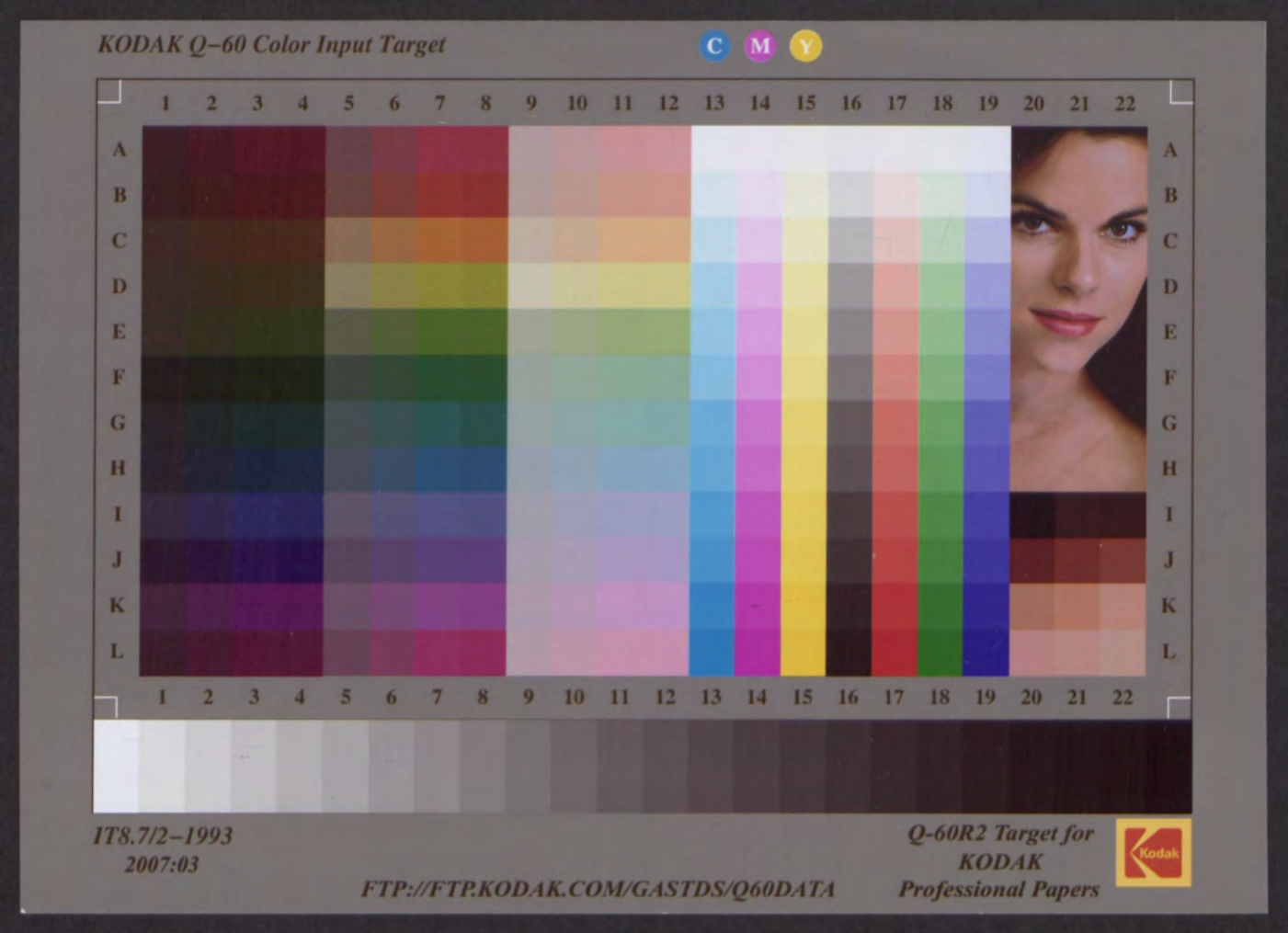
I am,

Yours sincerely,

William G. Jack.

Dr. William G. Jack.

c.c. Sir Keith Joseph
Mr. John Corrie


KODAK Q-60 Color Input Target
C M Y
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
A B C D E F G H I J K L
IT8.7/2-1993
2007:03
FTP://FTP.KODAK.COM/GASTDS/Q60DATA
Q-60R2 Target for
KODAK
Professional Papers
Kodak