

COM/29/2

MIN/KEL/2#2

FALKLAND ISLANDS

COM/29/2

# SECRETARIAT

Vol 2

MIN/KEL  
2#2

ALGINATE

see Memo 76/75

INDUSTRIES

LIMITED

## ARCHIVE

B.	4/7	AS	18/3							
SC	9/10	Pa.	11/7	P.A.						
BU	24/5	CS	4/5	CS	65	2/26	CS	BU	11/2	
AS	18/5	Pa.	27/8	HE	42	27/4	P.A.			
BU	9/6	CS	1/8	CS	43	-	CS		10/12	
DCS	24/7	Pa.		P.A.			R	BU		✓
BU	30/7	CS	28	ASL	73	8/37	BU	19/2/77	L	
DCS	11/9	R	29	P.A.			ASC	91		
AS	18/9	CS	30	ASL	74	22/7	P.A.			
DCS	19/9	BS	16	P.A.			CS	BU		
DCS	21/9	OM	31	DCS	77	11/8	BU	19/2/78 (10)	✓	
DCS	21/10	CS	32	R	8	PA	DCS	BU		
BU	18/10	OM	33	R	CS	79	?	CS	90	20/1
DCS	20/11	PA	-	PA			R	BU	3/78	
BU	11/12	CS	34	-	DCS	84				
CS	9/12	BU	10/11	-	DCS				14/10	
AS	18/2	BS	21/2	19/12	DCS					
AS	25/2	AS	34	19/12	BU	24/10	177			
DCS	26/2	AS	35	24/12	DCS	BU				
AS	24/2	AS	36	27/3	BU	1/11	177			
DCS	27/2	PA.			DCS	BU				
AS	12/3		37	28/3	CS	43	1/11			
AS	14/3	CS	38	32/3	R	70				
AS	4/3	HE	39		BU	22/11	86			
DCS	15/3	CS			DCS	BU	23/1			

*Handwritten scribbles and notes on the grid, including a large diagonal line and some illegible markings.*

A.D.

Yes I will get in touch with Mr. Groth in the next few days and explain, t.g.

at  
4/9  
29

647. Check Mr.

5/9

30

CS

647

Checked off MRP 10/9

31

OM

649 Pl. ask Mr. Groth how he proposes to publish - if indeed he does. Can he extra copies so that we can send to Councilors?

32

5/10

CS

Ref 31 MR Good advises that he intends to have (649) Broadcast after H.E. has approved. H.E. has had a copy since Tuesday. MR Good has no spare copies but Hon S. Miller has at least two. Do you wish me to have a stencil made in order to circulate to Councillors?

Er.  
10.10.75

OM  
32 Pl. now see (50). N. for 1/10/75.

Noted (Er) 29.10.75  
34

Er  
14/10

C.S.

P. 51/2 notes for mention at next Exco pl.

2. Action is still outstanding at page (646)

Er  
24.11.75

By 9.12.75  
(Exco)

Er.

Would you accept the cheque at (54) pl.

Er  
+ C.S.  
19.12.75

A.S.

Thank you - please see (55)

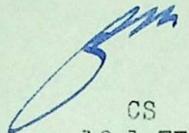
Er  
24/12/75

ES

Will you please refer to Pbllo 53 which was an ExCo paper about AIL.

2. In recent consultations with Councillors I undertook to look into the question whether the licences issued to AIL should be renewed or extended on the same or different terms when they fall due: or at the next review period, which I understand is the 21 September 1977.

3. Perhaps we could discuss at your convenience.

  
CS  
10.1.77

38 /

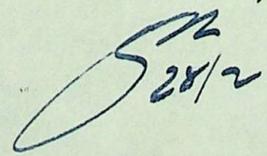
A.S.

We have discussed recently and in view of the current thinking of Councils on the subject of Abington Road I agree that we should now make our views known to L. B. C. and also look in order that we can obtain legal guidance.

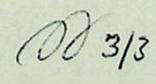
  
A.S.  
28.2.77.

39 /

~~HE~~ asked for background on AIL. (53) may be of some use but I should speak?

40:   
28/2

C5  
Thanks for above. You saw yesterday the note which I put together on AIL.

 3/3

41

Number 41 - 43 removed - will be replaced idc.

BU for CS 24/10/77

BU " " 1/11/77

CS

42

The last word from Alginates is at 84 which I merely Ack'd

~~AK'd~~ 1/11

43

Notes: PA

11/8/77

44

BSU one week

24/11/77

nb For discussion with Mrs. Johnson during visit.

BSU to Patch.

20/11/77

(42)

Bu 4.12.73

~~YE~~ M.J. 22/12

~~Bu 10.1.74~~

To see R 587

19/12

(43)

~~YE~~

R 571 and 588 and minutes (38) - (41).

Comber is now pressing for a reply giving our opinion as to whether or not such legislation would get a fair wind in our faces.

2. Perhaps you, FS & I should discuss next week when current reserves are clear?

2/1

(44)

M/S

W & Moke and I agree we should have no meeting towards the end of next week.

M.J. 2/1

(45)

FS

To note it & file back to me.

2/1

(46)

A.S.

Hotel, N.Y.

2/1

(47)

YE

Your BU on 590 and also return you

could fix a date to both  
with F.S. - (43) refers. Putnam  
on Tuesday after the CSA?

✓  
10/1

(48)

to King Sam/

Looking for the 25th Jan at 11. a.m. at G. M.

Bill  
14 Jan

(49)

F.S. To note (48) p.

✓  
15/1

(50)

A. D.  
notes, try  
ad  
15/1

(51)

~~YE~~  
R 601. Attached in the report referred  
to & YE may like to have first read!

(52)

b. b.

Have read!

✓  
21/1

Bill  
22 Jan

(53)

F.S. To see R 601 & attached Confidential  
report.

✓  
24/1

(54)

A. S.,

Dec, 1, 74

ad  
24/1

(55)

R. D. b.,

Grateful if you could draft a bill  
amending the Incentive Tax Act  
concerning the timber holding at 588A for granting tax  
holiday to pioneer industries.

ad  
4/2/74

File Note (56)

F 588A removed by me  
- file required by CS

A A, RSC 7/2/74

(57)

Reg. ✓  
M file draft Exco memo

C.S.  
Can't find it.  
Baird

M. J. 17/2/74 (58)

11/2

75

Draft Exco memo at free to regard of

15/2

59

C.S.  
Action i. e. w. the preparation of an Exco memo  
(pages 606-7) overlook the minute at p. 605  
which you may not have seen pl.

§  
22. 2. 74.

60

~~75~~  
Am I right in thinking that there is no  
immediate action at p. 609 pl?

§  
27. 3. 74.

A/S.  
61  
610-11  
w/ reply to the ~~609~~ required.

M.Y.  
28 Mar

62

A/S.  
Memo by A/S about p. 609. We will  
have to help the min mem for the next meeting  
of Leges. Will you please inform A. Baker of  
the situation and the hoped decision and I will  
tell Hall in the A. C. D.

M.Y.  
28 March

g/e;

(63)

I have advised Mr. Hamber regarding the  
 Ex. Co. decision and have also advised him  
 that the local production of calcium alginate  
 is in 'cold storage' and that Alginate has  
 reverted to dried milled kelp and that the  
 proposed star kelp is no longer appropriate. I  
 also mentioned that we are awaiting the next move  
 by Alginate Ltd.

2. I assume that the kelp is R607  
 will not now be referred to Ex. Co.

3. I am inserting £2500 in the 1974/75  
 Estimate in respect of the kelp fees payable in accordance  
 with 5(d) of the kelp licence filed at 1484  
 in Volume I attached.

ad  
 8/5/74

(64)

g/a/

Good and I agree with your para 3,

P.H.  
 3 May

(65)

A.S.

Noted, L.Y.  
 ad 6/5/74

Y/E  
I had you / M.A. 8/5 (66)  
Wished to see these pp.

67  
B/W 1510P 74 ✓  
M.A.  
P.A.

2 7/5

68  
F.S.  
P. 622. For your attention please.

14. 11. 74.

69  
A. S.  
Action taken, t.y.  
18/11/74

By 10. 1. 75  
(KIV)

70  
R  
pp at centre. Have you previous? FS?  
26/6

71  
CS  
No I have not seen any other correspondence  
and neither has Harold. 27.16.

72

R. Pl. add recent letter.

5/21/60

73

FS  
Pl. advise on (640)

74

B.S.

From the information Mrs Gooch has supplied the monthly payment she makes appears to be an investment in a Savings Bond with Abbey National which matures in 5 years from the date of commencement of contribution. The implication of regarding the Abbey National as a pension fund would be far reaching.

2. My interpretation of Sects 17 of the Green Tax Ordinance is that premiums to insurance companies and contributions to pension funds are permitted as a deduction and that contributions to Funds which are equivalent to Pension Funds would also qualify subject to the General's approval. e.g. Dickens and Orphans Pension Fund.

3. From the information supplied by Mrs Gooch I cannot make a recommendation for the General to regard the Abbey National Scheme as a pension fund.

4. I have replied to Mrs Gooch and a copy of my letter is at (642) herein

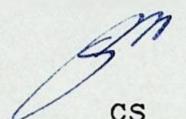
5. I regret the delay in replying to Mrs Gooch.

ad  
7/8/75  
75

H.E. the Governor

Y.E.

Y.E.'s minute No.11. Action has now been taken as far as possible at folio 642. Y.E. may wish to sign off the minute.

  
CS  
22.8.75

76

*CS*  
Yes provided you are satisfied with Mr Gooch's (see doc) not merit further consideration on the grounds that the £20 monthly payment is on behalf of a pension (contributory) because he has over 20 years joining

77

FS

77

HE's suicide at 76

LC dismissed and you gave me this insurance  
/ work?

78 3/26/8

Please see enclosed.

b. A.

Section 17 of the Income Tax Ordinance is pertinent.

2. The only deductions I am permitted by the Ordinance to allow are life ~~insurance premiums~~ paid to insurance companies or contributions paid by the taxpayer to a Pension Fund.

3. The receipt of cash from Alginate Ltd by Mr Gooch is a gain received in money from his employment with Alginate Ltd and he is taxable on it under section 5 b (i) of the Ordinance.

4. Although there may be some sympathy for Mr Gooch it should be noted that a pension is taxable on his pension and this payment can be regarded as a payment made in absence and in lieu of a pension.

5. If the other members of Alginate Ltd ever benefit from the employer's contributions to the Alginate Scheme they will be ~~subject~~ subject to tax on their pensions. If they invest in a building society such as Abbey National the amounts invested would not qualify as a deduction under section 17. If they or Mr Gooch pay a premium to a life insurance company or pension fund the premium or contribution would be permitted as a deduction under section 17.

6. Mr Gooch is obviously too old for benefiting under section 17. I suppose section 17 was designed to encourage people to provide for their old age. A person of Mr Gooch's age would normally be retired and I feel that there is no justification for encouraging a person of Mr Gooch's age to contribute to a pension fund and therefore cannot recommend any amendment to the Ordinance.

7. This minute should not be interpreted that I ~~do not~~ advocate the retirement of persons reaching pensionable age. I do not. I admire all the active senior citizens (including Mr Gooch) and I trust that they will continue in employment for a long time.

all.  
29.8.75

78  
79

H.E.

78

Mr. Gooch's entitlement to deductions in respect of contributions for pension.

Y.E. will note that F.S. has given a very thorough explanation of the conditions under Section 17 of the Income Tax Ordinance by which a person may qualify for deductions of pension contributions.

The points made by F.S. are, I think, valid and irrefutable and it would open the door, I believe, to several other similar applicants if we were to relax the decision that F.S. has made.

I wonder if A.I.L. would consider purchasing an annuity for Mr. Gooch. This might solve the problem although I should be reluctant to suggest it to Mr. Gooch.

1 agree ✓  
yes ✓  
No 1

*[Signature]*  
C.S.  
1.9.75

76

*[Handwritten note:]*  
642 of my thanks to you and to J.S.  
here. 642 seemed to be a little  
sympathetically but really to endorse that  
of Gooch. is satisfied that he  
(we) has been examined thoroughly  
and not rejected out of hand?

*[Signature]*  
3/9

27

*[Handwritten note:]*  
FS 28  
you may care to explain to Gooch pl.

*[Signature]*  
3/9

28

B/M 19/11

583

# ALGINATE INDUSTRIES

LIMITED

BOX 214, PORT STANLEY, FALKLAND ISLANDS,  
SOUTH ATLANTIC

TELEPHONE 220

HEAD OFFICE:  
22, HENRIETTA STREET,  
LONDON, W.C.2.  
ENGLAND

DIRECTORS:  
W. R. MERTON, Chairman.  
R. R. MERTON.  
R. CAMPBELL-PRESTON, } Managing  
O.B.E., M.C. } Directors.  
A. C. W. NORMAN, O.B.E.  
R. H. McDOWELL  
D. L. BANKES.  
THE RT. HON. THE VISCOUNT  
STUART OF FINDHORN,  
P.C., C.H., M.V.O., M.C.  
F. L. G. GRIFFITH-JONES  
M. H. C. PERY



16th November 1973

HE. E G Lewis Esq. CMG.  
Governor.  
Flakland Islands.

Your Excellency.

This morning when you so kindly invited me to Government House, I completely forgot to inform you of a new assignment to which I have been appointed recently.

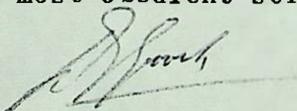
Bureau Veritas approached me some weeks ago asking if I would be willing to act for them in Stanley, and enclosed the forms for application subject to approval by their head office. These were duly filled in, and recently I received notice from them that the appointment was offered to me to act as their marine surveyor, and upon acceptance of this nomination all the necessary information would be forwarded to me.

Writing my acceptance was completed and dispatched to their Personnel Department Manager, and although I myself have heard nothing for the time being, Bureau Veritas has informed MV Monsunen of my nomination so the rest will be forthcoming no doubt. The idea behind this was to facilitate the smoothing out of any difficulties which any ships in their register might run into here; there being the M/V Annette Danielsen, or any other Scandinavian-owned charter vessel which may come onto this run.

I realise that anything of this nature should be communicated to you, and although I was going to leave it until I had to hand the full conditions of their procedure etc, I had intended to inform you this morning taking into consideration that Monsunen had already been put into the picture.

I have the honour to remain Sir.

Your most obedient servant.

  
D. F. Gooch



21st November, 1973

Dear Mr Gooch,

Thank you for your letter of the 16th November and I was pleased to hear that you had been appointed by the Bureau Veritas to act for them in the Falklands: I am certain that this appointment will help to smooth out any difficulties that might arise in connection with their ships in these waters.

Yours sincerely,

B.G. Lewis

D.F. Gooch, Esq.,  
Alginat Industries Limited,  
Stanley.

# COMMONWEALTH DEVELOPMENT CORPORATION

33 HILL STREET

LONDON

W1A 3AR

2326/001

1st November, 1973

R.F.R.Deare Esq,  
Foreign and Commonwealth Office,  
Overseas Development Administration,  
Eland House, Stag Place,  
London SW1E 5DH.

## ALGINATE INDUSTRIES LTD

... Brief details are attached of a proposed CDC investment in the above Company towards the harvesting of seaweed off the south east Falkland Islands coast and its processing to calcium alginate for export to Scotland.

Will you please confirm -

- (a) there is no objection to the Corporation participating in the investment;
- (b) the investment is approved as eligible for concessionary finance.

If it is decided to go ahead with the investment, a detailed application will be submitted later.

G.W.TOTMAN  
Controller of Finance

APPLICATION FOR CLEARANCE IN PRINCIPLE AND  
ELIGIBILITY FOR CONCESSIONARY FINANCE

ALGINATE INDUSTRY: FALKLAND ISLANDS

- Scheme: To harvest and process, as calcium alginate for export, seaweed growing along the South East Coast of East Falkland Island.
- Sponsor: Alginate Industries Ltd (AIL), a British private company established in 1934 to harvest seaweed in the Hebrides and to produce alginates in Scotland at their Girvan and Oban factories.
- Proposals: (1) AIL have been offered a 50-year licence to harvest seaweed along the South East Coast of East Falkland Island where huge beds have been proved and where AIL have had a pilot project in operation since 1968. AIL plan to harvest the seaweed - macrocystis, which regenerates rapidly - with two harvesting craft and to build a factory to the North of Stanley to produce 5,000 tons pa of calcium alginate valued at about £3.8m for export to their Scottish plant. Calcium alginate is the raw material used by AIL in its Scottish factories whose exports of alginates are currently running at £3.5m pa and will increase sharply once the Falkland Islands project comes on stream. The project will provide employment for about 300 people in the Falkland Islands.
- (2) The project is estimated to cost £9m in the Falkland Islands and some £3m in Scotland where additional processing plant will be required. CDC's prospective commitment to the Falkland Island scheme is up to £2.5m.

585



Foreign and Commonwealth Office  
**OVERSEAS DEVELOPMENT ADMINISTRATION**  
Eland House Stag Place London SW1E 5DH

Telephone 01-834 2377 ext

*B/10 K/m/ 26/11*

T H Layng Esq  
The Secretariat  
Stanley  
FALKLAND ISLANDS

Your reference

Our reference AID 273/56/01

Date 20 November 1973

*Dear Layng,*

1. I enclose an application by the Commonwealth Development Corporation (CDC) for agreement in principle to a proposed investment in Alginate Industries Ltd.
2. CDC is a statutory body which has been given a substantial measure of independence under the legislation setting out its powers and responsibilities. We do, however, have an arrangement with the Corporation under which it submits for approval outline proposals for individual investments of more than £250,000 and less than £1m, and more detailed applications for investments of more than £1m. The main reason for this arrangement is to give HMG an opportunity to comment if there are any political or other non-commercial objections to particular investment proposals. Before conveying agreement to a proposed investment, we consult the FCO, Treasury, other Whitehall Departments as necessary, and also of course the Administration in a dependency and the overseas post in an independent country.
3. Neither the department in the ODA responsible for relations with CDC nor the West Indian and Atlantic Department of the FCO see any objection to the proposed investment in Alginate Industries Ltd. I should be glad to hear as soon as possible whether you also support it. CDC would submit a more detailed application for final approval in due course, if it decides it wishes to go ahead with the proposed investment.

*Yours sincerely,  
Roger Prideaux*

R M Prideaux

COLONIAL SECRETARY  
26 NOV  
STA

ENC

27th November, 1973

I refer to your letter AID 273/56/01 of the 20th November addressed to Tom Layng (who is at present on leave) on the application by the Commonwealth Development Corporation for agreement in principle to a proposed investment in Alginate Industries Limited. As you know from my letter to Colonel Gordon on the subject of a Pre Investment Study I consider that Alginate Industries Limited could make a significant contribution to the economic development of the Falkland Islands and therefore any investment by the GDC would have my full support.

E.G. Lewis

R.M. Prideaux, Esq.,  
Overseas Development Administration,  
Eland House,  
Stag Place,  
London, SW1E 5DH

*Enter into ASL (com 4 PF) into Dist Foreign Commonwealth Office (M Hall) 557*

MINUTES OF MEETING HELD AT EMPRESS STATE BUILDING, ROOM 1001  
ON FRIDAY 9th NOVEMBER 1973 COMMENCING AT 10.30 a.m.

- |                 |                      |   |                           |
|-----------------|----------------------|---|---------------------------|
| <b>Present:</b> | Mr D.I. Williams     | - | PSA/Lands (2E) - Chairman |
|                 | Mr H.C. Keech        | - | DGST(N) 73B               |
|                 | Mr S. Urwin          | - | DGST(N) 73B               |
|                 | Mr D.W. Matthews     | - | DGST(N) 73B               |
|                 | Mr E.H. Gibson       | - | PSA/DOE Croydon           |
|                 | Mr F.G. Mitchell     | - | Falkland Islands Co. Ltd. |
|                 | Mr M.C.H. Pezy       | - | Alginat Industries Ltd    |
|                 | Mr S.G. Down         | - | Alginat Industries Ltd    |
|                 | Mr J.L. Platts-Mills | - | Humphreys and Glasgow Ltd |
|                 | Mr C.D. Bryant       | - | DGST(N) 73B - Secretary   |

The Chairman opened the meeting at 10.45 a.m. by briefly stating that the reason for the meeting was to consider an application by Messrs Alginat Industries Ltd for lease of facilities at the Falkland Island Oil Fuel Depot.

2. He then called upon the Alginat Industries representative to give an outline of their proposals.

3. These were stated to be:-

- (a) lease of land, from approx the west side of the camber to the boundary fence, for construction of processing facilities.
- (b) lease of an area adjacent to the camber for storage of weed.
- (c) lease of oil fuel storage facilities.
- (d) approval for dredging of the camber and modification of camber wall.

4. Before opening the general discussion on the proposals it was made clear that the Depot fulfils an operational function, the continuation of which was of paramount importance and that it must be accepted that the meeting of this requirement must take priority at all times. At this stage Messrs Alginat Industries were also informed that notwithstanding previous advice that fuel supplies might be made available from MOD stocks, it was likely that from early 1975 all commercial supplies of oil fuels in the Falkland Islands would be provided by an Argentinian Oil Company (YPF) under a Falkland Island agreement. It was MOD understanding that this would preclude any supplies being made from Service sources, and it was understood that the grade of gas oil provided would not meet MOD Specification. It would now be very unlikely that any tankage could be leased to Alginat Industries because of the need to maintain strict quality control standards for naval supplies.

5. Messrs Alginat Industries stated that the use of one of the two MOD tanks formed an important part of their plans, and suggested that if a smaller tank, say 3,000 tons capacity were provided this might meet MOD quality control requirements.

6. It was emphasised that Alginatc Industries would have to instal a segregated pipeline to the jetty, and in view of the maximum offtake, stated to be some 30,000 tons per year, it might be better for the Company to consider installation of their own facilities from the outset.

7. It was agreed that Alginatc Industries would obtain a copy of the Spec. for the gas oil which would be available commercially, and that MOD(N) would consider the proposal made by the Company for construction of a small tank.

#### 8. REPROVISION OF MOD STORAGE

The reprovision of the existing MOD building was discussed and it was agreed:-

- (a) that a building of some 8,000 sq ft floor space should be provided, and that this must be made available before existing buildings could be released.
- (b) that the new building should be sited some 300 yards to the west of the camber.
- (c) that Messrs Alginatc Industries would provide a good vehicular access to the building.
- (d) that fire hydrants would be provided.
- (e) that in recognition of the inconvenience involved (due to additional distance from the camber), Alginatc Industries would, subject to firm acceptance by Ministry of Defence and The Falkland Island Company Ltd, provide mechanical handling facilities (fork lift trucks etc.) as and when required, and without cost to MOD(N).

The plans of a building that Alginatc Industries proposed to provide had already been examined by DOE and appeared to meet requirements. A more detailed Spec. was required, and this would be provided as soon as possible. It was accepted by Alginatc Industries that a 10 year structural guarantee would be given on the building.

#### 9 ACCESS AND WATER SUPPLY TO THE CARETAKER'S COTTAGE

It was stated that acces and water supplies to the cottage must be maintained throughout. Messrs Alginatc Industries had already considered the question of access and water supplies, and proposed to provide suitable access from the new ring road to the cottage. As it was essential for Messrs Alginatc Industries operations that there was a good water supply, it was intended that this supply should also be available for the Caretaker's use, and provide a supply for firefighting purposes. After discussion it was agreed that Messrs Alginatc Industries proposals were acceptable.

#### 10. PROTECTION OF OIL FUEL PIPELINES

##### (a) BETWEEN OIL TANKS AND CAMBER

As new roads were to be constructed in the area between the Oil Tanks and the Camber it was agreed that the Company would protect the pipelines as required by MOD and provide access for maintenance etc. If extension of the Company's plant was contemplated MOD(N) would need to be advised, and any necessary pipeline diversion would be at Alginatc Industries expense.

Messrs Alginat Industries agreed and stated that proposals would be provided and would be subject to MOD(N) approval.

(b) ON CAMBER WALL AND FUELLING JETTY

It was agreed that Alginat Industries would provide adequate protection for the pipeline along the wall to prevent any damage or corrosion from sea water dropping from weed being transferred from the harvesters. Proposals would be forwarded and would be subject to MOD(N) approval.

11 PROTECTION OF CAMBER WALLS AND HARBOUR FLOOR

Although Alginat Industries proposals envisaged alterations to the fuelling jetty and to the height of the camber walls, the Company was informed that the use of the jetty must be restricted to fuelling operations and it was not proposed to include either the camber or jetty in the lease, although there would be provision for Alginat's use of the latter facilities for fuelling purposes. It was agreed however that as an alternative to the loading of product into barges inside the camber, the installation of some sort of conveyor belt equipment would be considered, provided this did not interfere with the main use of the fuelling berth. There would be no objection to the installation in the camber of berthing facilities, or a landing stage for the harvesters providing normal boat access was maintained.

12. As there was some doubt about the effect of the dredging which Alginat Industries proposed should be undertaken within the camber it was agreed that:-

- (a) the Hydrographer of the Navy would be asked to arrange for soundings to be taken of the harbour floor at the inner camber, and for inspection.
- (b) to ensure that there was no likelihood of danger to the camber walls, Messrs Alginat Industries would undertake a survey and report findings.

13 SECURITY WITHIN THE OIL FUEL DEPOT

Messrs Alginat Industries were informed that it was a security requirement that only British, or British Falkland Island subjects should be employed within the boundaries of the Oil Fuel Depot. However, at Alginat Industries request it was agreed, if details were provided, that security clearance would be sought for the specialist diesel expert the Company proposed to employ. It was also a requirement that security fences should be erected around the retained facilities. However, MOD(N) would not invoke this condition until a breach of security attributable to any of Messrs Alginat Industries employees occurred.

14. ANY OTHER BUSINESS

It was confirmed by Alginat Industries that they were seeking a 50 year lease, and that as adequate electricity generating equipment was being installed, supplies could be provided for use by MOD(N).

15. There being no further business, the meeting closed at 12.55.

---

*L.D. Bryant.*  
*Secretary.*

Tel:- 01-385-1244 Ext 2176.



Alvord's  
File  
—

*With the compliments of*

WEST INDIAN AND ATLANTIC DEPARTMENT

David Hall's letter of  
20 Nov refers

FOREIGN AND COMMONWEALTH OFFICE

SW1A 2AH

588

1, Angrove House,  
Goldsmith Avenue,  
Crowborough,  
Sussex TN6 1RH,  
England.

H. T. Rowlands Esq.,  
Financial Secretary,  
Falkland Islands.

4th December 1973

Dear Harold,



Alginate Industries Ltd. 12571

In my letter of 24th September (addressed to Tom) I described AIL's scheme for a partial tax holiday in the Falklands. I also enclosed a draft for the legislation required to give effect to this scheme and said that I was sending a copy of this draft to the Inland Revenue here with a view to the ultimate amendment of the double taxation agreement. The IR are prepared in principle to do what we want but they point out that my draft could have the effect of exempting all the profits of a pioneer company, including any arising from "non-pioneer activities". I have therefore done a revised draft which grants the exemption to an "enterprise" (= trade or business) instead of to the company. The revision also includes a few minor points raised by AIL's advisors. I enclose a copy of the revised draft herewith.

I am being asked how this proposal is faring with you and whether Government considers that it can be passed through LegCo. I should be very glad if you would let me have a report. The double taxation agreement cannot of course be altered until the Ordinance is passed since it will have to quote it by name in the amended Article.

Yours sincerely,  
John

A. S.

I received this letter p.m. today.

This matter was raised when you were on cruise here and I was advised that ~~it was~~ there was no action to be taken at present.

Grateful for advice on the reply I should now give his letter  
19/12/73

FALKLAND ISLANDS INCOME TAX

PIONEER ENTERPRISES

Pioneer enterprises.

8A

(1) Where, having regard to the economic and other benefits likely to accrue to the Colony, the Governor in Council is of the opinion that it would be in the public interest to do so, he may by Order declare any trade or business which a company is carrying on or intends to carry on in the Colony to be a pioneer enterprise whereupon the provisions of this section shall apply to such trade or business either in full or to such modified extent and upon such conditions as the Governor in Council may by such Order specify:

Provided that a trade or business shall not be declared to be a pioneer enterprise if the Governor in Council is not satisfied that the capital to be effectively employed in the trade or business in the Colony will be at least two hundred thousand pounds.

(2) The profits of a pioneer enterprise shall be exempt from the tax for such consecutive years of assessment (not exceeding ten in number) as shall be specified in the Order made under subsection (1).

(3) Application for an Order under this section shall be made to the Governor through the Financial Secretary by the company which carries on or intends to carry on the trade or business in the Colony or by any other person intending to be concerned in the formation of such a company.

(4) Every application made under subsection (3) shall contain the following particulars -

- (a) the nature of the trade or business which is carried on or intended to be carried on;
- (b) a description of the benefits to the Colony to be expected from such trade or business;
- (c) the estimated amount and purpose of the capital to be employed in the trade or business;
- (d) the conditions under which workers will be employed, their numbers and provision for their housing; and
- (e) such other particulars as the Financial Secretary may require.

(5) An Order made under this section may be revoked or amended with or without the agreement of the company in any case where it appears to the Governor in Council that any of the particulars supplied by the applicant in or in connection with his application were recklessly or wilfully erroneous or misleading.

(6) The terms of any Order or of the revocation or amendment of any Order made under this section shall be published in the Colony in such manner as the Financial Secretary shall direct.

(7) Upon the agreement by the Commissioner of the amount of the profits of a pioneer enterprise to be exempt from the tax under this section or upon the final determination of that amount on appeal, the amount thereof may be credited by the company to a special account and the amount of any dividend paid out of that account to the company's shareholders shall be exempt from the tax in the hands of such shareholders:

Provided that no such exemption shall apply to a dividend declared more than two years after the end of the exemption period specified in accordance with subsection (2).

589

*Handwritten signature and date: 22/12*

# ALGINATE INDUSTRIES

L I M I T E D

DIRECTORS:  
 W. R. MERTON, Chairman.  
 R. R. MERTON,  
 R. CAMPBELL-PRESTON } Managing  
 O.B.E., M.C. } Directors  
 A. C. W. NORMAN, O.B.E.  
 R. H. MCDOWELL,  
 D. L. BANKES,  
 F. L. G. GRIFFITH-JONES,  
 M. H. C. PERY,  
 R. F. d'ERLANGER.

22, HENRIETTA STREET, LONDON, WC2E 8NB

TELEPHONE:  
 01-836 0451/4.  
 01-836 0142/3.  
 TELEGRAMS:  
 'ALGINATES.  
 LONDON.WC2'  
 CABLES:  
 'ALGINATES, LONDON.W.C.2.'  
 TELEX: 23815.



RRM/mba

5th December, 1973

His Excellency E.G. Lewis Esq., C.M.G., O.B.E.,  
 Governor and Commander-in-Chief of the Falkland  
 Islands,  
 Government House,  
 Falkland Islands,  
 South Atlantic.

Your Excellency,

I beg to acknowledge your letter of November 2nd,  
 1973, in which you confirm that section 4 (a) (b) i,ii,  
 of the Licence granted to this Company on September 20th,  
 1972, has now been amended with the following effect:

If Alginate Industries Limited shall fail to achieve  
 in the two consecutive years immediately following the fifth  
 anniversary of the date of the Licence of 20th September 1972,  
 an average production per annum of 4,000 metric tons of dried  
 milled kelp the Governor of the Falkland Islands will not  
 exercise the right granted to him by (b) of clause 4 of that  
 Licence to revoke Alginate Industries Limited exclusivity  
 provided that:-

*Handwritten notes:*  
 i/c b/c  
 21/9/75 + 20/9/77  
 48/70

- (a) the Governor is satisfied at the end of those two years that AIL is actively pursuing the operation of harvesting and processing of kelp in the Colony;
- (b) AIL has by the end of those two years incurred expenditure of at least £2 million on construction, plant and equipment in the Colony; and

continued...

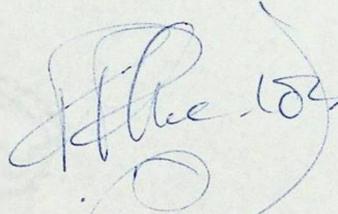


1968 & 1973

- (c) AIL undertakes to pay from the date of the fifth anniversary of the said Licence for each year in which its production falls short of 4,000 tons the royalty which it would have been liable to pay if its production had been 4,000 tons.

I am happy to confirm that these amendments are accepted by my Company.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'R.R. Merton' with a large flourish and the number '184' written to the right.

R.R. Merton,  
Managing Director.

RESTRICTED

*B/M*



Foreign and Commonwealth Office  
London SW1

*Ed 6 Jan*

Telephone 01-

E G Lewis Esq CMG OBE  
Governor  
FALKLAND ISLANDS

Your reference

Our reference HWF 7/2

Date 21 December 1973

*Jean Governor*

ALGINATES

Thank you for your letter 5/307 of  
10 December.

2. David Hall is away sick at the moment so I showed your letter to Derek Matthews thinking that he would know what you meant by the "P.R. effort" organized by Merton which embarrassed the previous Government. He does not and we would be grateful if, for the record, you could let us have details. As you know, Merton can be very difficult and I think it would be useful in our dealings with him to know the background to this affair.

*Yours sincerely  
D C B Beaumont*

D C B Beaumont  
West Indian and  
Atlantic Department

cc:

S Relton, LAD

RESTRICTED

COM/29/2 (Vol 2)

14 January 1974

D J Hall Esq  
West Indian & Atlantic Dept  
FCO

Dear David

ALGINATES

1. I am addressing this letter to you in reply to David Beaumont's letter REF: HWF 7/2 of 21 December 1973 in the hope that once more you are back at the office again.
2. When I first took over as Governor, I was invited round to Alginates and Merton showed me with great glee all the articles and documents that had been used by a firm of public relations in the campaign to stop Lord Chalfont in 1968; the campaign had obviously been run in concert with the Falkland Islands Company and/or the Falkland Islands Committee. What annoyed me about some of the material was that it was inaccurate and misleading and coming from a firm like Alginates, which has been pottering around the Falkland Islands since 1945 and still has not yet produced any meaningful contribution to our economy, was certainly ironic.
3. I made it clear to Merton that the Government of this Colony would be run by HMG and myself and that if there were campaigns of this nature again I would open up and tell the full story of Alginates' slow progress in the Falklands, and the suspicion of the local population that Alginates is more concerned with protecting the exclusivity of its 50-year licence granted by this Government than anything else.

Yours ever

E G Lewis

# ALGINATE INDUSTRIES

L I M I T E D  
G I R V A N · A Y R S H I R E  
K A 2 6 9 J N

DIRECTORS:  
W. R. MERTON, Chairman.  
R. R. MERTON  
R. CAMPBELL-PRESTON, } Managing  
O. B. E., M. C. } Directors.  
R. H. McDOWELL.  
D. L. BANKES.  
F. L. G. GRIFFITH-JONES.  
M. H. C. PERY.  
R. F. d'ERLANGER.



601  
TEL TURNBERRY 281  
TELEGRAMS  
"ALGINATES GIRVAN TELEX"  
TELEX 77248

HEAD OFFICE  
22, HENRIETTA STREET,  
LONDON, WC2E 8NB

MHCP/MRM

9th January, 1974.

Chief Secretary,  
Falkland Islands,  
South Atlantic.

Dear Mr. Layng,

I hope that you had a good leave. I hear that you spent a short time in London on your way back but I thought you would not bless us if we interfered with your leave in view of what happened the last time!

John Drew has with him the feasibility report prepared by Humphries and Glasgow for our project in the Falkland Islands. I would be very grateful if in particular you could read Section 8 and let us have your thoughts about H. & G's comments. These comments are not in fact part of the original terms of reference but, in view of H. & G's international experience with projects of this sort, we felt that these comments would be worth having. For obvious reasons we feel that this part of the report should be treated as confidential as, if it got into general circulation in Stanley, it would only serve the purpose of starting a rumour bonanza! The only other person who has access to this section is Fred. Gooch. I appreciate, of course, that you may wish to discuss these points with the Governor. The rest of the report is largely to do with the technical aspects so I shouldn't waste too much of your time with it.

Yours sincerely,

*Richard Perry*

*with belated best wishes for 1974.*



REGISTERED IN ENGLAND (No. 285993)

REGISTERED OFFICE 22 HENRIETTA STREET, LONDON, WC2E 8NB

GOVERNMENT TELEGRAPH SERVICE

FALKLAND ISLANDS

SENT

Number	Office of Origin	Words	Handed in at	Date
	PSY			29.1.74.

To  
 LTF COMBEN, 1 ANGROVE HOUSE, GOLDSMITH AVENUE, CROWBOROUGH, HO A/C  
 SUSSEX.

PIONEER INDUSTRIES LEGISLATION . WE WILL BE TAKING  
 POLICY TO NEXT EXCC AND CONSIDER ANY OBJECTIONS EITHER  
 THERE OR IN LEGCO UNLIKELY

GOVERNOR

Time CB

7/29/2

com/29/2

603

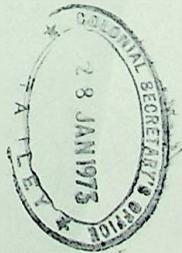
Extract from a letter received from Mr. J.E. Comben dated 22.1.74.

ALGINATES - TAX HOLIDAY

I hope you will let me know as soon as this has been accepted by Government as appropriate to submit to the Legislature. AIL are very eager to go <sup>to</sup> the Inland Revenue here to agree a formula for computing the price at which calcium alginate will be sold by the exempt company in Stanley to the parent in UK. This of course will determine the exempt profits of the Stanley company (and hence the UK tax credit) as well as the profits of the UK parent itself. AIL's financing of its expansion into the Falklands depends on these figures.

*J.E. Comben*  
29 Jan  
A.S.

*To me pl.*  
*sd*  
28/1/74



8th February 74.

Many thanks for your letter of January 9th, and congratulations on your new appointment.

2. We enjoyed seeing John Drew here again and it was most useful for both sides, I think, to get up to date with current thinking and happenings. The Governor, Financial Secretary and I all read the Humphries and Glasgow feasibility report which you sent out, and were excited by the scale of operations now envisaged. We had a number of meetings with Drew and Gooch and the former will be advising you in detail of our reactions.

3. Generally there was nothing in the study which we felt would give us cause for concern. We have always expected, as have the islanders, that there will be labour gangs from the Argentine here for a number of years on construction projects. Seven days a week, twenty four hours a day working has been practised here for a number of years by ESRO, and to a lesser extent by the Marines and our police and radio operators. Harry Powell has been very re-assuring about the pollution effects of your factory's operation - but less so about the general sanitation situation in Stanley!

4. We were somewhat taken aback to read that in the final stage of your operation here you would expect to be introducing a total of some 2,500 extra bodies into Stanley. As Humphries and Glasgow point out, this will more than double the population of the Colony and more than triple the size of Stanley. This we had not expected, and as soon as a final decision is taken to go ahead and build the factory it seems that we shall need to commission a study of what we shall need in order to cope with the large influx - a new school, increased hospital capacity, sewerage, water, electrical generating capacity etc. - and who is to pay for it.

5. Exciting times ahead, and doubtless you will be keeping us closely in touch with developments at your end and informing us of decisions taken.

(T. H. Layng)

Hon. M. H. C. Pery,  
Alginate Industries Ltd.,  
Girvan,  
Ayrshire KA26 9JN.

c.c. D. G. F. Hall, Esq., MBE,  
West Indian And Atlantic Dept.,  
Foreign and Commonwealth Office,  
London SW1.

No. SC/40/73

MEMORANDUM

606

It is requested that, in any reference to this memorandum the above number and date should be quoted.

8th February, 19 74

To: Financial Secretary,

From: Ag. Registrar General,

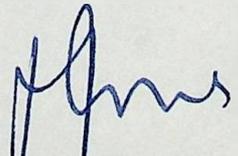
STANLEY

Stanley, Falkland Islands.

SUBJECT —

Pioneer Enterprises

I enclose a draft Bill as requested based on 588A attached which I extracted from the Secretariat file on Alginates Ltd. as the file was required urgently by the C.S. 588A should be restored to its place in the Secretariat file please.



(J. P. JONES)  
AG. REGISTRAR GENERAL

JPJ/MJ

*L.S.*  
I have submitted a draft to the members every  
at attached legislation at 11/2/74

# CONFIDENTIAL

## EXECUTIVE COUNCIL

No. 5/74

Alginate Industries Ltd.  
Falkland Islands Taxation

At the meeting of Executive Council held on 1st March 1973 it was agreed that legislation should be referred to the Legislature to provide the Governor in Council with the power to authorise additional capital allowances in cases where such allowances were in the economic interests of the Colony. It was intended that this step would be taken if it was confirmed that the Alginates Ltd. Scheme for the inclusion of double depreciation in the price of calcium alginate charged by their local subsidiary in selling to the parent firm would be accepted by the United Kingdom Inland Revenue for taxation purposes.

2. On his return to Britain in early 1973 Mr. Comben advised the Foreign and Commonwealth Office that he was doubtful whether the double depreciation proposal would work unless it could be shown that the Falkland Islands subsidiary was entirely independent of the parent company in the United Kingdom. By the very nature of the relationship this cannot be so. After discussing the scheme with Alginates Ltd. Mr. Comben reported that the company had abandoned the proposal and advised that they were confident that a new scheme devised by Mr. Comben would work.

3. The Scheme planned by Mr. Comben involves an amendment to the Falkland Islands Income Tax Ordinance and an amendment to the Double Taxation Agreement between the United Kingdom and Falkland Islands.

4. The proposal is that Alginates Ltd. will form two local subsidiaries. One will be a Harvesting company the other a manufacturing company. The harvesting company will be resident in the Colony and its activities will be confined to harvesting seaweed. It will sell the weed to the manufacturing company. The latter company will make calcium alginate which it will sell to the parent company for final processing in Scotland. The harvesting company will pay Falkland Islands tax on its profits. The manufacturing company will be subject to United Kingdom and Falkland Islands Corporation Tax. It is proposed that the manufacturing company should be granted a tax holiday by the Falkland Islands Government for a period of ten years. This would mean that the manufacturing company will make use of the provision in the United Kingdom tax law which authorises the United Kingdom to give a credit against UK tax for tax of another country which has been foregone by that country in order to encourage a pioneer industry. This means that the company gets something for nothing and virtually receives a grant from the United Kingdom Revenue.

5. Following up the new scheme AIL has now requested that legislation should be promoted in the Falkland Islands authorising the Governor in Council to grant, subject to certain safeguards, tax holidays of up to ten years to pioneer industries. The legislation would follow a pattern which has become common in developing countries. AIL will then apply for such a holiday starting with the year when they expect to start to earn profits. Taking the rate of Falkland Islands tax to be 40% and UK tax to be 50% the combined results of the tax holiday and the double taxation arrangements will be that the company will pay tax at only 10% for ten years. In addition AIL will obtain the benefit equal to the Falkland Islands tax on the manufacturing company's profits. The amount of these profits will depend upon the price at which the manufacturing company sells calcium alginate to AIL.

6. Similarly, the contribution that the harvesting company will make to the public revenue of the Falklands must depend upon the price at which it sells wet seaweed to the manufacturing company. During earlier negotiations on the first scheme a figure of £17 per ton of calcium alginate exported emerged as being a reasonable contribution to Government revenues. It is proposed therefore to sell wet seaweed to the manufacturing company at such a price as will result in the payment in tax of £17 per ton of calcium alginate. Any such figure would have to be scaled up to allow for future inflation but on the present value of money and making a cautious estimate of output, it seems likely that the harvesting company would be contributing over £100,000 per annum to Government during the ten years of the manufacturing company's tax holiday. This is additional to royalties payable for harvesting the weed.

7. AIL operate in a development area of the United Kingdom and so are conditioned to receiving UK tax concessions. They allege that they could not operate successfully in the Falkland Islands if they had to bear the full burden of UK tax on their Falkland Islands profits. It is clear that a flourishing alginates industry in the Falkland Islands will be a great advantage to the Colony. The industry will make, in relation to the size of the Colony's budget, a very large contribution to public revenue. In addition there are the side benefits of an entirely new industry.

8. The following steps must be taken if the proposed scheme is to be implemented:

- i. The Falkland Islands Government will have to enact legislation giving the Governor in Council power to grant a tax holiday for a limited period (say ten years) to a company suitably qualified and starting a pioneer industry;
- ii. AIL's subsidiary would have to apply for and be granted such a tax holiday;

iii. The UK/FI double taxation agreement would have to be amended to provide for relief against the Subsidiary's UK tax equal to the tax the Falkland Islands Government has foregone.

9. Council is invited to advise that the attached draft legislation, proposed by Mr. Comben, providing the Governor in Council with the power to exempt the profits of pioneer enterprises from Falkland Islands tax, be transmitted to the Legislative Council in due course.

10. The draft legislation has been worded in general terms as it may be that there will later be other pioneer industries asking for its benefits. But at the moment we are thinking of Alginates Ltd. and the scheme described above.

The Secretariat,  
Stanley.

19th February 1974.

Ref: COM/29/2

CB

A Bill

for

An Ordinance

Further to amend the Income Tax Ordinance (Chapter 32)

Date of  
Commencement

( )

Enacting  
clause

BE IT ENACTED by the Legislature of the Colony of the Falkland Islands, as follows -

Short title

1. This Ordinance may be cited as the Income Tax (Amendment) (No. 2) Ordinance 1974 and shall be read as one with the Income Tax Ordinance Chapter 32 hereinafter referred to as the principal Ordinance.

Insertion of  
new section 8A

The principal Ordinance is amended by the insertion after section 8 of the following new section -

"Pioneer  
enterprises.

8A (1) ~~Where having regard to the economic and other benefits likely to accrue to the Colony, the Governor in Council is of the opinion that it would be in the public interest to do so, he may by Order declare any trade or business which a company is carrying on or intends to carry on in the Colony to be a pioneer enterprise whereupon the provisions of this section shall apply to such trade or business either in full or to such modified extent and upon such conditions as the Governor in Council may by such Order specify:~~

*See 617*

Provided that a trade or business shall not be declared to be a pioneer enterprise if the Governor in Council is not satisfied that the capital to be effectively employed in the trade or business in the Colony will be at least two hundred thousand pounds.

(2) The profits of a pioneer enterprise shall be exempt from the tax for such consecutive years of assessment (not exceeding ten in number) as shall be specified in the Order made under subsection (1).

(3) Application for an Order under this section shall be made to the Governor through the Financial Secretary by the company which carries on or intends to carry on the trade or business in the Colony or by any other person intending to be concerned in the formation of such a company.

(4) Every application made under subsection (3) shall contain the following particulars -

(a) the nature of the trade or business which is carried on or intended to be carried on;

2.

- (b) a description of the benefits to the Colony to be expected from such trade or business;
- (c) the estimated amount and purpose of the capital to be employed in the trade or business;
- (d) the conditions under which workers will be employed, their numbers and provision for their housing; and
- (e) such other particulars as the Financial Secretary may require.

(5) An Order made under this section may be revoked or amended with or without the agreement of the company in any case where it appears to the Governor in Council that any of the particulars supplied by the applicant in or in connection with his application were recklessly or wilfully erroneous or misleading.

(6) The terms of any Order or of the revocation or amendment of any Order made under this section shall be published in the Colony in such manner as the Financial Secretary shall direct.

(7) Upon the agreement by the Commissioner of the amount of the profits of a pioneer enterprise to be exempt from the tax under this section or upon the final determination of that amount on appeal, the amount thereof may be credited by the company to a special account and the amount of any dividend paid out of that account to the company's shareholders shall be exempt from the tax in the hands of such shareholders:

Provided that no such exemption shall apply to a dividend declared more than two years after the end of the exemption period specified in accordance with subsection (2)."

#### OBJECTS AND REASONS

This legislation is designed to authorise the Governor in Council to grant tax holidays of up to ten years to pioneer enterprises.

copy for COM/29/2

J. E. COMBURN *608*  
1, Angrove House,  
Goldsmith Avenue,  
Crowborough,  
Sussex TN6 1RH,  
England.

13th February 1974

H. T. Rowlands Esq.,  
Financial Secretary,  
Falkland Islands.

Tax holiday legislation

As soon as I received the Governor's telegram on this subject I wrote again to the Inland Revenue here asking if they could now agree the draft legislation (as sent to you with my letter of 4th December). They have replied by raising a new point - with apologies for not having mentioned it before. They say that the provision enabling a tax holiday to be granted to a company which is already carrying on a business in the Colony might make it possible for the Governor in Council to allow pioneer status to a company which had no intention or prospect of expanding and so of developing the Colony's economy. They assure me that they do not think that this would happen in the Falklands but the admission of the present wording could be an awkward precedent which might embarrass them if it were followed by some other countries. They would be satisfied by the following wording in place of my first sub-clause:

"(1) Where, having regard to the economic and other benefits likely to accrue to the Colony, the Governor in Council is of the opinion that it would be in the public interest to do so, he may by Order declare any trade or business -

(a) which is not being carried on in the Colony on a scale adequate to the economic needs of the Colony and

(b) for which in the opinion of the Governor in Council there are favourable prospects for development

to be a pioneer enterprise....." etc.

*My ✓*  
I assume that this wording is agreeable to you. I have referred it to AIL's solicitors who are prepared to accept it. They assume, of course, that when the time comes for AIL to apply for a tax holiday for its manufacturing company in Stanley they will have no difficulty in satisfying the Governor in Council that that company fulfils two conditions (a) and (b).



EXTRACT FROM THE MINUTES OF EXECUTIVE COUNCIL MEETING NO. 2/74 HELD  
ON THURSDAY, 28TH FEBRUARY 1974

~~609~~  
609

COM/29/2

9. FALKLAND ISLANDS TAXATION - ALGINATE INDUSTRIES LTD.  
(Memo 5/74)

The Financial Secretary put before Honourable Members a scheme planned by Mr. J. E. Comben, O.B.E., which would involve amendments to the Income Tax Ordinance and the Double Taxation Agreement between the United Kingdom and the Falkland Islands so as to give the Governor in Council power to exempt the profits of pioneer enterprises in the Colony from Falkland Islands income tax.

Council advised that the legislation proposed by Mr. Comben should be remitted to the Legislature in due course.

*G. G. G. G.*  
CLERK TO COUNCIL

RESTRICTED

*2.5. Seen by FS*  
*D.L.S. 12/3 610*  
*B/W to me, 9/12/3*

*M.J. 11/3*



**Foreign and Commonwealth Office**  
London SW1

Telephone 01-

T H Layng Esq  
Falkland Islands

Your reference

Our reference HWF 9/1

Date 1 March 1974

*Dear Tom.*

ALGINATES

*604*

1. Thank you for sending me a copy of your letter COM/29/2 dated 8 February and addressed to Mickey Pery.
2. We have not yet seen the Humphries & Glasgow feasibility report. I spoke to Stewart this morning and he promised to send me a copy.
3. Despite what you write, AIL's intentions remain nebulous, at any rate as far as we are concerned. We hoped recently that Mr Amery would write to Merton enquiring inter alia about construction and production details and especially about the date the company hopes to come on stream. I am afraid our draft has been overtaken by domestic events here, but we will resuscitate it as soon as possible.
4. I tried to elicit some information from Stewart this morning, but except for confirming that the company was not yet in a position to issue a letter of intent to potential airfield contractors, (see my letter in this bag) he would only say that there had been "much discussion on financial matters". He denied that AIL were thinking of building their own diesel storage tanks and said that there "were more important things to be done with the money".
5. Additionally, paragraph 4(c) of your telegram 82 throws considerable doubt on AIL's ability to get off the ground quickly.
6. Unless you have any further information I feel we should not yet become too optimistic about AIL's project. We regard it as of paramount importance to the Colony and will give them every help we can, but realise that the present financial climate is not in their favour.

*James Hall*  
*D.G.F.*

D G F Hall  
West Indian & Atlantic Dept

c.c. J V Kerby Esq  
PIC Dept ODA

RESTRICTED

From: C B Allen



Director General of Supplies and Trans, (Naval)  
**MINISTRY OF DEFENCE**  
Empress State Building London SW6 1TR

Telephone 01-385 1244 ext 2140

*MB/50*

611

D G F Hall Esq  
West Indian & Atlantic Dept  
Foreign & Commonwealth Office  
LONDON SW1

Your reference  
HWF 12/1 dated 1 March 1974  
Our reference  
73C1/2828  
Date

12 March 1974

Dear *Hall*,

1. This is in reply to the reference and confirming my telephone conversation of 6 March.
2. Following the visit of our representative we shall be recommending to our Marine Services Division in Bath that barge C.505 be offered for disposal. However our representative (who is an oil fuel engineer, but not an expert in barge hulls) said that in his opinion this barge was not in its present state fit for use for Dieso or any other oil product.
3. I have not heard lately of any developments with Alginate Industries Ltd. ← According to our records the latest position is that we offered to make one of our tanks available to them on the understanding that they segregated the pipeline and provided a 3,000 ton tank for us to cover tank cleaning periods. Following the visit of our representative we have some points of detail to take up with our Lands Branch and we shall take this opportunity to enquire the position. I shall let you know if I hear of any developments.
4. Unfortunately the RFA WAVE CHIEF could not carry more than 2,600 tons of diesel. We note that another tanker will be needed as early as possible in the next Southern summer and will do our best to arrange this. It may be difficult for this ship to carry a large quantity of drummed AVGAS or Motor Gasoline but it may be possible for her to carry some of these fuels in bulk tanks and to fill some of the empty drums which we have at the Naval Fuel Depot. If you will advise us of the quantities the Governor wants, we shall let you know what can be done.
5. Regarding the price, I confirm the price of £70 per ton which I mentioned verbally. I am sure I do not need to explain the dramatic increase - it simply reflects what we are having to pay.

Yours sincerely

*C B Allen*

MB/50

# GOVERNMENT TELEGRAPH SERVICE

612

FALKLAND ISLANDS

## SENT

Number	Office of Origin	Words	Handed in at	Date
			A/C H/O	28 March 1974

To GREAT PRIORITY (ROUTINE)  
PROBROME LONDON SWA

281400Z

From Falklands

Tel No 117 of 28 March

Routine to FCO

ALGINATE INDUSTRIES LTD

1. At the last meeting of the Executive Council amendments to the Income Tax Ordinance, as suggested by Gosben were approved, and these will be remitted to the Legislature in due course.
2. I think, therefore, that we are doing everything possible to help this company.

*Self*  
*28/3*

LEWIS

Time

Alginat Industries Ltd.  
Stanley.

9th April.1974.

613

*ref 9/14*

Earnest Gordon Lewis Esq.CMG.  
Governor of the Falkland Islands.

Your Excellency.

Following up on the rather strong rumours about the future of the activities of my Company in the Falklands;rumours substantiated by certain correspondence carried on outside AIL channels which gave wrong impressions here, Michael Pery sent me the cable the text of which was given to the Private Secretary by phone for Your Excellency's perusal this evening.

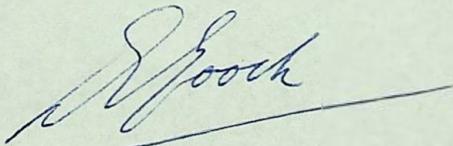
A telephone conversation with John Drew;who is now in charge of the Falkland Island project, this midday conveyed the desire that the cabled message should under the circumstances be made public. This I had intended to do by way of the News Letter on Friday.

This evening it occurred to me that in the new feature "Searchlight", AIL would in all probabilities be the subject of one of the questions dealt with. Well it had actually entered my mind at midday when I phoned Pauline to enquire whether the program "Searchlight" had been recorded already, as I thought that the cable might be of use to you in the event of such question arising during the program. Upon learning that the tape had been made some days ago, I decided to leave it to the News Letter. This evening conferring with Mike Peak, the decision was made to request Your Excellency's approval to have it read after the recorded program, and I take this opportunity of expressing thanks for the granting of this request.

Please accept my sincerest apologies for having encroached upon "out of office hours"with this matter.

The program was a great success in clarity and explicit delivery, and was eagerly listened to with it's homely, man-in-the-street atmosphere by a great number.

I have the honour to be Sir, your most obedient servant.



D F Gooch.

7.00 pm April

614

Message from Fred Gooch:

Telegram received from Managing Director, Alginates

This could alter what you said in broadcast tape.

I give the text below. Should you wish me to inform  
broadcasting to change anything for this evening, please  
let me know and I will inform Mike Peake:

*NO*

Text:

"Please scotch rumour that AI are withdrawing  
from the Falklands. <sup>the</sup> Our assessment of the project  
due to world economic situation probably favours  
weed factory at first stage. All development work  
to continue without interruption.

M Pery "

Ends.

PS

Excuse typing - portable machine at home..

*M.P. 9/4*

615

# ALGINATE INDUSTRIES

L I M I T E D

22, HENRIETTA STREET, LONDON, WC2E 8NB

DIRECTORS:  
 W. R. MERTON Chairman  
 R. R. MERTON Managing  
 THE HON. M. H. C. PERY Directors  
 R. CAMPBELL-PRESTON, O.B.E., M.C.  
 R. H. McDOWELL  
 D. L. BANKES  
 F. L. G. GRIFFITH-JONES  
 L. F. A. d'ERLANGER  
 R. F. d'ERLANGER  
 J. S. YORKE

TELEPHONE:  
 01-836 0451/4  
 01-836 0142/3  
 01-836 0961/3

TELEGRAMS:  
 "ALGINATES"  
 LONDON, WC 2"

CABLES:  
 "ALGINATES, LONDON, WC2"  
 TELEX: 23815.



*M.H.C.P.*  
*B/W to me*  
*15/4*

RRM/mba

8th April, 1974

Dear Governor,

I have just returned from a visit to the Far East but on the eve of my departure I wrote a letter to Mr. Julian Amery, a copy of which I now enclose and which gives the up-to-date position regarding our plans for the Falkland Islands.

As you will see we are now concentrating our attention on the original plan to produce washed, dried and milled weed rather than calcium alginate; and on reassessing this we find that the pilot work which we did in connection with the production of calcium alginate has not been entirely wasted inasmuch as information regarding the initial step of washing the weed, which is common to both projects and is of considerable importance, is proving of great value for the weed programme.

Whilst this reversion to the original and more modest plan will, I am afraid, result in correspondingly lower profitability both to the government and to AIL, we believe that it will be possible so to lay out the plant etc. that it could still be possible to return to the plans for calcium alginate manufacture at some later date.

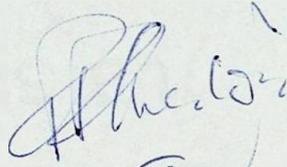
continued...



THE QUEEN'S AWARD TO INDUSTRY

Since my return I have not yet had time to find out from the Foreign Office how matters stand with regard to the exclusion of diesel oil from the proposed Y.P.F. agreement, but this of course remains as important as ever.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R.R. Merton', written in a cursive style.

R.R.Merton

His Excellency E.G.Lewis Esq., C.M.G., O.B.E.,  
Governor of the Falkland Islands,  
Government House,  
Falkland Islands,  
South Atlantic.

Jalblu/s.

cc WRM,MP, Mitchell (2)

RRM/mba

4th March, 1974

Thank you very much indeed for your letter of the 25th February about the proposed YPF Agreement, and I am much reassured to note that you have instructed your officials to consider what action should be taken regarding the question of supplies of diesel oil.

With regard to the target date for the beginning of our investment and the estimated annual fuel requirements for the first quinquennium of our Falkland Islands enterprise, these are indeed perfectly fair questions for you to ask but they are more difficult than you might suppose to answer.

In the first place, no doubt in common with many others, we have the feeling that the world is falling about our ears! What with the international oil crisis, the three day week, the fact that even before either of these the U.K. chemical industry had been unable to keep pace with the basic requirements of industry, you will not be surprised to hear that on account of these factors alone we have been forced to freeze our plans for the Falkland Islands as the programme would have entailed a large capital outlay this year to establish a pre-production plant on the M.O.D. site. This pre-production plant was designed to lead on to full scale production of calcium alginate late in 1977.

continued..

The recently completed feasibility study carried out by Messrs. Humphries & Glasgow, however, not only disclosed a considerably higher capital cost than we ourselves had estimated, (£7½ m. excluding working capital) but also revealed the tremendous social consequences to Stanley in the form of housing, services etc. which would follow the full implementation of our plans.

Bearing in mind the changed economic circumstances we feel that the risk and responsibility involved would be out of proportion to the size of our Company and we are therefore reinvestigating the original plan which was to harvest, wash, dry and mill the seaweed, as indeed we do elsewhere, and ship it to Scotland for extraction at our existing factories. This would drastically reduce the capital costs, and the magnitude of the consequent social upheaval. Nor would it preclude the possibility of progressing later to the stage of calcium alginate manufacture locally, when perhaps the political future of the Falkland Islands has been settled.

A rough calculation reveals that in fact the fuel consumption would be similar for either case, and would start at around 6,500 tons p.a. and increase by this amount roughly every two years for at least ten years.

In any case I must emphasise that, particularly in the case of producing dried milled seaweed rather than calcium alginate, fuel oil represents by far the most significant item in the cost of production. Hence any decision to establish a factory would almost certainly depend upon the Company being free to purchase fuel oil from the cheapest source.

I am sorry that in the circumstances of today with so many uncertainties, I am unable to be more precise regarding the likely timetable for our project but I am sure you will understand.

The Rt.Hon.Julian Amery, M.P.,  
Minister of State,  
Foreign & Commonwealth Office,  
London S.W.1.

ex 170 17.3.74



Foreign and Commonwealth Office

London S.W.1

From The Minister of State

25 February 1974

*R. R. Merton,*

Thank you for your letter of 14 February about the proposed YPF Agreement.

Our present information is that YPF propose to supply initially only 500 tons of diesel oil per annum. This is well below the present quantity required per annum for civil and government purposes and in accordance with the terms of the proposed Agreement consumers of diesel oil would be free to buy their requirements in excess of 500 tons from other suppliers.

I accept, however, that the fact that YPF would have the right to supply all the Islands' diesel requirements for the duration of the Agreement once it was signed brings an element of uncertainty into your own planning. I have instructed my officials to consider what action we could take to clarify YPF's intention. In the meantime it would help if you could let me know in confidence what the target date for beginning your major investment is and what your estimated annual fuel requirements will be for, say, the first quinquennium of your

/Falkland

R R Merton Esq  
Alginat Industries Limited  
22 Henrietta Street  
London WC2



Falkland Islands enterprise.

The assurance you seek about the use of MOD tanks is one which only the Ministry of Defence can give. I understand that you are in touch with them.

*Yours sincerely,*  
*Julian Amery*  
(Julian Amery)

COM/29/2

18 April 1974

R R Merton Esq  
Managing Director  
Alginat Industries Ltd  
22 Henrietta Street  
LONDON WC2E 8NB

Dear Mr Merton

Thank you for your letter RRM/mba of 8 April, which was written just after your return from the Far East. It was good to hear from you again.

The Office has, of course, kept me in touch on developments, and I was aware that you were probably reverting to the original scheme of producing dried mill kelp. No doubt you have heard that Stanley has been full of rumours that Alginat Industries were pulling out of the Falklands, but I think that in my recent broadcast I managed to dispel some of the gloom. My broadcast was followed by an announcement from Fred Gooch, and I believe the public is now more happy about the future prospects. The trouble is that in the Falklands so often members of the public string together all sorts of unrelated events such as the closing down of ESRO, the reduction in the activities of BAS and your change in plans, and then come up with some awful dismal answer: such is life in a group of small islands.

In regard to the YPF Agreement, I think you will find that you have nothing to worry about as far as supplies of diesel are concerned.

Yours ever

E G Lewis

617

1, Angrove House,  
Goldsmith Avenue,  
Crowborough,  
Sussex TN6 1RH,  
England.

13th February 1974

H. T. Rowlands Esq.,  
Financial Secretary,  
Falkland Islands.

Dear Harold,

Tax holiday legislation

As soon as I received the Governor's telegram on this subject I wrote again to the Inland Revenue here asking if they could now agree the draft legislation (as sent to you with my letter of 4th December). They have replied by raising a new point - with apologies for not having mentioned it before. They say that the provision enabling a tax holiday to be granted to a company which is already carrying on a business in the Colony might make it possible for the Governor in Council to allow pioneer status to a company which had no intention or prospect of expanding and so of developing the Colony's economy. They assure me that they do not think that this would happen in the Falklands but the admission of the present wording could be an awkward precedent which might embarrass them if it were followed by some other countries. They would be satisfied by the following wording in place of my first sub-clause:

"(1) Where, having regard to the economic and other benefits likely to accrue to the Colony, the Governor in Council is of the opinion that it would be in the public interest to do so, he may by Order declare any trade or business -

(a) which is not being carried on in the Colony on a scale adequate to the economic needs of the Colony and

(b) for which in the opinion of the Governor in Council there are favourable prospects for development

to be a pioneer enterprise....." etc.

I assume that this wording is agreeable to you. I have referred it to AIL's solicitors who are prepared to accept it. They assume, of course, that when the time comes for AIL to apply for a tax holiday for its manufacturing company in Stanley they will have no difficulty in satisfying the Governor in Council that that company fulfils the two conditions (a) and (b).

Yours sincerely  
John

file pl.

0

ZCZC ATS234 C MOW920X LDN976 RTY476 TXA806

FKLY CO GCLB 026

GIRVAN 26/25 2 1620

COLONIAL SECRETARY  
PORTSTALEYFALKLAND ISLANDS

PLEASE FORWARD INVENTORY OF SALE MIRLEES BLACKSTONE GENERATORS  
AND SPARES FOR OUR LONDON OFFICE TO COMPLETE PAYMENT

LETTER 28.5.74 REFERS

REGARDS

DONNO

COL 28.5.74

(Reply forwarded by  
last House's mail)

NNNN

GOVERNMENT TELEGRAPH SERVICE  
FALKLAND ISLANDS

GOVERNMENT TELEGRAPH SERVICE  
FALKLAND ISLANDS

GOVERNMENT TELEGRAPH SERVICE  
FALKLAND ISLANDS

619

*4.11 20 Aug*



**Foreign and Commonwealth Office**  
London SW1A 2AL

Telephone 01-

Miss M G D Evans  
BUENOS AIRES

Your reference

Our reference

Date  
8 August 1974

*Dear Elyne,*

ALGINATE INDUSTRIES LTD

1. Thank you for your letter of 22nd July. Sandy Ford-Robertson has indeed written to me about this matter and I enclose a copy of his letter. For good measure I enclose also a copy of one he wrote on the 18th June.

2. Sandy Ford-Robertson is a very nice chap but his understanding of politics is minimal. His view of the problem seems to be that it would go away if only we in the UK and the Falkland Islanders were to be sensible about it. Alginat Industries appointed him as a technical representative but he seems to have got it into his head that they want political advice from him as well. They have already had to repudiate opinions he imputed to them in conversations here in the Foreign Office.

3. We have had a word with Alginat Industries about his advice to seek Argentine permission to take their capital into Argentina to construct an Alginat plant and they will of course do nothing of the kind.

*Yours sincerely*

*Stanley*

Stanley Relton  
Latin America Dept.

cc: ✓ Mr Layng, Falkland Islands  
(with enclosures)

SU REF.:

N/REF.: N° 163/74 (268) AFR/PAO.

IMPORTACION - EXPORTACION  
TEL. 34 - 1949  
CABLES: FORDROBERTSON BAIREs  
TELEX: CABINA REPUBLICA N° 9  
BUENOS AIRES - TEL. 34-1949 y 85-7570

REPRESENTANTES DE FABRICA DE:

- ABACUS MUNICIPAL Ltd.
- BRITISH MOULDING MACHINE Co. Ltd.
- BRITISH OVERSEAS ENGINEERING AND CREDIT Co. Ltd.
- EXPORT CREDIT CORPORATION  
(Western Hemisphere) NEW YORK U.S.A.
- BRITISH ROPEWAY ENGINEERING Co. Ltd.  
ROPEWAYS LIMITED  
BRECO MATERIALS HANDLING  
DRAG SCRAPER & CONVEYOR Co. Ltd.
- DENDIX BRUSHES Ltd.
- DRIVE SALES LIMITED
- INERTIA SWITCH Ltd.
- SKLENAR FURNACES Ltd. (Morganite Corporation)
- STERLING FOUNDRY SPECIALITIES Ltd.
- THE DUNLOP Co. Ltd. MARINE EQUIP. SALES
- WRIGHT ENGINEERS Ltd. CANADA

**A. FORD-ROBERTSON O. B. E.**

B. Sc. (ENG.) (C. ENG., F. I. MECH. E., F. I. M. H., A. M. B. I. F., M. I. Ex.)  
INGENIERO CONSULTOR Y ASESOR TECNICO EN  
MANIPULACION MECANICA Y METALURGIA  
ESPECIALISTA EN ARREGLOS DE LICENCIAS BRITANICAS  
PARA FABRICACION EN EL PAIS

BOLIVAR 391 - 4° D  
BUENOS AIRES

Mr. Stanley Relton,  
Foreign & Commonwealth Office,  
Latin America,  
Downing Street,  
LONDON S.W.1.

8th July, 1974.

(Dictated 5th July, 1974)

Dear Stanley,

I wrote to you on the 18th June, but no doubt owing to all the upsets of the past 4 weeks, your answer to it has not come to hand. Meantime, I have been on the track of events here regarding the problems of the Falkland Islands and would report to you a situation which has arisen through the vigilance of my good lawyer Dr. Messing, whose letter to me of the 9th May I presented a copy to your colleague Mr. Carless in your Department the day I met you at the F.O.

For your information, I enclose a photocopy of my lawyer's letter to me dated 28th June, the portent of which is quite clear and I also enclose a translation of same. In view of the possible importance of the notice given in the Cámara de Diputados de la Nación under heading N° 47 - page 269 - I called on the Embassy to see Miss Evans yesterday, when we reviewed the situation together. The conclusions arrived at were briefly as follows: That any question of an application being made by a British firm such as Alginate Industries Ltd., to the Argentine Government, could be made solely on the basis of the desire to invest capital in Argentina, particularly the deep South where alginate seaweed exists, without any reference or indication of the Falkland Islands. However, Miss Evans felt that as there is an international legal question involved, the Latin American Department for South America would require to be consulted and she is sending a report to the Foreign Office based on information I have given her and which you also now have.

//..

I have written to Mr. Ralph Murton to report on this very subject and sending similar copies and following receipt of these I have no doubt that he will get in touch with Mr. Carless in order to consult on this particular problem and what, in view of the circumstances, is the next step to take, if any. To express my own view, and my lawyer's, he agrees with me that if an application was made by Alginate Industries expressing their interest in investing in Argentina, viz-a-viz their own specialised industry, no harm could come of this, as such an application made through my lawyer would be a positive step and I believe "sin compromiso" and could have a possible beneficial effect on the present current negotiations between Great Britain and the Argentine Government. Possibly I am mistaken, but of course the final word is with the Foreign Office and Alginates Ltd.

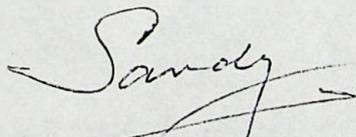
Due to all that has happened this week in Argentina, Miss Evans had not seen the notice from the Cámara on the application made under the heading "Algas Marinas", but I understand a copy of this will go forward to the Foreign Office from the Embassy here, plus their report. As H.E. was down with the 'flu, now recovered, and with all the results of Perón's sudden death, I had no opportunity to see him.

I enclose a photostat copy of the announcement made in "La Nación" of 27th May, headed "Negociación por las Malvinas", which you probably have already seen.

Well Stanley, I am now leaving the ball with you and I shall be most interested and anxious to learn from you how all this looks.

Best regards and good wishes,

Yours aye,



A. Ford-Robertson

Encls.: Copy of letter from Dr. Messing  
and translation.  
Copy of announcement on Falkland  
Islands in "La Nación".

SU REF:

N/REF: N° 128/74 (268) AFR/PAO.

IMPORTACION - EXPORTACION  
TEL. 34-1949  
CABLES: FORDROBERTSON BAIRE  
TELEX: CABINA REPUBLICA N° 9  
BUENOS AIRES - TEL. 34-1949 y 85-7570

**A. FORD-ROBERTSON O. B. E.**

B. Sc. (Eng.) (C. Eng., F.I. Mech. E., F.I.M.H. A.M.B.I.F., M.I.Ex-  
INGENIERO CONSULTOR Y ASESOR TECNICO EN  
MANIPULACION MECANICA Y METALURGIA  
ESPECIALISTA EN ARREGLOS DE LICENCIAS BRITANICAS  
PARA FABRICACION EN EL PAIS

BOLIVAR 391 - 4° D  
BUENOS AIRES

**REPRESENTANTES DE FABRICA DE:**

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- EXPORT CREDIT CORPORATION  
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- BRITISH ROPEWAY ENGINEERING Co. Ltd.  
ROPEWAYS LIMITED  
BRECQ MATERIALS HANDLING  
DRAG SCRAPER & CONVEYOR Co. Ltd.
- DENDIX BRUSHES Ltd.
- DRIVE SALES LIMITED
- INERTIA SWITCH Ltd.
- SKLENAR FURNACES Ltd. (Morganite Corporation)
- STERLING FOUNDRY SPECIALITIES Ltd.
- THE DUNLOP Co. Ltd. MARINE EQUIP. SALES
- WRIGHT ENGINEERS Ltd. CANADA

Mr. Stanley Relton,  
Foreign and Commonwealth Office,  
Latin America,  
Downing Street,  
LONDON S.W.1.

*me Shiers*  
*the x vi.*  
*W. Hall WIA*

*Mr. Relton*  
*Thank you.*  
*We spoke Dec 27.*

18th June, 1974.

*enter*  
*R 26*

Dear Stanley,

Here we are back in the saddle again and the old grind, and I promised myself to pen you a line to say how much I enjoyed our most unexpected meeting at the F.O., and it was a very pleasant surprise for me and how strange that I am now involved in the Falkland Islands problems and we can cooperate as the negotiations develop. Last Friday I saw H.E. and I reported fully on all fronts. I gather that he appreciated the progress I have made with Alginate Directors and with the F.O. heads. It seems apparent that the treaty negotiations here are progressing well, if only in steps and stages. My Lawyer informed me on my return that Argentina desires to be reasonable in its terms for the entry and use of foreign capitals, and furthermore the Government Banco de Desarrollo is anxious to invest conjointly with foreign capitals in Industrial Joint Ventures.

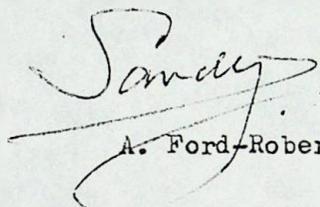
I contacted my Vialco friends, the big contractors who are now well known to the Directors and Engineers of Alginates, in regard to the construction of the Factory, etc. etc. Eng. Gustavo Carmona, the head technical director, an old friend of mine, informs me that they have special experience in the construction of big air fields and would be very pleased to partner with the counterpart in the U.K., viz the Consulting Engineers responsible to the British Government and the Falklands project. All this is advanced thinking, but forward planning is necessary.

//..

Referring to our brief 'phone call shortly before I left on the 6th inst., I understand that you are involved in the Falkland Isles projects etc. and that you wish me, and it will be in order for me to report to you from time to time, on any important aspects in current train? My official appointment as local Engineer Consultant in Argentina to Alginate Industries Ltd. was welcomed by H.E. and I have received a letter to this effect from them. I look forward to a line from you from time to time and your sage advice and council. It really was grand to meet you again and I always remember our battles etc. with E.C.G.D. for credit obtention, etc.

Always your old friend and with best regards and good wishes,

Yours aye,

  
A. Ford-Robertson

c.c. Dr. G. Messing.

B/W

RESTRICTED

URGENT

7/10/74

620



**Foreign and Commonwealth Office**  
London SW1A 2AL

Telephone 01-

His Excellency  
Mr E G Lewis CMG OBE  
Governor and Commander-in-Chief  
Falkland Islands

Your reference

Our reference HWF 7/1

Date 25 September 1974

*Dear Toby,*

LEASE OF RN OIL FUEL TANKS TO AIL

1. MOD have told us that there has been no further progress in this matter, but they understand that AIL will be putting their latest plans and requirements forward towards the end of this year.
2. In the mean-time, they have asked permission to lease a small part of the existing coal store for storing generating equipment.
3. The area which AIL would like, for one or two years, measures 40' by 18' (as shown red on the attached plan) and I am told that the Falkland Islands Company, as MOD agents, do not require it in the immediate future.
4. PSA suggests that as AIL's requirement is temporary and exclusive possession of building is not involved, occupation could be covered by the grant of a quarterly tenancy.
5. Could you confirm that you have no objection to MOD asking PSA to negotiate terms for a lease. As the attached plan is the only one we have I should be grateful if you could return it in due course.

*Yours ever  
DGF*

D G F Hall  
West Indian &  
Atlantic Department

Enc.

RESTRICTED

621

COM/29/2 Vol 2

10 October 1974

D G F Hall Esq MBE  
FIAD  
FCO

LEASE OF RN OIL FUEL TANKS TO AIL

1. With reference to your letter HWF 7/1 of 25 September, I have no objection to MOD asking PSA to negotiate terms for a lease of part of the coal store on the camber. As requested, I return herewith the plan of the installations.

Yours ever

E G Lewis

Enc

RESTRICTED

# ALGINATE INDUSTRIES

L I M I T E D

622

**DIRECTORS:**

W. R. MERTON Chairman  
R. R. MERTON Managing  
THE HON. M. H. C. PERVY Directors  
R. CAMPBELL-PRESTON, O.B.E., M.C.  
R. H. McDOWELL  
D. L. BANKES  
F. L. G. GRIFFITH-JONES  
L. F. A. d'ERLANGER  
R. F. d'ERLANGER  
J. S. YORKE

22, HENRIETTA STREET, LONDON, WC2E 8NB



TELEPHONE:  
01-836 0451/4  
01-836 0142/3  
01-836 0961/3.

TELEGRAMS:  
"ALGINATES"  
LONDON, WC2

CABLES:  
"ALGINATES, LONDON, WC2"  
TELEX: 23815.

Our Ref: SM/JW/12706

16th September, 1974

The Colonial Secretary,  
Port Stanley,  
Falkland Islands,  
South Atlantic.



Dear Sirs,

We have pleasure in enclosing herewith our cheque  
for £ 1-00 in respect of:

Annual Fee.

Yours faithfully,  
ALGINATE INDUSTRIES LIMITED.

Accounts Department



COM/29/2

623

15th November, 1974.

Dear Sirs,

Thank you for your letter SM/JW/12706 of 16th September 1974 enclosing a cheque for £1 in respect of the annual kelp licence fee for the period 20/9/74 - 19/9/75.

The Official Treasury receipt is enclosed herewith.

Yours faithfully,

  
FINANCIAL SECRETARY

Alginat Industries Ltd.,  
Accounts Department,  
22 Henrietta Street,  
London WC2E 8NB,  
England.

HTR/JT

LEGISLATIVE COUNCIL 4TH DECEMBER 1974

QUESTION FOR ORAL REPLY

Question No. 32/74 by The Hon. A.B. Monk, J.P.

"Is there any evidence to show that Alginatate Industries are intending to start operations in the NEAR future, or does the evidence indicate that they are merely sitting on the Concession so that no-one else can start?"

Answer by the Hon. the Chief Secretary

"Sir, the present position is that the Consultants to Alginates have advised them that the cost of a full plant producing calcium alginates would require an investment of about seven and a half million pounds. Alginates were unable to raise that amount of capital and therefore abandoned that scheme in favour of their cheaper, original plan to produce dried milled sea weed for processing in Scotland.

In addition, Government is advised that AIL plans to exhaust its sea weed resources in the northern hemisphere before starting on the Falklands weed utilising its plant in UK for this purpose. Alginatate's planned increase in production this year from their Scottish plant has also been delayed.

Had AIL been able to keep to their proposed programme they would have exhausted the last available northern supplies (in Iceland) during 1975 but a new estimate puts a term of three years to this work. Thus it is unlikely that AIL will start any substantial work in the Falklands before 1978, although they plan to continue their essential pilot work during this time.

It may be too much to infer from what I have said that they are - to quote the Hon. Member "merely sitting on the concession so that no-one else may start". In present world conditions it is not easy for any company to raise capital. Government however is most anxious for this industry to get under way and will enforce the terms of its agreement with Alginates. The situation in this regard is that the licence granted/...

granted to AIL on 20th September 1972 provides, in Clause 5, that the Company shall pay £2,500 in respect of any year in which their production of dried milled kelp exceeds 1,000 metric tons or 1974 whichever is the earlier. Accordingly, this penalty is due for the current year and in terms of the agreement is payable before the 1st of February."

626

Brief Report on the Position  
of AIL in the Falklands

In July 1974 Humphreys and Glasgow reported on their investigation into the feasibility of AIL producing calcium alginate in the Falkland Islands.

In view of the fact that their estimate of the capital involved, excluding working capital, amounted to around £7½m for a modest size plant to manufacture calcium alginate, the project was abandoned in favour of a return to the original plan to harvest, dry and mill seaweed for shipment to Scotland for extraction there.

Humphreys and Glasgow were therefore instructed to revisit the islands with a view to arriving at an accurate estimate of the cost of putting this more modest plan into effect.

Their report has just been received by AIL and has not yet been evaluated; but as was expected the capital sum involved is estimated at a very much smaller figure than that required to manufacture calcium alginate.

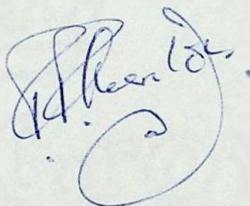
In the meantime AIL's plans to increase production during 1974 have been held up to a considerable extent although capital expenditure of over £1m will have been incurred. A number of factors were responsible, including delays in plant delivery, works to rule and supply of inferior seaweed.

It has always been AIL's intention to be using all weed available in the Northern Hemisphere before embarking upon the Falkland Islands, and almost all is already being used with the exception of supplies from Iceland which are due to come on stream during 1975. These supplies are limited although the precise amount available will not be known until harvesting begins. The likelihood is, however, that Icelandic supplies will suffice only for AIL's planned expansion for two or three years, following which AIL has every intention of looking to the Falkland Islands for future supplies.

continued...

During the intervening period it is essential for AIL to establish for certain what is believed to be the case, namely that when other sources of seaweed for alginate manufacture are "top weight", the world will be prepared to pay the considerable extra cost of augmenting the supply of alginates by means of using weed obtained from the Falkland Islands.

Meanwhile the pilot work which is essential to the project continues to be carried out according to plan by AIL's staff resident in the Falklands.



RRM/mba  
21.11.74

627

# ALGINATE INDUSTRIES

L I M I T E D

DIRECTORS:  
 W. R. MERTON Chairman  
 R. R. MERTON Managing  
 THE HON. M. H. C. PERY Directors  
 R. CAMPBELL-PRESTON, O.B.E., M.C.  
 R. H. McDOWELL  
 D. L. BANKES  
 F. L. G. GRIFFITH-JONES  
 L. F. A. d'ERLANGER  
 R. F. d'ERLANGER  
 J. S. YORKE

22, HENRIETTA STREET, LONDON, WC2E 8NB

TELEPHONE:  
 01-836 0451/4.  
 01-836 0142/3.  
 01-836 0961/3.

TELEGRAMS:  
 "ALGINATES."  
 LONDON, W.C.2"

CABLES:  
 "ALGINATES, LONDON, W.C.2"  
 TELEX: 23815.



*CS,*  
 As to put Brief Report out as Esco inf paper  
 & available printed report to all Comdrom, pl.

22nd November, 1974

*3/29/16*

*AS* As above pl with 24/11

*Dear Governor,*

I enclose a brief report on our position in the Falkland Islands which I hope will be of interest to you.

I also enclose a copy of our Report and Accounts for last year, together with the Chairman's Statement accompanying the announcement of the half year's results from which you will see that despite the difficulties which all industry is experiencing at the present time we are still pushing ahead.

*Yours sincerely,*

*Ralph Lee. 184*

His Excellency E.G. Lewis Esq., C.M.G., O.B.E.,  
 Governor of the Falkland Islands,  
 Government House,  
 Falkland Islands,  
 South Atlantic.

RRM/mba



**CONFIDENTIAL**  
**EXECUTIVE COUNCIL**

INF 2/75

ALGINATE INDUSTRIES LIMITED

A brief report on the Company's position in the Falkland Islands which was made to the Governor (Mr. E.G. Lewis, CMG, OBE) towards the end of last year is circulated herewith for the information of Honourable Members.

The Secretariat,  
Stanley.

4th February 1975

REF: COM/29/2/II

Com/29/2

629

# ALGINATE INDUSTRIES

L I M I T E D

22, HENRIETTA STREET, LONDON, WC2E 8NB

DIRECTORS:  
 W. R. MERTON Chairman  
 R. R. MERTON Managing  
 THE HON. M. H. C. PERY Directors  
 R. CAMPBELL-PRESTON, O.B.E., M.C.  
 R. H. McDOWELL  
 D. L. BANKES  
 F. L. G. GRIFFITH-JONES  
 L. F. A. d'ERLANGER  
 R. F. d'ERLANGER  
 J. S. YORKE



TELEPHONE:  
 01-836 0451/4  
 01-836 0142/3  
 01-836 0961/3  
 TELEGRAMS:  
 "ALGINATES"  
 LONDON, W.C.2  
 CABLES:  
 "ALGINATES, LONDON, W.C.2"  
 TELEX: 23815.

Our Ref: DGJ/PAB:

21st January 1975

The Colonial Secretary,  
 Port Stanley,  
 Falkland Islands,  
South Atlantic.

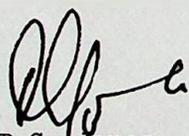


Dear Sir,

I have pleasure in enclosing herewith our cheque for £2,501 being:

- 1) Licence fee in accordance with paragraph 2 of the Licence dated 20th September 1972 for the year ending 19th September 1975,
- 2) The minimum sum payable under Clause 5(a) of the same Licence £2,500 for the year ending 31st December 1974.

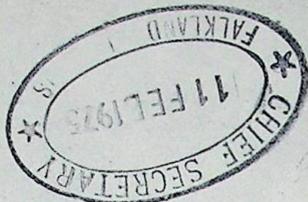
Yours faithfully,  
 For and on behalf of  
 ALGINATE INDUSTRIES LIMITED

  
 D.G. Jones,  
Secretary.

LONDON



THE CUSTOMER ALWAYS TO BE SERVED



620

C.S.

You have seen? This has  
headed to me by the  
A.L. directors before lunching  
me very heavily and relatively  
at the Survey!

cc MP, AHS

See(627)

3/2

22nd November, 1974

I enclose a brief report on our position in the Falkland Islands which I hope will be of interest to you.

I also enclose a copy of our Report and Accounts for last year, together with the Chairman's Statement Accompanying the announcement of the half year's results from which you will see that despite the difficulties which all industry is experiencing at the present time we are still pushing ahead.

His Excellency E.G.Lewis Esq., C.M.G., O.B.E.,  
Governor of the Falkland Islands,  
Government House,  
Falkland Islands,  
South Atlantic.

RRM/mba

*is this realistic?*

During the intervening period it is essential for AIL to establish for certain what is believed to be the case, namely that when other sources of seaweed for alginate manufacture are "top weight", the world will be prepared to pay the considerable extra cost of augmenting the supply of alginates by means of using weed obtained from the Falkland Islands.

Meanwhile the pilot work which is essential to the project continues to be carried out according to plan by AIL's staff resident in the Falklands.

*Falklands*

RRM/mba  
21.11.74

Continued...

DM

(629) Cash cheque pt  
through our cash book  
but before making out  
receipt check up on licence

DM

13/2

Cheque handed  
to Financial Secretary  
and entered through treasury  
records. (DM)

# ALGINATE INDUSTRIES

LIMITED

22, HENRIETTA STREET, LONDON, WC2E 8NB

DIRECTORS:  
W. R. MERTON, Chairman.  
R. R. MERTON,  
R. CAMPBELL-PRESTON } Managing  
O. B. E. M. C. } Directors  
R. H. McDOWELL,  
D. L. BANKES,  
F. L. G. GRIFFITH-JONES,  
M. H. C. PERY,  
R. F. d'ERLANGER.



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"ALGINATES,  
LONDON, WC2"  
CABLES:  
"ALGINATES, LONDON, WC2"  
TELEEX: 23815.

631  
to head office  
4/2  
RECEIVED IN  
REGISTRY No. 41  
3rd February 1975 FEB 1975  
HWF 7/1

AHS/BC

D.G.F. Hall Esq.,  
West Indian & Atlantic Department,  
Foreign and Commonwealth Office,  
London, S.W.1.

Dear David,

Mr. Merton has handed me the enclosed copies of correspondence from Port Stanley, with the suggestion that I pass them on to you.

He would like to know if you could kindly find out who is responsible, and why.

Yours  
Alan



Registered in England (No. 285993) Registered Office 22 Henrietta Street, London WC2E 8NB

631a  
(53)  
RRM

# ALGINATE INDUSTRIES

H2F711

LIMITED

BOX 214, PORT STANLEY, FALKLAND ISLANDS.

SOUTH ATLANTIC

TELEPHONE 220

HEAD OFFICE:  
22, HENRIETTA STREET,  
LONDON, W.C.2.  
ENGLAND

DIRECTORS:  
W. R. MERTON, Chairman  
R. R. MERTON,  
R. CAMPBELL-PRESTON, } Managing  
                                  } Directors.  
                                  } O.B.E., M.C.  
A. C. W. NORMAN, O.B.E.  
R. H. McDOWELL  
D. L. BANKES,  
THE RT. HON. THE VISCOUNT  
STUART OF FINDHORN,  
P.C., C.H., M.V.O., M.C.  
F. L. G. GRIFFITH-JONES  
M. H. C. PERY



25th January 1975.

J F Drew Esq.  
A.I.L. Girvan,

Dear John.

Please find enclosed details of another slight on our company; or at least that is the only way I can construe it, and I am not alone in this opinion locally.

I do not for the moment think that it is anything to do with Arthur Monk himself as we get on very well and has spent more than one evening in our company in mutual harmony, but think that there is someone along the line who is responsible, as last year we were omitted from a list of guests requested by the officers of HMS Endurance on the occasion of a party on board this vessel, and the Eng Lt Commander asked us why we had not turned up as he himself had invited us. This list was passed to the Secretariat from where the invitations were issued, but I was unable to get to the bottom of it, and neither was he as the ship sailed soon afterwards.

The letter to the Acting Governor I will be delivering by hand today, and I do not think that there is anything offensive therein.

In a small place like this, everything is noted by all concerned, and the published list makes the omission blatantly obvious.

Sorry to have to keep harping on this sort of thing, and trust that I am given credit for being at least partly right in my action which I have pondered over fairly well.

Yours sincerely

D F Gooch.



COPY J.F.D

6316 (w3)

HWF7/1

# ALGINATE INDUSTRIES

LIMITED

BOX 214, PORT STANLEY, FALKLAND ISLANDS,  
SOUTH ATLANTIC  
TELEPHONE 220

HEAD OFFICE:  
22, HENRIETTA STREET,  
LONDON, W.C.2.  
ENGLAND

DIRECTORS:  
W. H. MERTON, Chairman  
R. H. MERTON  
R. CAMPBELL-PRESTON, } Managing  
                                  } Directors.  
                                  } O.B.E., M.C.  
A. C. W. NORMAN, O.B.E.  
R. H. McDOWELL  
D. L. HANKES  
THE RT. HON. THE VISCOUNT  
STUART OF FINDHORN,  
P.C., C.H., M.V.O., M.C.  
F. L. G. GRIFFITH-JONES  
M. H. C. PERY



25th January 1975

A J P Monk Esq.  
Acting Governor. Falkland Islands.  
Government House.  
Stanley.

Dear Acting Governor.

It is with regret that I feel compelled to call to Your Excellency's notice that which constitutes what is little short of an affront to the company which I have the honour to represent in the Falkland Islands.

Our non-inclusion in the list of invited public to be present at the Oath-taking ceremony next Monday of the Governor Designate; the only organisation not being represented is Alginate Industries Ltd; is we trust, an error in the compilation of said list.

I have the honour to remain Sir, Your Excellency's most obedient servant.

D F Gooch.  
Colonial Manager.



1968

THE BRITISH EMPIRE IS PROTECTED

631c (W3)

HWF7/11

Copy of Invitation (A non-starter for AIL)

The Acting Governor presents his Compliments  
and has the honour to request the Company of

-----

at the Publication of the Governor's Commission and  
taking of Oaths requested by Letters Patent under the Great  
Seal of the Realm, in the Council Chamber at Stanley at 2-15pm  
on the 27th January 1975.

Admission by this card only.

Dress: Gentlemen Lounge Suits.  
Ladies Hats and Gloves.



(Copy of list sent to invited guests)  
(Occupation in red)

APENDIX V

The Secretariat.  
Stanley.

January 24th 1975

Dear Sir/Madam.

The following list shows your position in the introduction line in the Town Hall at the end of the ceremony of the swearing-in The Governor in the Legislative Chamber, which is expected to be during the afternoon of Monday, 27th January 1975.

H Rowlands	The Honourable The Financial Secretary
Councilor	Mrs R V Goss.
Councillor	The Honourable W E Bowles and Mrs Bowles.
Councillor	The Honourable S Miller JP and Mrs Miller.
Councillor	The Honourable L G Blake JP and Mrs Blake
Councillor	The Honourable R M Pitaluga and Mrs Pitaluga.
Councillor	The Honourable A B Monk JP and Mrs Monk.
Councillor	The Honourable W R Luxton and Mrs Luxton.
Widow of AG.	Mrs A G Barton.
Canon.	Rev P J Helyer and Mrs Helyer.
St Mary's	Rt Rev. Monseignor D Spraggon MBE.
Utd Free Chch.	Rev. R Forrester and Mrs Forrester.
Ass. Col. Sec.	Mr D R Morrison and Mrs Morrison.
Ch. Med.	Dr J H Ashmore OBE. and Mrs Ashmore.
FIC.	Mr HM Milne and Mrs Milne.
Magistrate	Mr H Bennett JP and Mrs Bennett.
Education.	Mr B Stocks and Mrs Stocks.
PWD.	Mr B Turner and Mrs Turner.
BAS	Mr E C J Clapp and Mrs Clapp.
Gov. Airservice.	Mr J Kerr MBE and Mrs Kerr.
Johnston Constr.	Mr J Corlett and Mrs Corlett.
Rendel Palmer & Trit.	Mr B Ashfield and Mrs Ashfield.
Postmaster.	Mr H T Luxton and Mrs Luxton.
Cable and Wireless.	Mr R Roden and Mrs Roden.
Harbourmaster.	Mr L J Halliday and Mrs Halliday.
Printer.	Mr V T King and Mrs King.
Ch of Police wife.	Mrs T J Peck.
Retired Librarian.	Miss M Biggs MBE.
Shopkeeper.	Mr H L Bound MBE JP and Mrs Bound.
Gov Airservice.	Mr I T Campbell MBE and Mrs Campbell.
Bas.	Mr R D Clements and Mrs Clements MBE.
RSRS.	Mr G M Johnston MBE and Mrs Johnston.
MV Forrest.	Capt. D J Sollis BEM and Mrs Sollis.
???	Mrs A G McAskill BEM.
Retired farmer.	Mr C H Robertson JP.
Retired Farmer	Mr K W Luxton JP.
Retired Dulce far niente	Mr E J Bound ED. JP.
Retired farmer	Mr W H Clement JP.
Retired	Mr RL Robson JP and Mrs Robson.
Farmer's widow.	Mrs C Luxton JP.
Schoolmaster.	Mr S A Booth and Mrs Booth JP.
Retired Farmer and seaman.	Mr W H Goss JP and Mrs Goss.

Please be in your places in the Council Chamber for the swearing-in ceremony before 2 o'clock.

R Browning  
(For Ch Secretary)

632



**Foreign and Commonwealth Office**  
London SW1A 2AL

Telephone 01-

A J P Monk Esq  
Chief Secretary  
FALKLAND ISLANDS

Your reference

Our reference HWF 7/1

Date 7 February 1975

*Dear Arthur*

1. I enclose copies of a letter and its attachments which has been sent to us by Alginate Industries.
2. We do not, of course, question your composition of the guest list for the Swearing-in ceremony of the new Governor. Nor do we think too much time and labour should be spent in answering "complaints" of this kind. However, it would be only courteous for us to answer Mr Stewart's letter, and we should be glad if you would provide us with the information to do so.
3. I imagine this is a simple case of accidental omission.

*Yours ever*  
*May*

M E Hunt (Miss)  
West Indian and  
Atlantic Department

Enc

633

Ref: COM/29/2

26th February

75

Miss M. Hunt,  
West Indian & Atlantic Dept.,  
Foreign & Commonwealth Office,  
London SW1 2SA

Dear *Mary*

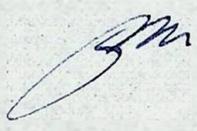
~~631~~

Thank you for your letter HWF 7/1 of 7th February. What a to-do Gooch seems to be making over a trivial matter. Mind you, he has very little else to do out here these days.

2. In fact, Gooch did receive an invitation to the ceremony as soon as I saw the draft list and that he had not been included, so that all was well in the outcome.

3. I will overlook the gratuitousness of Gooch's letter to Drew.

Yours ever,



A.J.P. Monk  
Chief Secretary

21st March, 1975.

Dear Sir,

Thank you for your letter DGJ/PAB of 21st January, 1975 to the Colonial Secretary.

A receipt for the sum of £2500 payable under Clause 5(a) of the Licence in respect of the year ended 31st December, 1974 is enclosed.

It is observed that you forwarded the Licence fee of £1 in respect of the period ending 19.9.75 under cover of your letter SM/JW/12706 of 16th September, 1974 and a draft for £1 is therefore enclosed in respect of the duplicate made under cover of your letter of 31st January, 1975.

Yours faithfully,



FINANCIAL SECRETARY

D.J. Jones, Esq.,  
Secretary,  
Alginat Industries Ltd.,  
22 Henrietta Street,  
LONDON WC2E 8NB.

HTR/LML

635

**A/S K Ø B E N H A V N S P E K T I N F A B R I K**

(THE COPENHAGEN PECTIN FACTORY LTD.)

DK 4623 LILLE SKENSVED

DENMARK

TELEPHONE: (03) 88 92 10 \*

REG. NO. 30 320  
**KN/GL**



REGISTERED TRADE MARK

TELEGRAMS:

PEKTINKOED: LILLESKENSVED

TELEX: 43572

TELEX REPLY: GENU DK

LILLE SKENSVED April 30, 1975

The Falkland Islands Company, Limited  
Port Stanley  
The Falkland Islands

Att.: Mr. A. Sloggie, Colonial Manager

Dear Mr. Sloggie,

You may recall that we had exchange of correspondence a couple of years ago on our interest in seaweeds in your area. At that time you mentioned that to your knowledge only Iridium was available and in so small quantities that it was commercially uninteresting. Kindly let us know if this still is the position.

We are not sure if Alginate Industries have established themselves with a permanent Kelp harvesting organization, and if so things might have changed since we wrote you last. Of what importance is really the Kelp Industries in the Falkland Islands if it has been permanently established?

I hope we may be favoured with your reply and thank you so much for your kind assistance.

Yours faithfully,  
A/S K Ø B E N H A V N S P E K T I N F A B R I K

Keld Nielsen

630

# The Falkland Islands Company, Limited.

( INCORPORATED BY ROYAL CHARTER 1851. )

AGENTS FOR LLOYDS.

REGISTERED 1902

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

HEAD OFFICE:  
94A WHITECHAPEL HIGH STREET  
LONDON E1 7QY

*Stanley,*  
FALKLAND ISLANDS.

12th June, 1975.

CONFIDENTIAL

A.J.P. Monk Esq.,  
Secretary,  
Stanley.



Dear Arthur,

I am hearing various rumours regarding Alginates and have been informed by Fred Gooch that they have stopped work for the moment as there has been a cut back of £750,000 in the expenditure budget of his company.

In view of the above I am enclosing a letter received from the Copenhagen Pecton Factory Ltd. which might be of interest to you.

I have replied to this letter stating that I have passed it to you and also stating that no doubt you will get in touch with them.

I hope that the outcome may be interesting.

Yours sincerely,

*Handwritten signature*

*Handwritten notes:*  
FCS  
P. act. m.  
S. 16/6

HMM/ra

*Handwritten:* Ach. 17/6.

# ALGINATE INDUSTRIES

LIMITED

DIRECTORS:  
W. R. MERTON, Chairman,  
R. R. MERTON,  
R. CAMPBELL-PRESTON, } Managing  
                                  } Directors.  
                                  } O.B.E., M.C.  
A. C. W. NORMAN, O.B.E.  
R. H. McDOWELL,  
D. L. BANKES,  
THE RT. HON. THE VISCOUNT  
STUART OF FINDHORN,  
P.C., C.H., M.V.O., M.C.  
F. L. G. GRIFFITH-JONES.

22 HENRIETTA STREET, LONDON, W.C.2.

From: 120 George Street, Oban, Argyll.



TELEPHONE:

01-836 0451/4.

01-836 0142/3.

TELEGRAMS:

"ALGINATES, LONDON, W.C.2"

CABLES:

"ALGINATES, LONDON, W.C.2"

BENTLEY'S SECOND PHRASE.

TELEX. 23815.

Private.

27th November, 1970.

F. Gooch, Esq.,  
Alginate Industries Ltd.,  
P.O. Box 214,  
Stanley, Falkland Islands.

Dear Fred,

This is just to let you know, subject to Board approval next month, your salary as from 1st January '71 will be £2,420. This comprises a salary increment of £200 plus a payment of 10% of your new salary in lieu of your being over age for inclusion in the Company's Pension Scheme.

You may remember that I mentioned to you that A.I.L. operated a non-contributory Pension Scheme for Staff who have been with the Company for at least a year. However, there is an upper age limit of 55 for inclusion in this Scheme and the Board has agreed to pay you direct 10% of your salary being equivalent to the sum which the Company would have contributed towards your Pension had you been eligible for the Scheme.

As far as your housing is concerned, we agreed to subsidise your Mortgage or loan interest up to a maximum of £250 per year. Could you please let me have the details of your arrangement and I will arrange with D.G.J. to make the necessary payments.

Yours,



# ALGINATE INDUSTRIES LIMITED

## MEMORANDUM

653

From: F Gooch.

To: H.E. The Governor, Falkland Islands

23rd June 1975.

The attached is the original communication received from the Hon M H C Pery referring to the arrangement made in lieu of the Company's pension scheme for which I do not qualify.

This is the paper referred-to in our conversation earlier today.



D F Gooch

C.S.

Recd (cont'd in the)  
letter of Gooch's earlier  
submission to me about his pension  
which I passed to you for a recommendation  
25/6

30

639

# ALGINATE INDUSTRIES

LIMITED

BOX 214, PORT STANLEY, FALKLAND ISLANDS,  
SOUTH ATLANTIC  
TELEPHONE 220

DIRECTORS:  
W. R. MERTON, Chairman.  
R. R. MERTON.  
R. CAMPBELL-PRESTON, } Managing  
                                  } Directors.  
                                  } O.B.E., M.C.  
A. C. W. NORMAN, O.B.E.  
R. H. McDOWELL.  
D. L. BANKES.  
THE RT. HON. THE VISCOUNT  
STUART OF FINDHORN,  
P.C., C.H., M.V.O., M.C.  
F. L. G. GRIFFITH-JONES  
M. H. C. PERY

HEAD OFFICE:  
22, HENRIETTA STREET,  
LONDON, W.C.2.  
ENGLAND



18th June 1975

H E Excellency The Governor.  
Falkland Islands.

Self Contributory Pension

Dear Governor.

I beg to submit my case to Your Excellency which concerns my claim for Income Tax relief in respect of payment made into what constitutes a self-contributory pension fund which I maintain should come under the heading of Section 17 of the Income Tax ordinance, subject to Your Excellency's approval.

As I was informed upon taking up residence in the Falklands, I was too old to contribute to the old age pension scheme, and likewise for the same reason I do not qualify for my company's excellent non-contributory pension scheme. But the company very decently pay me what would be their contribution to my pension fund, and this I invest in a savings bond with Abbey National which realises in five years from commencement of contributions starting, which coincides with my retiring at 65.

My claim is exemption on £20 per month which is invested in this provision for old age, but unfortunately so far this has not been admitted as being in accordance with section 17 of the Tax Ordinance, and I would greatly appreciate Your Excellency's views on this issue.

I, have the honour to remain,  
Your Excellency's most obedient servant.

D F Gooch.

C.S.  
— Would you please arrange for  
this claim to be studied, and  
recommend. At first sight it does appear  
to have some merit. *at*, 18/6.



THE QUEEN'S AWARD TO INDUSTRY

Our Ref: CON/29/2

1st July,

75

D. F. Gooch, Esq.,  
Alginat Industries Ltd.,  
P.O. Box 214,  
Port Stanley.

PERSONAL & CONFIDENTIAL

Dear Sir,

His Excellency has passed me your communications to him about your position under our Income Tax Law.

It is the normal and established procedure for His Excellency to be addressed through the Chief Secretary and I am sure you will not mind my pointing this out as you may wish to use this channel on future occasions so that it should speed the action to be taken.

I have referred your papers to the Commissioner for Income Tax and asked him to reply to you personally, under confidential cover.

I am, Sir,  
Your Obedient Servant,

A.J.P. Monk,  
Chief Secretary

COM/24/2

641

# ALGINATE INDUSTRIES

LIMITED

DIRECTORS:  
 W. R. MERTON, Chairman  
 R. R. MERTON  
 R. CAMPBELL-PRESTON, } Managing  
                                   } Directors.  
                                   O. B. E., M. C.  
 A. C. W. NORMAN, O. B. E.  
 R. H. McDOWELL  
 D. L. BANKES  
 THE RT. HON. THE VISCOUNT  
   STUART OF FINDHORN,  
   P. C., C. H., M. V. O., M. C.  
 F. L. G. GRIFFITH-JONES  
 M. H. C. PERY

BOX 214, PORT STANLEY, FALKLAND ISLANDS,  
 SOUTH ATLANTIC  
 TELEPHONE 220

HEAD OFFICE:  
 22, HENRIETTA STREET,  
 LONDON, W.C.2.  
 ENGLAND



16th July 1975

Re CON/29/2

A J P Monk.  
 Chief Secretary.



Dear Sir.

I thank you for your letter of the 1st July which I received upon my return to the Colony this week, and I stand corrected in my having not approached His Excellency through your goodself.

However, as according to the wording of Section 17 of the Income Tax Ordinance, this matter is subject to the approval of the Governor and I had already on two previous occasions submitted my case without it having reached this level for consideration, I this time made so bold as to make a direct approach, for which I tend my humble apologies to you.

The first application for tax relief on this money was made in 1972, and it was not until the current year that I was able to buy a copy of the Tax legislation when I made my third attempt to have my self-contributory pension scheme claim reviewed for absolution under Section 17 ruling. Thus I passed the details direct to His Excellency and would be very grateful if you would very kindly extend my apologies to H.E.

I am Sir.

Yours faithfully.

D F Gooch.



THE QUEEN'S ARMS TO INDUSTRY

COM/29/2

642

7th August, 1975.

Dear Sir,

Please refer to the Chief Secretary's letter COM/29/2 of 1st July and to your letter of 16th July, on the subject of Income Tax.

I have studied the information you have submitted. The £20 per month which you invest with Abby National would not appear to come within Section 17 of the Income Tax Ordinance as it is not an insurance premium nor is it a contribution to a pension or similar fund.

Yours faithfully,

Commissioner of Income Tax

F. Gooch Esq.,  
Alginat Industries Ltd.,  
PO Box 214,  
STANLEY.

cc: The Chief Secretary

COPY

643

ALGINATE INDUSTRIES  
LIMITED

22 Henrietta Street  
London WC2E 8NB

HE Mr N A I French MVO  
Government House  
Falkland Islands  
South Atlantic

17 July 1975

Dear Governor

I am writing to let you know how we stand with regard to our plans to establish a seaweed supply base in the Falkland Islands with special reference to our plans for the immediate future.

We have now successfully concluded our research and development programme but in view of the uncertain future of the Falkland Islands, coupled with the fact that the world is experiencing a severe slump which affects us along with every other industry, we shall not be proceeding in the Falkland Islands to our next development stage of the preproduction plant for the time being.

Moreover, our policy will continue to be one of obtaining the maximum amount of raw material from more accessible and less expensive sources in the hope that by the time we need supplies from the Falklands the position regarding sovereignty will have been resolved.

As no more experimental work is required we propose to close down our small establishment at Stanley, leaving one member on a part-time basis, if he is agreeable, to act as caretaker of the Company's property. To the remaining three we propose to offer employment at our factories in Scotland, during the interval before we resume our Falkland Islands programme.

As a business man my chief fear in connection with the question of sovereignty is that, if for any reason the Falkland Islands were to become Argentinian, the population might well quit the islands "en bloc" and we might well find ourselves operating on the equivalent of a North Sea Rig.

Yours sincerely,

R R MERTON (sgd)

1044

R R Merton Esq  
Algirite Industries Limited  
22 Henrietta Street  
London WC2E

*L.S.  
see spec. for file  
and mention with  
4 August 1975*

*copy of  
Merton's letter) at Edin. in  
14/8: it is a pity of course  
not refer to the stage to  
Economic Survey  
2/8*

Dear Mr Merton,

I am sorry that your letter of the 17 July did not convey more cheering news of your Company's operations in the Falkland Islands at least in the near future. However, I was glad to note that you intend to keep a toe-hold in the Islands in the shape of a part time caretaker and that the general implication of your letter is that you will be keeping your position here under constant review.

I shall be putting your letter to my Executive Council later this month, and if they have any comments of significance which could usefully be passed on to you I shall arrange for this.

Meanwhile I would only say with regard to your final paragraph that it would surely be in no-one's interest, whether Her Majesty's Government, the Argentine Government or the Falklanders themselves to allow things to get so far out of hand as to lead to an abandonment of the Colony where so much has been achieved over the last century or so against tremendous odds *of* geography and climate.

Many thanks for writing as you did.

Yours sincerely,

N A I French  
GOVERNOR

CC. D. G. F. Hall Esq. MBE  
LAD.  
FLO.

645

CS

ALGINATE INDUSTRIES LTD

1. I attach a letter addressed to me by the Chairman of Alginate Industries Ltd (Mr Merton) and a copy of my acknowledgement.
2. You will see that I have told him that I intend to put this to Executive Council on 14 August, and to let him know if Council has any comments of significance.
3. Would you please arrange to include this in the Agenda.
4. I have already discussed the letter with Mr Gooch who is apparently agreeable to acting as "caretaker" of the Company's property in the Falklands.

Done

N A I French

6 August '75

100

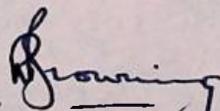
EXTRACT FROM MINUTES OF EXECUTIVE COUNCIL MEETING NO. 10/75  
HELD ON THURSDAY, 14TH AUGUST 1975.

COM/29/2

12.6 Alginat Industries Limited

Mr. R. R. Merton's letter of 17th July 1975, and His Excellency's reply of 2nd August 1975, were read out to Council. It was recognised that the matter of A.I.L.'s licence would possibly need reviewing after the Economic Survey Team had submitted its recommendations. Council advised that the Team might with advantage seek from the F.C.O. useful background information regarding the kelp industry and Alginat's licence.

In the meantime, a paper with a precis of the licence issued to Alginat Industries Ltd., would be prepared for the next meeting of Council.



CLERK OF COUNCIL

CONFIDENTIAL

MINUTE NO 11

Reference.....

647

CS

Mr F Gooch

1. About a month ago Mr F Gooch submitted to me a case for his pension contributions to a pension scheme operated by Alginate Industries Ltd to be exempted from local income tax.
2. I sought your comments and advice on this. May I know where this stands to enable me to send a substantive reply to Mr Gooch?



N A I French

21 July 1975

COM/29/2

CS - This file is with you  
and I believe it has the  
correspondence re Mr F Gooch in it

UPD 22/7

FS  
You have the papers, right?  
M  
B 23/7

B. S.

I have not replied to Mr Good  
and returned the file to your Office.

ad  
11/8/75

648

Alginate Industries Limited  
Record of Growth from 1967- 1974

<u>Year</u>	<u>Turnover</u>		<u>Shareholders Funds.</u>	
	<u>£000</u>		<u>£000</u>	
1967	1,991	= 100	984	= 100
1968	2,587	130	1,150	117
1969	2,751	138	1,284	130
1970	3,239	163	1,459	148
1971	3,748	188	1,669	170
1972	4,641	233	1,896	193
1973	6,277	315	3,832	389
1974	8,732	439	4,455	453

Note: Shareholders Funds comprise share capital and reserves and the increase in 1973 takes account of the proceeds of the share issue and the surplus on valuation of properties.

DGJ/RRM/mba  
13.8.75

Alginate Industries Limited

Expenditure in the Falkland Islands 1970 to date

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	1975 to June 30	Total 1970 to 1975 June 30.
	£	£	£	£	£	£	£
<u>Capital Expenditure</u>							
Buildings	-	-	-	3,800	10,000	100	13,900
Plant and Equipment	21,200	600	3,900	16,000	4,500	-	46,200
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Capital Expenditure	21,200	600	3,900	19,800	14,500	100	60,100
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Revenue Expenditure</u>							
Surveys	-	-	-	9,000	17,100	-	26,100
Pilot Plant Operating and other costs	5,000	7,000	12,600	15,700	22,700	7,600	70,600
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenue Expenditure	5,000	7,000	12,600	24,700	39,800	7,600	96,700
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Grand Total	<u>£26,200</u>	<u>7,600</u>	<u>16,500</u>	<u>44,500</u>	<u>54,300</u>	<u>7,700</u>	<u>156,800</u>

Notes on the Value of Seaweed

1. Seaweed at the cost involved in obtaining it from the Falkland Islands is only of value to the alginate manufacturer and it is at present in surplus supply in the world.
2. The capital sum involved in setting up a weed supply base in the Falklands on the minimum economic scale amounts to at least £3,500,000 excluding working capital. A single harvesting craft costs at least £ $\frac{1}{2}$ m.
3. It follows that it would be impossible for any independent operator unconnected with the alginate industry to produce economically in the Falkland Islands.
4. If, for instance, AIL were to go ahead in the Falklands prematurely and find itself in possession of any quantity of seaweed surplus to its requirements, there is no market outlet for its disposal at even a fraction of the cost of weed from the Falkland Islands.

RRM/mba  
23.9.75

COM/29/2

644

Message from Alginate Industries Limited  
to the Inhabitants of the  
Falkland Islands

The original survey of the seaweed beds of the Falkland Islands carried out in 1947 was, of course, totally premature. It did however encourage Alginate Industries to build up a world wide Alginate Industry during the next 20 years, in the knowledge that there existed in the Falklands a reserve seaweed supply which could ultimately be made use of.

In 1967 it was decided that it was time to renew the Company's interest in Falkland Islands seaweed and arrangements were made for samples of seaweed to be collected regularly and sent back for analysis. It was stressed at the time

"that there was no immediate prospect of proceeding with this project so long as our existing and much cheaper sources of supply suffice for our requirements. Nevertheless the growth of our industry and the possibility of a sudden and unexpected demand makes it desirable that we should now re-examine and bring up to date our findings of twenty years ago."

(Extract from letter to the Colonial Secretary,  
7th September, 1967.)

This has been the position ever since with one additional and important factor.

Since December 1968 when the British Government sent Lord Chalfont on a mission to the Falkland Islands in connection with their future sovereignty the political situation has become steadily more hazardous from the point of view of the would-be investor, until very recently when application was made for the Islands to become associated to the E.E.C.

continued...

During this period, as will be well known in the Islands, AIL has pursued the matter of Falkland Islands seaweed with very considerable energy and at considerable expense, carrying out extensive pilot plant work and employing highly sophisticated consultants to determine both feasibility and cost.

At the same time, however, against the background of mounting political uncertainty it was necessary to make quite sure that every scrap of usable seaweed from nearer and cheaper sources was made available until such time as a solution to the political uncertainty might be found.

The result has been that the Icelandic Government has been persuaded to set up a weed supply base from which it will shortly supplement the Company's supplies of seaweed; and a small venture has been embarked upon in an island off the coast of Tasmania where supplies of a relatively obscure seaweed with a very high alginate content are washed ashore.

In spite of the Company's success in thus extending its cheaper raw material supplies, it would still be necessary to take steps to start up in the Falklands in the near future were it not for the world slump which began in 1974. As it is, the whole programme upon which the Company was working has had to be postponed.

From the Company's point of view this may be just as well because the political situation in the Falklands has not yet been resolved. Until such time as it has been resolved it is virtually unthinkable that anyone will be prepared to invest the sums of money, running into many millions of pounds, which will be required.

Supposing that the political situation is resolved as a result of association with the E.E.C., it will nevertheless be necessary to await a recovery from the world slump before demand for alginates once more looks like overtaking production from established sources of seaweed raw material supply.

For this reason it has been decided to put our affairs in the Falkland Islands on a Care and Maintenance basis for the time being, with a view to resuming operations at the appropriate time which it is hoped will not be in the too distant future.

continued...

A copy of the Company's most recent Report and Accounts has been sent to the Public Library at Stanley and to it have been attached the following:-

1. A record of A.I.L's growth from 1967 to 1974.
2. A record of the sums of money spent annually by AIL over the past five years in the Falkland Islands.  
(Further very considerable sums have, of course, been spent in the U.K. in connection with the project.)
3. Notes on the value of seaweed.

RRM/mba  
23.9.75

Chief  
XXXXXX

150

14th October, 1975

Our Ref: COM/29/2

CONFIDENTIAL

F. Gooch, Esq.,  
Alginate Industries Ltd.,  
Stanley.

I have received a copy of a statement from A.I.L. to the inhabitants of the Falkland Islands.

I understand that you have discussed this with His Excellency the Governor and that H.E. has, in fact, a copy of the message.

I should be most grateful if you will please let me know the text of the final statement and how it is proposed to publicise this if you feel it necessary.

Incidentally, there are certain passages in the statement which seem to me to be rather out of date or are over-taken by other events. It is also the first intimation I have seen that A.I.L. had embarked on a venture off the coast of Tasmania.

Should you wish, I would be only too glad to discuss the content of the message with you at your convenience.

A.J.P. Monk  
CHIEF SECRETARY



52

AS  
Pl. note 11  
5/11

Pl. note  
Alginates file  
BU for  
Calc. on 17/11

Message from Alginate Industries Limited  
to the Inhabitants of the  
Falkland Islands.

It would appear that there is a mistaken  
impression among some Falkland Islanders that the  
British Government has guaranteed Alginate Industries  
against any loss arising from the political risk  
that the Islands might cease to be British.

Although such a guarantee was requested by  
Alginate Industries, it was refused by Mr. Julian  
Amery who was Secretary of State at the time of the  
request.

Or impossible  
to give.  
yes  
no

The mistaken impression may have its origins in  
the fact that the feasibility study made on behalf  
of the Company was carried out under the terms of a  
Bill passed in 1972 and designed to encourage Pre-  
Investment Studies in developing countries.  
According to this, certain monies are recoverable if  
for any reason a project is not proceeded with after  
investigation.

Not the spirit of a risk-taker! Where would most  
companies be today if they expected guarantees in advance?

RRM/mba  
31.10.75

✓  
But the ECGD Insurance Scheme was I  
believe prepared to underwrite the venture.  
5/11

# CONFIDENTIAL

## EXECUTIVE COUNCIL

No. 76/75

Previous ref: Minute 12.6  
of Meeting 10/75.

### ALGINATE INDUSTRIES LIMITED

See 56

Council asked for a precis of the content of the Licence issued to Alginate Industries Limited.

2. Alginates' activities in the Colony are covered by three documents, as follows:

- i. An Agreement dated 20 September 1972 between His Excellency the Governor and Alginate Industries Limited;
- ii. A Licence dated 20 September 1972 between His Excellency the Governor and Alginate Industries Limited, issued in accordance with the Kelp Ordinance 1970 as amended, and
- iii. A Letter from His Excellency to Alginate Industries Limited dated 2 November 1973 varying the conditions of section 4 of the Licence.

3. The Agreement provides for Alginate Industries Limited to apply for an exclusive licence for the harvesting and manufacturing of Kelp in specified parts of the Colony. It protects them from competition by giving them the right of first acceptance for such licences in any area of the Colony's waters. The Agreement also covers such things as the drawing of water from the Murrell River or other convenient source of supply, and grants them way-leaves for water supply pipes.

4. The Licence grants to Alginate Industries Limited an exclusive licence to process and export kelp at an annual licence fee of £1 within a prescribed "concession area" as follows: i.e. bounded -

- (i) on the North West by the line joining point A at 51 degrees 32 minutes South 57 degrees 41 minutes West and point B at 52 degrees 06 minutes South 60 degrees 11 minutes West;
- (ii) on the East by the line of longitude 57 degrees 41 minutes West; and
- (iii) on the West by the line of longitude 60 degrees 11 minutes West.

5. The Licence contains a provision (clause 4(b) ) for the Governor to revoke the exclusivity of the licence if Alginate Industries Limited fail to produce an annual average of less than 4,000 metric tons of dry and milled kelp (dmk) during the sixth and seventh years of the licence (i.e years ending 21/9/78 and 21/9/79), or if Alginate Industries Limited fails to achieve an annual average production of 8,000 metric tons in the eleventh and twelfth years of the licence (i.e. years ending 21/9/83 and 21/9/84) - but see para 7 below.

6. Under the terms of the Licence Alginate Industries Limited pay £1.90 for each metric ton of dmk produced, with a minimum payment of £2,500 a year. This is increased by 20p per metric ton for each ton in excess of 8,000 metric tons produced annually. These fees became payable in 1974 and their basis is fixed for the first five years of the fee-paying period (i.e. up to 1979), after which they are then (and every 5 years thereafter) adjusted in relation to the UK Wholesale Price Index.

*il ending 21.9.78*

7. The letter amends clause 4(b) of the Licence and limits the powers of His Excellency to revoke the exclusivity of the licence to conditions where he is not satisfied that Alginate Industries Limited is actively pursuing the occupation of harvesting of kelp and has, during the sixth and seventh years of the licence failed to incur expenditure of at least £2m on construction, plant and equipment in the Colony.

8. The Letter also requires AIL to pay, from the date of the fifth anniversary of the date of the licence (i.e. from 21/9/77) the royalty which would have been payable if the production had been 4,000 tons per annum (i.e. £7,600 p.a.)

Secretariat,  
Stanley.

4th December 1975

Ref: COM/29/2

COM/29/2

54

# ALGINATE INDUSTRIES

L I M I T E D

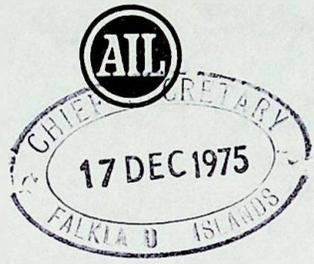
DIRECTORS:  
 W R MERTON Chairman  
 R R MERTON Managing  
 THE HON. M. H. C. PERY Directors  
 R CAMPBELL-PRESTON, O.B.E., M.C.  
 D L BANKES  
 F L G GRIFFITH-JONES  
 R F d'ERLANGER  
 J S. YORKE  
 C T BLOOD

22, HENRIETTA STREET, LONDON, WC2E 8NB

TELEPHONE  
01-240 5161

TELEGRAMS:  
"ALGINATES"  
LONDON, W C 2

CABLES:  
"ALGINATES, LONDON, W.C.2"  
TELEX: 23815



Your Ref:  
 Our Ref: SM/MB/15364

25th September 1975

The Colonial Secretary,  
 Port Stanley,  
 Falkland Islands,  
 South Atlantic.

Dear Sirs,

We have pleasure in enclosing herewith our cheque for  
 £ 1-00 in respect of: Annual Fee.

Yours faithfully,

Accounts Department



THE QUEEN'S LAND TO BEQUEATHED

55

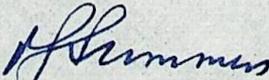
24th December, 1975.

Dear Sirs,

Thank you for your letter SM/MR/15364 of 25th September, 1975.

I enclose the official receipt for the licence fee of £1 for the year ending 19th September, 1976.

Yours faithfully,



FINANCIAL SECRETARY

Accounts Department,  
Alginat Industries Limited,  
22 Henrietta Street,  
London WC2E 8NB,  
England.

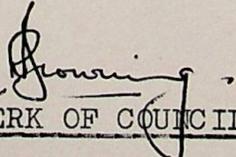
JT

10/29/20

53  
Alginate Industries Limited (Memo 76/75)

16.8.1 Honourable Members noted Memorandum No. 76/75 which gave a precis of the content of the licence governing the activities of Alginate Industries Limited in the Colony, and which had been requested at Meeting 10/75 (Minute 12.6)

9.2. It was recognised that the Shackleton Economic Survey would be making a careful appraisal of the kelp industry and that a decision might have to be taken with regard to the licence given to Alginate Industries Limited on receipt of the Survey's Report.

  
CLERK OF COUNCIL

Ref: COM/29/2

57

Colonial Treasury,  
Stanley,  
FALKLAND ISLANDS.  
28th April, 1976.

Dear Sir,

I cannot trace any record here of the minimum sum payable under clause 5 (a) of the kelp licence dated 20th September, 1972 for the year ending 31st December, 1975.

The minimum sum for 1974 was received under cover of your letter DGJ/PAB of 21st January, 1975.

I should be grateful if you would investigate the matter.

Yours faithfully,

Financial Secretary

D.G. Jones, Esq.,  
Secretary,  
Alginat Industries Ltd.,  
22 Henrietta Street,  
LONDON WC2E 8NB.

cc: The Chief Secretary,  
STANLEY.

HTR/LML

(58)

# ALGINATE INDUSTRIES

L I M I T E D

DIRECTORS:  
W. R. MERTON Chairman  
R. R. MERTON Managing  
THE HON. M. H. C. PERY Directors  
R. CAMPBELL-PRESTON, O.B.E., M.C.  
D. L. BANKES  
F. L. G. GRIFFITH-JONES  
C. T. BLOOD  
R. F. dERLANGER  
J. S. YORKE

22, HENRIETTA STREET, LONDON, WC2E 8NB

TELEPHONE:  
01-240 5161.

TELEGRAMS:  
"ALGINATES"  
LONDON. W C 2"

CABLES:  
"ALGINATES, LONDON, W.C.2"  
TELEX: 23815.



Our Ref: DGJ/pab  
Your Ref: COM/29/2

11th May 1976

Financial Secretary,  
Colonial Treasury,  
Stanley,  
Falkland Islands.

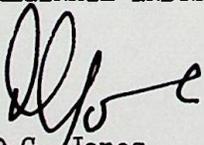
Dear Sir,

Kelp Licence - 20th September 1972

I thank you for your letter of April 18th, and I enclose a cheque for £2,500 being the minimum payment for the calendar year 1975 under clause 5 (a) of the Licence Agreement.

I apologise for not having sent this remittance earlier, but I was expecting a debit note to be rendered to the Company for the amount due. However, I have now made a diary note for January 1977 which I hope will ensure prompt payment for the calendar year 1976.

Yours faithfully,  
For and on behalf of  
ALGINATE INDUSTRIES LIMITED

  
D.G. Jones,  
Secretary.



1968 & 1973  
THE QUEEN'S AWARD TO INDUSTRY

Registered in England (No. 285993) Registered Office 22 Henrietta Street, London WC2E 8NB

A

COM/29/2

2nd July, 1976.

58  
59

Dear Sir,

Help Licence - 20th September, 1972

Thank you for your letter of 11th May, 1976 which I received on the 30th June, 1976.

I enclose the official receipt for the remittance of £2500.

Yours faithfully,

Financial Secretary

D.G. Jones, Esq.,  
Secretary,  
Alginat Industries Ltd.,  
22, Henrietta Street,  
LONDON.



(60)

ALGINATE INDUSTRIES LIMITED

At a recent meeting of Joint Councils it was emphasised that action should be taken at the earliest opportunity to increase the penalties for non-compliance with the licence issued to AIL. At that meeting it was noted that the legal position was held until 21 September 1978, but that thereafter the exclusivity of the licence could be in jeopardy.

2. Summarised the position is:

- (i) an agreement dated 20 September 1972 provides for AIL to apply for an exclusive licence to harvest kelp in specified parts of the Colony's waters (concession areas). It protects them from competition by giving them the right to first acceptance for exclusive licences in any of the Colony's waters. It also covers such things as drawing water from the Murrell River and way-leaves.
- (ii) A licence dated 20 September 1972 gives AIL exclusive rights to a prescribed concession area.
- (iii) Clause 4(b) of the licence allows the Governor to ~~revoke~~ the licence if AIL fail to achieve an annual average production of 4,000 tonnes DMK in the two years ending 21 September 1979.
- (iv) Similarly if AIL fail to achieve an annual average production of 8,000 tons<sup>DMK</sup> during the two years ending 21 September 1984.
- (v) The cost of the licences are £1 annually, and in addition AIL pay royalties calculated at £1.90 per tonne from 1974, with a minimum payment of £2,500 a year.
- (vi) From 21 September 1977 the minimum royalties are £7,600 the equivalent of 4,000 tonnes annual production. During this time they must also give an earnest of investing £2 million in the enterprise in the colony.
- (vii) ~~After~~ These fees are fixed until 21.9.79. After this time the fees are adjusted in relation to the UK wholesale price index.
- (viii) The right of Government to revoke the licence is limited by a letter dated 2 November 1973 which specifies that should AIL fail to achieve during the two consecutive years ending 21 September 1979 an average annual production of 4,000 tonnes Government would not exercise its right to revoke the

licence provided:

- a) AIL is actively pursuing the activity of harvesting and processing of kelp;
- b) the company has, during those years, spent £2 million on production etc in the Colony; and
- c) the enhanced royalty of £7,600 per annum is paid.

3. In view of Government's concern it would now seem appropriate to write to AIL that Government proposes to enforce strictly the terms of the licence and letter, and will look to the company to give concrete evidence of its intentions during the two years commencing 21 September 1977.

4. It would also seem appropriate to seek legal advice whether the terms of the licence and letter require Government to wait until 21.9.79 before enforcing revocation, and whether Government may notify AIL of its firm intention to impose more stringent conditions if AIL seek to renew or extend their licence.

138/1

2 March 1977

D G F Hall Esq MBE  
Latin America Department  
FCC  
London SW1

ALGINATE INDUSTRIES LTD

1. In view of the recent flurry of publicity about Alginat Industries Ltd and their role in the Falklands, I have put together the attached note for the Department's information.

G J A Slater

cc: British Embassy, BUENOS AIRES.

ALGINATE INDUSTRIES LTD'S ACTIVITIES IN THE FALKLANDS

1. Under an agreement and licence made and issued on 20 September 1972, Alginate Industries Ltd (AIL) were granted an exclusive right to process and export kelp within a prescribed concession area in the Falklands for an annual licence fee of £1. The licence further obliged AIL in the five years from September 1974 to pay £1.90 for each tonne of dried and milled kelp (DMK) produced, with a minimum annual payment of £2,500. Clause 4(b) of the licence stipulated that the Governor could revoke the exclusive rights if AIL failed to produce an annual average of less than 4,000 tonnes of DMK in the years ending 21 September 1978 and 1979, or an annual average production of 8,000 tonnes in the years ending on that same date in 1983 and 1984.

2. Under the terms of a letter dated 2 November 1973 from the then-Governor to AIL, Clause 4(b) was amended so that the firm could be deprived of their exclusive licence only if the Governor considered they were not actively pursuing the harvesting of kelp and, in the sixth and seventh years (1978 and 1979), failed to spend at least £2 million on construction, plant and equipment in the Colony. This same letter provided that from 21 September 1977 AIL would have to pay the royalty which would have been due had their production stood at 4,000 tonnes a year, i.e. £7,600 a year.

3. To sum up the financial side, AIL has been paying £1 a year licence fee since September 1972 and, in the absence of production, the £2,500 minimum royalty a year since 1974, and now face the prospect of paying the F I Government £7,600 annually from 21 September this year. Should the Company remain inactive they could lose their exclusive licence on or after 21 September 1978, or, more likely, face demands from the F I Government for a heavier price for the extension of the concession.

Some Developments

4. In 1974 the consultants Humphreys & Glasgow advised AIL that the capital cost of a Falklands plant to produce calcium alginates would call for investment of about £7½ million, excluding working capital. AIL consequently reverted to their original and more modest plan to produce DMK in the Falklands for processing in Scotland. AIL have never concealed their intention of using all the seaweed available in the northern hemisphere before embarking on a project in the Falklands, which (in 1974) they suggested might get under way in about three years.

5. In November 1974 Mr R R Merton, a Managing Director of AIL, suggested that the firm would in this intervening period establish whether the world would be prepared to pay the considerable extra cost of augmenting the supply of alginates by the use of expensive Falkland Islands kelp. On 17 July 1975 Mr Merton wrote to the Governor to say that AIL had concluded their research and development programme but that, in view of the uncertain future of the Islands arising from the sovereignty claim, coupled with the world slump, "we shall not be proceeding in the Falkland Islands to our next development stage of the pre-production plant for the time being". Therefore AIL's small establishment in Stanley would be closed down with only a part-time caretaker (Mr D F Gooch) left in charge.

6. On 23 September 1975 an AIL statement issued in Stanley spoke of "mounting political uncertainty", put their total expenditure in the Falklands since 1970 at £156,800, stated that the cost of setting up a seaweed supply base in the Falklands on the minimum economic scale would be at least £3½ million excluding working capital, and claimed it would be impossible for any independent operator unconnected with the alginate industry to produce economically in the Falklands.

7. On 4 February this year, two days after Mr Ted Rowlands' proposed visit to the Falklands was announced in the House of Commons, Mr Merton issued a statement which was markedly more optimistic than its predecessors about the prospects for AIL in the Falklands. It spoke of a turnover of £6,500,000 a year - or even £25 million a year - from the production here of calcium alginate. But the statement ruled out co-operation with Argentina in this field and added that no alginate development could take place without the extension of the Cape Pembroke airport.

138/1

3 March 1977

D G F Hall Esq MBE  
Latin America Department  
FCO  
London SW1

CC CS

ALGINATE INDUSTRIES LTD (AIL)

1. I have been told here that ECGD some time back agreed to provide cover for AIL's long-awaited kelp project in the Falklands, but I have not been able to trace any papers and was beginning to wonder if people were confusing that with the 1973 application by AIL for concessionary finance (up to £2.5 million) from the Commonwealth Development Corporation. I notice, however, that in a (unreferenced) letter of 31 July 1975 to Neville French you mention FCO support for an AIL "investment study" in terms of the Overseas Investment and Export Guarantees Act of 1972. Would your Registry be able to help us trace whether ECGD did in fact offer cover and, if so, on what terms? We would of course be particularly interested if any such cover extended to political risks - as you will know, ECGD have been covering some of these risks for the past 5 years or so.

G J A Slater

COM/29/2

Chief Secretary's Office  
Stanley  
Falkland Islands

16 March 1977

F G Cooke Esq  
2 Wilberforce Road  
Cambridge CB3 0EQ

-- I attach as an annexure to this letter a precis of the  
agreements and letters governing Alginat Industries'  
-- operations in our waters. I also attach for ease of  
reference ~~the~~ originals of the Agreement and Licence and /photostat  
a copy of the letter of 2 November 1973.

2. If I have interpreted the agreements correctly, AIL have to give an earnest of their intentions during the two years following 21 September 1977 and invest £2 million in local construction. They also become liable for royalties of £7,600 per annum.

3. The lack of activity shown by AIL and the several excuses the Company has adduced for this inactivity has caused a sense of exasperation which culminated in councillors telling the Minister of State recently that they intended to enforce the Agreement and Licence as strictly as possible. They also asked me to enquire how Government could bring pressure to bear on the Company at the earliest possible moment, hopefully to put as short a term as possible to the exclusivity aspect of their operations.

4. My lay interpretation would be that we would probably have to wait until 20 September 1979 before taking action, although you may be able to advise that we could write to the Company in advance expressing our intention to be as strict as possible.

5. Perhaps you will be kind enough to look at the enclosed documents and ~~get~~ give me an opinion.

A J P Monk  
Chief Secretary

Encls.

m.

P.S. I also attach copy of a recent letter which amplifies the situation.

CONFIDENTIAL

Enclosures: Copies of 60 - 61A -  
580 - 484 - 484A  
ex COM/29/2C

CONFIDENTIAL

64

No 10/77

Previous refs: Minute 17 of 8.1.75  
Memo 76/75; Minute 12.6 of 10/75  
Memo INF 2/75; Minute 9 of 2/74  
Memo 5/74

ALGINATE INDUSTRIES LIMITED

At a recent meeting of Joint Councils it was emphasised that action should be taken at the earliest opportunity to increase the penalties for non-compliance with the licence issued to AIL. At that meeting it was noted that the legal position was held until 21 September 1978, but that thereafter the exclusivity of the licence could be in jeopardy.

2. Summarised the position is:

- (i) an agreement dated 20 September 1972 provides for AIL to apply for an exclusive licence to harvest kelp in specified parts of the Colony's waters (concession areas). It protects them from competition by giving them the right to first acceptance for exclusive licences in any of the Colony's waters. It also covers such things as drawing water from the Murrell River and way-leaves.
- (ii) A licence dated 20 September 1972 gives AIL exclusive rights to a prescribed concession area.
- (iii) Clause 4(b) of the licence allows the Governor to revoke the licence if AIL fail to achieve an annual average production of 4,000 tonnes DMK in the two years ending 21 September 1979.
- (iv) Similarly if AIL fail to achieve an annual average production of 8,000 tonnes during the two years ending 21 September 1984.
- (v) The cost of the licences are £1 annually and in addition AIL pay royalties calculated at £1.90 per tonne from 1974, with a minimum payment of £2,500 a year.
- (vi) From 21 September 1977 the minimum royalties are £7,600, the equivalent of 4,000 tonnes annual production. During this time they must also give an earnest of investing £2 million in the enterprise in the Colony.
- (vii) These fees are fixed until 21.9.79. After this time the fees are adjusted in relation to the UK wholesale price index.
- (viii) The right of Government to revoke the licence is limited by a letter dated 2 November 1973 which specifies that, should AIL fail to achieve during the two consecutive years ending 21 September 1979 an average annual production of 4,000 tonnes, Government would not exercise its right to revoke the licence provided:

/a)

- a) AIL is actively pursuing the activity of harvesting and processing of kelp;
- b) the company has, during those years, spent £2 million on production etc in the Colony; and
- c) the enhanced royalty of £7,600 per annum is paid.

3. In view of Government's concern it would now seem appropriate to write to AIL that Government proposes to enforce strictly the terms of the licence and letter, and will look to the company to give concrete evidence of its intentions during the two years commencing 21 September 1977.

4. It would also seem appropriate to seek legal advice whether the terms of the licence and letter require Government to wait until 21.9.79 before enforcing revocation, and whether Government may notify AIL of its firm intention to impose more stringent conditions if AIL seek to renew or extend their licence.

Secretariat  
Stanley

14 March 1977

File ref: COM/29/2

EXTRACT FROM MINUTES OF EXECUTIVE COUNCIL MEETING No. 2/77 - 15 MARCH 1977

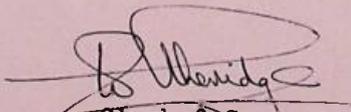
COM/29/2

24. Alginato Industries Ltd. (Memo 10/77)

2/77

24.1 Council was advised that the Administration was seeking legal advice on the strict enforcement of the conditions of the licence issued to Alginato Industries Ltd. and the possible revocation of the licence if the operations of the company in the Colony do not reach the prescribed level in the two years ending on 21st September 1979.

24.2 Council confirmed its intention to impose more stringent conditions if AIL seek to renew or extend its licence.

  
Clerkof Council

Mr R R <sup>e</sup>Morton Esq., (Managing Director, Alginate Ind. Ltd.  
22 Henrietta Street, London WC 2E,  
8NB.)

HARVESTING AND PROCESSING OF KELP IN THE COLONY.

Dear Sir,

I am directed to write to you regarding the issue to your Company in 1972 of a licence granting exclusive rights in a concession area in the Colony to actively pursue the operation of harvesting and processing of Kelp. This Government is to date disappointed with the failure of your Company to pursue the undertaking and purpose of the licence granted and trusts that a more meaningful approach will be made by your Company during the crucial years 21 September 1977 to September 1979 to bring into being the intent of the licence granted.

Yours faithfully

Chief Secretary

Confidential

(65)

2 Wellington Road

Cambridge CB3 0E4.

6 April 1977.



**Foreign and Commonwealth Office**  
London SW1A 2AL

Telephone 01-

The Honourable  
Arthur Monk  
Chief Secretary  
Stanley  
Falkland Islands  
South Atlantic

Your reference COM/29/2

Our reference

Date

5 March 1977

ALGINATE LICENCE

Dear

(63)

Thank you for your letter and enclosures of the 16 March 1977.  
Herewith my opinion.

1. The Governor of the Falkland Island (hereafter called the Governor) under authority given him entered into an agreement with Alginatone Industries Ltd, whose registered office is at 22 Henrietta Street, London WC 2E 8NB (hereafter called the Company) whereby he the Governor agreed and issued a licence to the Company giving them exclusive rights to harvest process and export kelp for sale within a concession area subject to the payment of a licence fee of £1 and further fees to be paid in consideration of the licence granted i.e. £1.90 for each metric ton processed with a minimum fee per annum for first five years of £2,500 and thereafter minimum fee of £7,500 with fee increased to £2.10 should production in the initial period of 5 years exceed 8,000 metric tons. Thereafter at beginning of each period of 5 years fee to be agreed.

2. Under original clause 4, Licence was exclusive to the Company in the concession area but the Governor reserved the right on six months notice to revoke the exclusivity of the licence if Company failed to achieve in years 20 September 1977 to 20 September 1979 to produce average production per annum of 4,000 metric tons of dried milled Kelp. Same applies if they failed between 20 September 1979 to 20 September 1981 to produce 8,000 metric tons. This clause was amended in 1973 whereby it was agreed between the parties that if the Company did not produce the necessary tonnage between the years - 20 September 1977 to 20 September 1979 the Governor would not exercise the right granted to him under clause 4(b) of the licence re Company's exclusivity provided the Governor is satisfied at the end of the said two years that Company is actively, pursuing the operation of harvesting and processing of Kelp in the Colony; that the Company has at the end of those two years

/incurred



incurred expenditure of at least £2 million on construction, plant and equipment in the Colony and finally, the Company to pay from 20 September 1977 a minimum royalty of £7,600 i.e. fee for 4,000 metric tons processed.

3. In my opinion, provided the Company pay the royalty of £2,500 per annum up to 20 September 1977 and thereafter annually £7,500 up to 20 September 1979 the Governor can not begin to give consideration to revoking the exclusivity of the licence until the 20 September 1979 when he will have to consider

(a) did the Company actively pursue operations etc., and

(b) did the Company spend at least £2 million on construction etc.,

If the Company did not spend at least £2 million then the Governor could act but he would, of course, give due consideration to the question whether the Company had been actively pursuing the operation of harvesting and processing of Kelp during the two years, before reaching a final decision. However such a matter would have to be decided at the 20 September 1979 and not before.

Answering your queries therefore-

1. The Company do not have to give earnest of there intentions between 20 Sept 1977 to 20 Sept 1979.
2. The Company have to have invested at least £2 million by 20 September 1979 only.
3. The Company become liable for £7,600 royalty per annum from 21 September 1977. ~~X~~

The attached letter could be sent to the Company, if you agree contents.

*Frederick G. Cooke*

Frederick G. Cooke  
Legal Adviser.

# CONFIDENTIAL

## EXECUTIVE COUNCIL No. 21/77

Previous refs:

2/77	2.24
16/75	8.1
10/75	12.6
2/74	9

### ALGINATE INDUSTRIES LTD

Following Council's advice on 15 March 1977 a legal opinion on the stricter enforcement of the conditions of the Agreement and Licence issued to Alginate Industries Ltd was sought from Mr F G Cooke, Government's legal adviser.

2. Summarised his advice is as follows:

"In my opinion, provided the Company pay the royalty of £2,500 per annum up to 20 September 1977 and thereafter annually £7,500 up to 20 September 1979 the Governor cannot begin to give consideration to revoking the exclusivity of the licence until the 20 September 1979 when he will have to consider

- (a) did the Company actively pursue operations, etc., and
- (b) did the Company spend at least £2 million on construction etc.;

If the Company did not spend at least £2 million then the Governor could act but he would, of course, give due consideration to the question whether the Company had been actively pursuing the operation of harvesting and processing of Kelp during the two years, before reaching a final decision. However such a matter would have to be decided at the 20 September 1979 and not before.

Answering your queries therefore -

- (1) The Company do not have to give earnest of their intentions between 20 September 1977 and 20 September 1979.
- (2) The Company have to have invested at least £2 million by 20 September 1979 only.
- (3) The Company become liable for £7,600 royalty per annum from 21 September 1977."

3. The Legal Adviser proposes that Government should write to the Company in the form below:

#### "HARVESTING AND PROCESSING OF KELP IN THE COLONY

I am directed to write to you regarding the issue to your Company in 1972 of a licence granting exclusive rights in a concession area in the Colony to actively pursue the operation of harvesting and processing of Kelp. This Government is to date disappointed with the failure of your Company to pursue the undertaking and

/purpose of

No. 21/77

Page 2

"purpose of the licence granted and trusts that a more meaningful approach will be made by your Company during the crucial years 21 September 1977 to September 1979 to bring into being the intent of the licence granted."

4. Council will now wish to advise on the timing - that this warning letter should issue now or nearer the beginning of the crucial period.

The Secretariat,  
Stanley.

29 April 1977.

File Ref: COM/29/2  
Vol. 2

m.

*Final*

DRAFT

EXCO PAPER

Previous references:

2/77	2.24
16/75	8.1
10/75	12.6
2/74	9

ALGINATE INDUSTRIES LIMITED

Following Council's advice on 15 March 1977 a legal opinion on the stricter enforcement of the conditions of the Agreement and Licence issued to A- I- L was sought from Mr F G Cooke, Government's Legal Adviser.

2. Summarised his advice is as follows:

(para 3 on folio 65)

3. The Legal Adviser proposes that Government should write to the Company in the form below:

(65A)

4. Council will now wish to advise on the timing — that this warning letter should issue now or nearer the beginning of the crucial period.

File Ref: COM/29/2  
Vol 2

29 Apr 77

m.

CS (67)  
GOVERNMENT HOUSE  
PORT STANLEY

16 June 1977

Mrs M Rosser  
Latin America Department  
ODM  
Eland House  
Stag Place

ALGINATE INDUSTRIES LTD (AIL)

1. You will recall David Hall's recent letter to you of 1 June about the decision of AIL to abandon their exclusive licence to harvest kelp in the Falklands. This came up in our Legislative Council yesterday in reply to a question and you will see from the attached news report of the proceedings that Councillors were anything but impressed by AIL's suggestion that they continue the present payment of £2,500 a year in return for a continuing non-exclusive licence.

2. We can take it that AIL have lost their interest in Falkland's kelp for the near future. We have recently written off asking for names of other kelp firms around the World. It would however be even more helpful to have ODM's views on what might be possible in the way of development of kelp resources here.

G J A Slater

cc.  
M Hickson Esq,  
SAmD, FCO

# ALGINATE INDUSTRIES

L I M I T E D

68

DIRECTORS:  
W. R. MERTON Chairman  
R. R. MERTON Managing  
THE HON. W. H. C. PERY Directors  
R. M. T. CAMPBELL-PRESTON O.B.E. M.C.  
D. L. BANKES  
F. L. G. GRIFFITH-JONES  
R. F. d'ERLANGER  
J. S. YORKE

22, HENRIETTA STREET, LONDON, WC2E 8NB

TELEPHONE  
01-240 5161

TELEGRAMS  
"ALGINATES"  
LONDON W C 2



CABLES:  
"ALGINATES, LONDON, W.C.2"  
TELEX: 23815.

26th May, 1977

Dear Bowler,

I have received word from more than one source that there are those in the Falkland Islands who consider that Alginate Industries is behaving in a somewhat "dog in the manger" manner over its seaweed rights. As this is the kind of criticism to which we are sensitive I am anxious to put the matter right, but perhaps it would be as well first to give you a short history of our interest in the Falkland Islands and its seaweed.

I myself was sent out shortly after the end of the war, having been given the task of carrying out a survey of world seaweed resources and having "discovered" the Falklands as a potential source of seaweed from a study of Admiralty charts.

At that time I was a junior executive in no sense responsible for deciding whether such a survey was necessary, and in retrospect it certainly was not required at that time. Hence criticism that on that occasion we raised hopes at least a quarter of a century ahead of time is perfectly justifiable.

When, however, nearly twenty years later it was decided to resume our interest we were most careful to explain that we had no fixed time scale and that the matter was far from immediate from the point of view of full scale implementation.

In due course Lord Chalfont was sent to the Falkland Islands by Mr. Wilson, then Prime Minister, with instructions if possible to persuade the Falkland Islanders to opt for becoming Argentinians, and it was at that time we disclosed to the world the fact that there existed around the Falklands a very considerable potential supply of seaweed which would one day be of great value.



1973

THE BRITISH SEAWEED PRODUCERS' ASSOCIATION

Registered in England (No. 285993) Registered Office 22 Henrietta Street, London WC2E 8NB

There followed a period of negotiation, as a result of which we were granted an exclusive licence over the Eastern seaboard, and following which we carried out exploratory work, the cost of which amounted eventually to around £150,000.

Returning to the licence and Agreement I should say that the one point of contention throughout the negotiations arose from the fact that those with whom we were negotiating were only really interested in immediate activity whereas throughout we stressed that our interest was not immediate. It was extremely difficult, we explained, to forecast when the world alginate industry would run out of supplies of seaweed from cheaper sources and we should be forced to operate in the Falklands, which would inevitably prove more expensive.

Throughout the early stages the intention was to do what we have done elsewhere, namely to collect, wash, dry and mill the seaweed and then to transport it to our factories in Scotland, and it was only when the price of oil rocketed that it became evident that the only economic method of using Falkland Islands seaweed would be to manufacture alginates on the spot. We therefore set about devising an entirely new process so as to enable us to do this and as a result we have such a process in operation in Scotland today. It has taken at least five years to develop and it is unique.

The effect of this was, however, to increase to a very great extent the capital expenditure which would be involved and to increase the importance of communications; and it is largely because both the plant and personnel involved in alginate manufacture are sophisticated that we have pressed for the extension of the airport, so as to enable us to fly in both at short notice.

We have, throughout made it clear to all concerned that there is no question of our raising from the public and expending the sum of around £13 million, or thereabouts, necessary to establish an alginate industry in the Falklands unless and until

1. the world supply and demand position with regard to alginates justifies the project.
2. the sovereignty question has been satisfactorily resolved or, if not, any investment made by us has been underwritten by an express government guarantee or by E.C.G.D.

continued....

With regard to the first of these conditions I am sure everyone is aware that the world is in the throes, if not of a slump, of a recession, and all forecasts made on the basis of extrapolating from the years prior to 1975 have been shown to have been over optimistic.

Meantime in the light of events affecting the sovereignty issue we have redoubled our efforts to "squeeze the lemon" represented by our existing sources and scour the world for additional sources.

In this we have been reasonably successful inasmuch as we now obtain seaweed not only from Scotland and Ireland but also from South Africa, Norway, Iceland, King Island in the Bass Strait, Chile, not to mention experimental quantities of *Macrocystis* from the Argentine. The last mentioned enable us to carry out experiments at our factories in Scotland using the same type of weed as grows in the Falklands.

Forecasting the future of world trade is difficult for even the most seasoned economists. We have, moreover, to gauge the effect of the immense amount of scientific investigation which we ourselves carry out in order to devise new applications for our products, and hence to increase the demand for alginates; and these are the factors which will determine when the moment is likely to arrive when it will be necessary to make use of Falkland Islands seaweed if the world supply of alginates is to be further increased.

It is against this background that our licence and agreement have to be considered. So far we have contributed the sum of £2,500 per annum since September, 1972 and in September of this year this figure is due to rise, if we are to retain our exclusive licence, to £7,500 per annum. It will, moreover, be necessary for us to spend the sum of £2 million during the next two years following September 1977 if our exclusive licence is to extend into the 80's.

Of this I can see no possible chance.

The reasons are on the one hand doubts about the time scale of demand for alginates linked as it is to major questions of world trade which in turn depend upon such factors as the price of oil.

On the other hand the question of severieghty and the likelihood of a satisfactory solution to it is perhaps now at a lower ebb than for some considerable time.

A little earlier Lord Shackleton's mission and his

optimistic/...

optimistic assessment of the Islands' future gave us very considerable hope. These hopes were however dashed to the ground by our Government's ill-timed approach to the Argentine Government, combined with parliamentary statements in which extracts from Lord Shackleton's report were quoted out of context by the highest officers of the Crown. Can you wonder that in these circumstances an additional reason for our requirement that the airport should be extended is that we wish to see some sign of a reversal of the Government policy over the past decade during which step after step has been taken to twist the Falkland Islander's arm, and force him to abandon his desire to remain British?

And now, to come to the point, we find ourselves criticised for being "dogs in the manger".

There is a simple answer to this charge.

We will abandon our exclusive licence as from September of this year and thus leave you free to invite all and sundry to take our place.

We still believe however that one day, whenever that may be, the interests of the Islanders will require the British Government to assist in developing the resources under British rule and that we shall then want to put our plans in the Falklands into operation. We are therefore prepared, if you so wish, to continue to contribute £2,500 a year towards the colony, but in return for a non-exclusive licence the terms of which would, in other respects, be the same as hitherto.

I cannot believe that anyone would regard such a non-exclusive licence as more than our due in view of the vast amount of time, effort, and money that we have put into discovering, surveying and proving the seaweed resources of the Islands.

We are moreover the leading alginate manufacturers in the world, as well as being the only alginate manufacturers with a process developed over five years for manufacturing alginates in the Islands.

I am afraid that this letter is overlong and represents merely a re-statement of what we have said many times before. I hope you will forgive this and at the same time I shall hope to hear from you when you have had time to consider our proposal.

J.R.W.Parker Esq., O.B.E.,  
H.E. The Governor of the Falkland Islands,  
Government House,  
Port Stanley,  
Falkland Islands.

*Your Sincerely,  
A. Parker*

CONFIDENTIAL

69



Foreign and Commonwealth Office  
London SW1A 2AH

Telephone 01- 233 4077

1) HE to see  
2) Personal copy to CS  
Perhaps we should  
all discuss?

9/6

Mrs Mary Rosser  
Latin America Department  
ODM  
Eland House  
Stag Place

Your reference

Our reference

Date 1 June 1977

*Dear Mary,*

ALGINATE INDUSTRIES LTD (AIL)

1. I enclose a copy of a letter from Ralph Merton (Managing Director of AIL) to Jim Parker. This morning I ~~discussed~~ it with Merton on the telephone. I expect that, in due course, Jim will seek your, and our, advice as to how he should respond.
2. You will note that the conclusion of Merton's letter is that AIL cannot see their way to spending £2 million during the two years following next September in order to maintain the exclusivity of their licence. But the company are willing to continue their present contribution of £2,500 to Colony funds in return for a non-exclusive licence, the terms of which, in other respects, would be the same as those of the existing licence.
3. You will see that AIL have modified their condition that the sovereignty dispute should be settled satisfactorily before their operations go ahead. AIL's concept of a settlement has been a withdrawal of the Argentine sovereignty claim. But they now realise that this would be highly improbable and Merton told me that, in his view, the sovereignty dispute would never be settled. It now seems that AIL are not so dependent on Falklands kelp to maintain their alginates output (they have found considerable resources of kelp around King Island in the Bass Strait), and that the expenditure required to bring the Falklands project into operation could not at present be justified.
4. AIL are the leading performers in their field, and they may feel confident that their competitors will have little interest in a remote and expensive Falklands operation, which would call for the application of specialised expertise. One thing is certain, and that is that AIL are very unlikely to entertain any form of co-operation with the Argentines; according to Merton, his company have had disappointing business relations with the Argentines in the past.
5. When advising Jim Parker, you will no doubt wish to bear in mind Lord Shackleton's recommendations about the matter. He recommended that FIG should consider a study of kelp resources as a guide to future negotiations with AIL, or another company, about the form of a licence, and that they should secure the appointment of a

/research



CONFIDENTIAL

- 2 -

officer to study the ecology of kelp. But with respect, it is likely that AIL have already carried out exhaustive studies of their own.

6. Personally, I am disappointed at this turn of events. AIL's plans, if brought to fruition, could have benefited the Islanders, without any major disruption of the environment. Subject to Jim's (to whom I am copying this letter) views, I wonder if it would be possible to produce a scheme under which AIL could find it possible to go ahead - albeit on a reduced scale.

*Yours ever*

*D G F Hall*

D G F Hall  
South America Department

Encl

cc: HE Mr J R W Parker OBE  
Governor and Commander-in-Chief  
FALKLAND ISLANDS

CONFIDENTIAL

76  
8

16 June 1977

16 JUN 1977

138 |

Mrs M Rosser  
Latin America Department  
ODM  
Eland House  
Stag Place

1) Please copy to es  
2) B/W 1 month plus.  
JF 16/6

ALGINATE INDUSTRIES LTD (AIL)

1. You will recall David Hall's ~~urgent~~ letter to you of 1 June about the decision of AIL to abandon their exclusive licence to harvest kelp in the Falklands. This came up in our Legislative Council yesterday in reply to a question and you will see from the attached news report of the proceedings that Councillors were anything but impressed by AIL's suggestion that they continue the present payment of £2,500 a year in return for a continuing non-exclusive licence. (7)

2. We can take it that AIL have lost their interest in Falkland's kelp for the near future. We have recently written off asking for names of other kelp firms around the World. It would however be even more helpful to have ODM's views on what might be possible in the way of development of kelp resources here.

G J A Slater

cc.  
M Hickson Esq,  
SAND, PCO

Ref: COM/29/2

29 June 1977

R B Merton Esq  
Alginate Industries Limited  
22 Henrietta Street  
London WC2E 8NB

68

Thank you for your letter of 26 May which pre-occupation with a rather lengthy Legislative Council has prevented me from answering earlier.

Your Company's decision to seek surrender of the exclusive nature of your licence has been put to Council and has, not unexpectedly, been received with dismay. The problems of raising capital in the present difficult times is fully understood but there is a general belief that potential investors could have best helped and supported us by investment which indicated a similar resolve to that shown by the government and people of the Colony during recent months in which there is a notably changed air of confidence in, and enthusiasm for, purposeful development.

This Government does not share your pessimistic view of the future, and as an earnest of its intention has, during the recent budget session, voted the largest contribution ever to its development fund. We are also pressing ahead most vigorously, with the co-operation of the Foreign and Commonwealth Office and the Ministry of Overseas Development, for early studies into several development projects for which we have high hopes. We should not be doing this if we did not believe in our future.

It is our hope that you can reconsider your position and decide that rather than abandon your exclusive licence you should retain it and make an early start on investment. We have, as you acknowledge, the largest known kelp deposits in the world and there must obviously be a time in the not too distant future when its exploitation will become inframarginal. We earnestly hope that this will be developed by a British company. Before you finally decide you will, I am sure, wish to take into account the not inconsiderable amount of assistance given by government to your company over the years in one way and another.

There exists between us, I believe, sufficient mutual regard for each other's position to make it essential that such a major step as you contemplate should be weighed most carefully before it is decided irrevocably.

J R W Parker  
GOVERNOR

cc M Hickson Esq S Am Dept FCO  
Mrs M Rosser LAD ODM

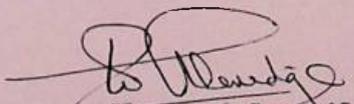
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73

COM/29/2  
VOL II

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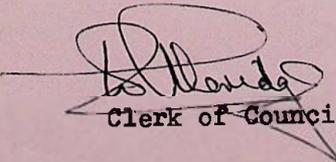
7. Alginatc Industries Limited (Memo 21/77)
- 7.1 Council considered the issue of a letter to Alginatc Industries Ltd. expressing Government's disappointment at the Company's lack of activity in the harvesting and processing of kelp in the Colony and expressing the hope that a more meaningful approach would be made in the crucial years 1977 to 1979.
- 7.2 Council advised that the issue of the letter should be delayed for the time being. Meanwhile Government should examine the possibility of interesting other international companies in harvesting kelp outside the exclusive AIL concessionary areas and possibly, after 1979, in certain circumstances, throughout the waters of the Colony.

  
Clerk of Council

JM/29/2  
VOL II

5/77

2. Alginat Industries Limited (4/77 - 7)
- 2.1 His Excellency told Honourable Members that he had recently received a letter from Alginat Industries Limited which made it clear that there was no prospect of that Company developing the Colony's kelp resources in the foreseeable future.
- 2.2 The Company cited the recession in world trade and the sovereignty question as well as supply and demand factors as the reasons militating against the considerable investment necessary to establish an alginat industry in the Falkland Islands at the present time, or in the foreseeable future.
- 2.3 Alginat Industries could see no possible chance of the investment, required under the terms of their exclusive licence and agreement, of £2 million during the two years beginning September 1977, and they also noted that the fee for the exclusive licence is due to rise from £2500 per annum to £7500 in September of this year.
- 2.4 To avoid the accusation of being "dogs in the manger" Alginat Industries had offered to abandon their exclusive licence from September of this year but indicated their willingness to continue to pay a fee of £2500 per annum for a non-exclusive licence 'the terms of which would, in other respects, be the same as hitherto'.
- 2.5 Councillors were disappointed and surprised, even shocked, at AIL's apparent change of attitude from public statements made earlier in the year. They were disinclined to accept AIL's views and advised that the proposals should not be accepted; further advising that their views should be communicated to AIL and a final effort made to have the company reconsider its pessimistic view of investment in the Colony.

  
Clerk of Council

# ALGINATE INDUSTRIES

L I M I T E D

22, HENRIETTA STREET, LONDON, WC2E 8NB



DIRECTORS:  
W. R. MERTON Chairman  
R. R. MERTON Managing  
THE HON. M. H. C. PERY Directors  
R. M. T. CAMPBELL-PRESTON O.B.E. M.C.  
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TELEGRAMS:  
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LONDON. W C 2

CABLES:  
"ALGINATES, LONDON, W C 2"  
TELEX: 23815

14th July, 1977

RRM/mbc

Dear Governor,

Thank you very much for your letter of the 29th June in answer to my letter of the 26th May. 72

I am both sorry and pleased at the reception accorded by Council to our proposal to surrender the exclusive nature of our licence, sorry that it should have caused them dismay and pleased that it demonstrates that they do not share the view that we are behaving in the "dog in the manger" manner which was the sole reason for our proposal.

In these circumstances we will certainly reconsider our position as you suggest, even though it is most unlikely that we shall have spent the £2 million necessary to ensure that our exclusive licence is extended into the 80's without further negotiation.

So far as my personal opinion is concerned, I repeat that I am confident that in the absence of any sovereignty question we would wish to make use of the seaweed resources of the Falklands at some point in time, but that it is extremely difficult to determine when exactly that would be.

continued...



THE ROYAL WARRANT TO BRITISH

Registered in England (No. 285993) Registered Office 22 Henrietta Street, London WC2E 8NB

I am, of course, delighted that you do not share the somewhat pessimistic view expressed by my letter and believed to be held by so many of the Islanders regarding their future. Time will doubtless tell in the long run, but the question is not only what will be the outcome but also how long the run will be.

In the meantime world trade remains slack and it is only by our own efforts and initiative that we are going to be able to move forward breaking new ground through technological advances. This I am glad to be able to report we continue to do.

Yours Sincerely  
Ralph Hunter

J.R.W.Parker Esq., O.B.E.,  
H.E. The Governor of the Falkland Islands,  
Government House,  
Port Stanley,  
Falkland Islands.

FIF0003/30

RR FCO

GR 200

CYPHER CAT A

FM PORT STANLEY 30/1455Z

UNCLASSIFIED

IN CONFIDENCE

TO ROUTINE FCO TELNO 247 OF 30 JULY  
TO S AM D- PLEASE PASS TO GOVERNOR  
ALGINATE INDUSTRIES LTD(AIL)

1. IN A LETTER DATED 14 JULY, RALPH MERTON (22 HENRIETTA STREET)  
COMMENTS ON OUR LETTER OF 29 JUNE WHICH REPORTED THE REACTION  
OF LEGCO TO AIL'S DECISION TO RELINQUISH THE EXCLUSIVITY OF  
THEIR LICENCE. MERTON SAYS HE IS:

A. PLEASED, BECAUSE LEGCO'S RESPONSE QUOTE DEMONSTRATES THAT THEY  
DO NOT SHARE THE VIEW THAT WE ARE BEHAVING IN THE DOG-IN-THE-  
MANGER MANNER WHICH WAS THE SOLE REASON FOR OUR  
PROPOSAL UNQUOTE.

B. QUOTE CONFIDENT THAT IN THE ABSENCE OF ANY SOVEREIGNTY QUESTION  
WE WOULD WISH TO MAKE USE OF THE SEAWEED RESERVES OF THE FALKLANDS  
AT SOME POINT IN TIME BUT THAT IT IS EXTREMELY DIFFICULT TO  
DETERMINE WHEN EXACTLY THAT WOULD BE UNQUOTE. MERTON ADDS:  
QUOTE IN THESE CIRCUMSTANCES WE WILL CERTAINLY RECONSIDER OUR  
POSITION AS YOU SUGGEST, EVEN THOUGH IT IS MOST UNLIKELY THAT  
WE SHALL HAVE SPENT THE £2 MILLION NECESSARY TO ENSURE THAT  
OUR EXCLUSIVE LICENCE IS EXTENDED INTO THE 80S WITHOUT FURTHER  
NEGOTIATION UNQUOTE.

3. IF YOU PREFER, I CAN REPLY SUGGESTING THAT HE LET US HAVE  
SOMETHING MORE SPECIFIC SOON SO THAT THE ISLANDERS MAY BE  
REASSURED ABOUT AIL'S INTENTIONS.

SLATER

NNNN

SENT AT 30/1615Z GMS

RECD AT 30/1615Z JD

76

cc Cs

GOVERNMENT HOUSE  
STANLEY  
FALKLAND ISLANDS

77  
17

Ref: 136/1

9 August 1977

R R Merton Esq  
Managing Director  
Alginate Industries Ltd  
22 Henrietta Street  
London WC2E 8NB

In the temporary absence of His Excellency Governor Parker I write to acknowledge and to thank you warmly for your letter of 14 July. (B)

The letter does however put me in some difficulty. I should have liked to publicise it in full, both to counter garbled accounts allegedly based on other copies of the letter circulating in Stanley and, more important, to help check the mood of cynicism which seems to prevail at the moment about help development. But it is difficult adequately to convey the rather hopeful and helpful undertone of your letter without more in the way of supporting facts.

In this interim period AIL will doubtless have progressed further in their thinking about the future of Falklands help development. Could you let us have something more specific soon so that the Islanders may be reassured about AIL's intentions? I would be glad to ensure that the facts are made known throughout the Islands.

G J A Slater

Acting Governor

(not an original)

cc M Hickson Esq SMD/FCO ) with copy of Merton's letter  
Mrs M Rosser LAD/ODM )

BU 16 Sept 1977  
211

051/29/2 ✓

c. HOU/1/6

78

23 August 1977

The Hon M H C Pery Esq  
Alginatc Industries Ltd  
120 George Street  
Oban, Argyllshire  
Scotland

Dear Mr Pery

50 on HOU/1/6

Will you please refer to your letter of 2nd August addressed to Mr Browning of my office.

2. I was very pleased to note that there is a chance that your Company may require to re-start operations in Stanley at fairly short notice. This is indeed welcome news, as we had - perhaps wrongly - deduced from a recent letter from your Chairman that the activities of AIL in the Falklands had been virtually brought to a stop because of the economic climate.

3. In a reply to your Chairman the Governor suggested that the interests of the Colony would best be served if potential private investors gave an earnest of their intentions now rather than wait until all obstacles had been removed. He drew attention in this connection to the fact that Government was giving a lead by making plans for a really worthwhile development programme.

4. As you will recall, this Government has, during the currency of AIL's Licence and Agreement period, gone to some lengths in trying to accommodate your Company and ease the establishment of its enterprise. We are still of this mind and are now considering the proposal made by your Chairman concerning the Licence period beginning in September this year.

/5. There is a great

Reply at (84)

5. There is a great eagerness to see your Company indicate that it proposes to embark on milling and processing kelp in the Falklands and it would be most welcome news if we could announce that you wish to retain the building against the day when operations will start, and that you have hopes that this date will be not too remote. In this circumstance I fully appreciate your need to be able to have the building returned to you at a reasonably short notice and, given this situation, it would I am sure go a long way to reassure us here of your hopes and intentions if AIL, as a gesture of goodwill, made the hostel available to Government rent-free on condition that it was returned to you at six months' notice. This would I am sure help considerably to allay any criticism that may arise because the principal kelp grounds of the Colony have been reserved to your Company for so long a time at a fixed fee, depreciating rapidly in real terms.

Yours sincerely,



A J P Monk  
Chief Secretary

m.

Extract from a letter from RRM to the Governor of the Falkland Islands. 26th May, 1977.

The following is a short history of our interest in the Falkland Islands and its seaweed.

I myself was sent out shortly after the end of the war, having been given the task of carrying out a survey of world seaweed resources and having "discovered" the Falklands as a potential source of seaweed from a study of the Admiralty charts.

At that time I was a junior executive in no sense responsible for deciding whether such a survey was necessary, and in retrospect it certainly was not required at that time. Hence criticism that on that occasion we raised hopes at least a quarter of a century ahead of time is perfectly justifiable.

When, however, nearly twenty years later it was decided to resume our interest we were most careful to explain that we had no fixed time scale and that the matter was far from immediate from the point of view of full scale implementation.

In due course Lord Chalfont was sent to the Falkland Islands by Mr. Wilson, then Prime Minister, with instructions if possible to persuade the Falkland Islanders to opt for becoming Argentinians, and it was at that time we disclosed to the world the fact that there existed around the Falklands a very considerable potential supply of seaweed which would one day be of great value.

There followed a period of negotiation, as a result of which we were granted an exclusive licence over the Eastern seaboard, and following which we carried out exploratory work, the cost of which amounted eventually to around £150,000.

Returning to the licence and Agreement I should say that the one point of contention throughout the negotiations arose from the fact that those with whom we were negotiating were only really interested in immediate activity whereas throughout we stressed that our interest was not immediate. It was extremely difficult, we explained, to forecast when the world alginate industry would run out of supplies of seaweed from cheaper sources and we should be forced to operate in the Falklands, which would inevitably prove more expensive.

Throughout the early stages the intention was to do what we have done elsewhere, namely to collect, wash, dry and mill the seaweed and then to transport it to our factories in Scotland, and it was only when the price of oil rocketed that it became evident that the only economic method of using Falkland Islands seaweed would be to manufacture alginates on

the spot/....

We therefore set about devising an entirely new process so as to enable us to do this and as a result we have such a process in operation in Scotland today. It has taken at least five years to develop and it is unique.

The effect of this was, however, to increase to a very great extent the capital expenditure which would be involved and to increase the importance of communications; and it is largely because both the plant and personnel involved in alginate manufacture are sophisticated that we have pressed for the extension of the airport, so as to enable us to fly in both at short notice.

We have, throughout made it clear to all concerned that there is no question of our raising from the public and expending the sum of around £13 million, or thereabouts, necessary to establish an alginate industry in the Falklands unless and until

1. The world supply and demand position with regard to alginates justifies the project.
2. The sovereignty question has been satisfactorily resolved or, if not, any investment made by us has been underwritten by an express government guarantee or by E.C.G.D.

With regard to the first of these conditions I am sure everyone is aware that the world is in the throes, if not of a slump, of a recession, and all forecasts made on the basis of extrapolating from the years prior to 1975 have been shown to have been over optimistic.

Meantime in the light of events affecting the sovereignty issue we have redoubled our efforts to "squeeze the lemon" represented by our existing sources and scour the world for additional sources.

In this we have been reasonably successful inasmuch as we now obtain seaweed not only from Scotland and Ireland but also from South Africa, Norway, Iceland, King Island in the Bass Strait, Chile, not to mention experimental quantities of *Macrocystis* from the Argentine. The last mentioned enable us to carry out experiments at our factories in Scotland using the same type of weed as grows in the Falklands.

continued...

Forecasting the future of world trade is difficult for even the most seasoned economists. We have, moreover, to gauge the effect of the immense amount of scientific investigation which we ourselves carry out in order to devise new applications for our products, and hence to increase the demand for alginates; and these are the factors which will determine when the moment is likely to arrive when it will be necessary to make use of Falkland Islands seaweed if the world supply of alginates is to be further increased.

It is certain, however, that no immediate steps will be taken to establish an alginate industry in the Falklands.

The reasons are on the one hand doubts about the time scale of demand for alginates linked as it is to major questions of world trade which in turn depend upon such factors as the price of oil.

On the other hand the question of sovereignty and the likelihood of a satisfactory solution to it is perhaps now at a lower ebb than for some considerable time.

A little earlier Lord Shackleton's mission and his optimistic assessment of the Islands' future gave us very considerable hope. These hopes were however dashed to the ground by our Government's ill-timed approach to the Argentine Government, combined with parliamentary statements in which extracts from Lord Shackleton's report were quoted out of context by the highest officers of the Crown. Is it surprising that in these circumstances an additional reason for our requirement that the airport should be extended is that we wish to see some sign of a reversal of the Government policy over the past decade during which step after step has been taken to twist the Falkland Islander's arm, and force him to abandon his desire to remain British?

We still believe however that one day, whenever that may be, the interests of the Islanders will require the British Government to assist in developing the resources under British rule and that we shall then want to put our plans in the Falklands into operation.

We are moreover the leading alginate manufacturers in the world, as well as being the only alginate manufacturers with a process developed over five years for manufacturing alginates in the Islands.

Com/29/2

80

# ALGINATE INDUSTRIES

L I M I T E D

**DIRECTORS:**  
 W. B. MERTON Chairman  
 B. B. MERTON Managing  
 THE HON. M. H. C. PERY Directors  
 M. T. CAMPBELL-PRESTON O.B.E. M.C.  
 D. L. BANKES  
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CABLES:  
"ALGINATES, LONDON, W C 2"  
TELEX: 23815



1) Copy plea to CS  
(with copy of attached notes)

2) PA 1579



19th August, 1977

*G. J. A. Slater*

Many thanks for your letter of the 9th August.

Whilst I very much appreciate the difficulties under which you labour I am afraid that there is nothing I can add to the contents of my recent correspondence with the Governor.

I am well aware that what everybody would like would be for us to announce that we propose to start work forthwith but I have made it abundantly clear that this is not the case, whilst making it equally clear that we have by no means abandoned hope.

In case it may be of any assistance to you I am sending you half-a-dozen copies of an extract from my letter to the Governor which I hope may help you to some extent to counter the garbled accounts to which you refer.

*Yours sincerely  
W. B. Merton*

G. J. A. Slater Esq.,  
Acting Governor,  
Government House,  
Stanley,  
Falkland Islands.



THE ROYAL MAIL TO POSTAGE

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com/29/2

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# ALGINATE INDUSTRIES

L I M I T E D

DIRECTORS:  
 W. R. MERTON Chairman  
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 THE HON. M. H. C. PERY Directors  
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"ALGINATES"  
LONDON W C 2

CABLES:  
"ALGINATES, LONDON, W. C. 2"  
TELEX: 23815.



Our Ref: RRM/pab

29th September 1977

A.J.P. Monk, Esq.,  
 Chief Secretary,  
 Colonial Secretary's Office,  
 Stanley,  
Falkland Islands.



Dear Mr. Monk,

78

Thank you for your letter of the 23rd August addressed to Mr. Pery which has been referred to me on my return from holiday.

I must refer to the fact that the last paragraph of your letter accuses us, once more, of being "dogs in the manger", an accusation which you will recall led to my recent exchange of letters with the Governor in which we offered the obvious remedy which was, nevertheless, received by the Governor with dismay!

Are we, or are we not, behaving like "dogs in the manger"? - you must make up your mind.

75

In my letter of the 14th July to the Governor I said that in view of his dismay we would certainly "reconsider our position" - perhaps I should have said "withdraw our proposal" in accordance with his request which is what I intended.

In fact my letter of the 26th May referred to an exclusive licence fee of £7,500 commencing September 1977, whereas to be accurate it should have shown the fee as £7,600 in respect of the calendar year 1978 and payable, as has been the custom todate, in arrears on the 1st January 1979.

So far as the hostel is concerned, the fact that we may wish to recover possession at reasonably short notice does not preclude the possibility that it may be some considerable time before we would be in a position to go ahead. In these circumstances, and particularly because we shall be paying £7,600 "on trust" (as explained in my letter of the 14th we should certainly not

/Contd.....



1968 & 1973

29th September 1977

/2-

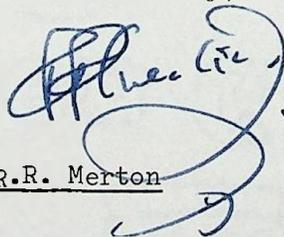
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have expended the necessary £2 million which is another condition for maintaining exclusivity - reference the Governor's letter of the 2nd November 1973) for two years, we really cannot be expected to treat the lease of the hostel other than on accepted commercial lines.

You refer to the assistance which your Government has accorded to us, and for which we are duly grateful. Perhaps you are not aware, however, of the countless hours spent by us championing the cause of the Falkland Islander in dealings with H.M.G., Members of Parliament and Falkland Island Committees of one kind or another to which we also lend considerable financial support.

Finally I must assume that incorrect and libellous announcements made regarding our affairs to the Islanders, and ascribed to you (for example those contained in the Falkland Island Times of the 15th June 1977) have been misreported. Anything you can do to avoid a repetition of this will surely lead to a better understanding all round, and will encourage us to hold on.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R.R. Merton', with a large, sweeping flourish underneath.

R.R. Merton

CHIEF SECRETARY'S OFFICE

THE SECRETARIAT

STANLEY

FALKLAND ISLANDS

Ref: COM/29/2

14 October 1977

R R Merton Esq  
Managing Director  
Alginat Industries Limited  
22 Henrietta Street  
London WC2E 8NB

Dear Sir,

This is just to acknowledge your letter RRM/PAB of 29th September to Mr Monk who left the Falklands on 6 October on completion of his tour.

Mr Monk has been succeeded by Mr John Massingham who arrived here on 13th October.

Yours faithfully,

D R Morrison  
for Chief Secretary

JB

Slob

# THE FALKLAND ISLANDS RESEARCH AND DEVELOPMENT ASSOCIATION LTD.

A Company Limited by Guarantee governed by a Council of Management

## VICE PRESIDENTS

The Right Honourable The Viscount Boyd of Merton C.H.P.C. The Right Honourable The Viscount Thurso of Ulbster J.P.  
Sir John Barlow Bt.  
Sir Cosmo Haskard K.C.M.G. M.B.E. Sir Miles Clifford K.B.E. C.M.G. E.D. HON. F.R.C.S.

Telephone 01-821-0032  
Telex 888164

General Secretary:  
Miss Leif Barton

The Falkland Islands Office,  
16 Regency Street,  
London S.W.1.

28th October 1977

His Excellency the Governor of the Falkland Islands,  
J. R. W. Parker Esq. O.B.E.,  
Government House,  
Port Stanley,  
Falkland Islands.

*Dear Governor*

I thought it might be helpful to you to have a note of the up to date position on visitors from here to the Falkland Islands who are in one way or another connected with this Office.

- John Spencer                      Partner Jacomb Hoare, Secretary Port San Carlos Ltd.  
Board member FIRADA with responsibility for finance,  
November to December
- F. G. Mitchell                    Member UKFIC, Chairman Fund Raising Committee
- Anne Cameron                    Port San Carlos, Member UKFIC, January February
- Lionel Daillie                    Falkland Islander, Shipbroker, Member Baltic Exchange,  
Board member FIRADA, member UKFIC January.
- A representative of this Office as yet to be selected to go in January.  
A member of the FIRADA board (to be confirmed) to go in January
- Viscount Garnock                Chairman Sallingbury Ltd. Director Bank of Montreal  
Member British Tourist Authority etc.  
February March.

I hope you will find this helpful. The dates <sup>are</sup> necessarily approximate except that John Spencer is booked to leave on 3rd November. We will keep you informed of any additions or alterations. As you know I cannot come except in my long

Executive Board of Directors: E.W.H. Christie, B.L., J. Dowling, R.R. Merton, L. Daillie, J. Broadbent-Jones, M.V. Summers B.A., J.R. Spencer F.C.A., M. Clark Hutchison M.P., J. Dodwell F.C.A., D.G. Ainslie B.A.

J. R. W. Parker Esq. O.B.E.

28th October 1977

vacation which is August and September.

I am this evening, at Lord Shackleton's request, seeing Mr. R. A. Fletcher a Don at Trinity College Oxford and a Governor of Radley who is hoping to visit the Islands in March 1978.

*Yours sincerely*  
*Bill*

E. W. H. Christie

c.c. Mrs. V. Malcolm - Port Stanley,  
T. J. D. Miller - Goose Green

S/S (86)

Reg  
R on Aljinate file  
+ BU 2 weeks  
[Signature]

4 November 1977

E W H Christie Esq  
16 Regency Street  
LONDON SW1

Thank you for your note of 28 October giving me a list of the visitors we may expect here during the next several months. This is most useful and if you can let me know of firm dates, in due course, I would be most grateful.

We had an uneventful journey out here, a pleasant few days in Montevideo and a fairly comfortable passage across to Stanley. Now it is back to work again, with my newly elected Council, and, as always, there is plenty to do.

I heard from Harland Greenshields, by the way, that his solicitor in London had consulted you on the question of the future of his farming company; I am sure I can hope that the advice you gave was helpful to our Island interests.

J R W Parker

X |

P.S. I have also just had your letter of 25 October (the mail has been coming in in fits and starts lately, apparently because of a hold up in the London GPO). I particularly noted your suggestion about the Commonwealth Development Corporation; I have already made tentative soundings in that direction and I will ask the Chief Secretary to follow them up through the Ministry of Overseas Development, whose economist will be here with us shortly.

SLA

# THE FALKLAND ISLANDS RESEARCH AND DEVELOPMENT ASSOCIATION LTD.

A Company Limited by Guarantee governed by a Council of Management

## VICE PRESIDENTS

The Right Honourable The Viscount Boyd of Merton C.H.P.C. The Right Honourable The Viscount Thurso of Ulster J.P.  
Sir John Barlow Bt.  
Sir Cosmo Haskard K.C.M.G. M.B.E. Sir Miles Clifford K.B.E. C.M.G. E.D. HON. F.R.C.S.

Telephone 01-821-0032  
Telex 888164

General Secretary:  
Miss Leif Barton

The Falkland Islands Office,  
16 Regency Street,  
London S.W.1.

25th October 1977

His Excellency The Governor of the Falkland Islands,  
J. R. W. Parker Esq. O.B.E.,  
Government House,  
Port Stanley,  
FALKLAND ISLANDS.

*Dear Governor*

I hope you had a good journey back to the Islands and are now happily settled in again.

We were all very glad indeed that you were able to attend the Reception at the Old Hall, Lincoln's Inn, and also grateful to you for sparing the time to come here on your wedding anniversary to meet some of us and see this Office. I was also personally glad to have the opportunity of dining with you and regretful that there was no opportunity to return your hospitality.

While you were here you mentioned to me that you were anxious to get some sort of an alginates industry going even if on a very small scale.

I have been in touch with Ralph Merton and we have explored various suggestions which I put forward. I feel I should write to you at once because there are major difficulties in starting anything on other than the sort of scale that Alginates' plans envisage. Falkland Islands' kelp is not intertidal, has a high water content and, compared with the kelp in the Bass Straits a relatively low alginate content. It can, in Alginates view, only be harvested by ship specially designed for the purpose and costing about £800,000. It is no good having one ship, one must have two in order to keep production constant in the event of a breakdown. In the Bass Straits they are able to harvest a high alginate, intertidal seaweed with adapted landrovers and dry and package it. This would not be possible with the Falkland Islands kelp. Alginates cannot see any way of doing it without a substantial investment. One of the problems which have concerned Alginates as a result of the doubt cast on British intentions about sovereignty has been that, while they can obtain EGCD cover for their

Executive Board of Directors: E.W.H. Christie, B.L., J. Dowling, R.R. Merton, L. Daille, J. Broadbent-Jones, M.V. Summers B.A., J.R. Spencer F.C.A., M. Clark Hutchison M.P., J. Dodwell F.C.A., D.G. Ainslie B.A.

J. R. W. Parker Esq.

25th October 1977

investment in the Islands and the specialist harvesting vessels could in the event of the loss of the Islands be adapted for use elsewhere, There is no way in which they could recover the cost of the specialised plant in Scotland which is essential for dealing with Falkland Islands kelp. If their supply were to be cut off or to become prohibitively expensive they would be faced with redundancies and inactive plant in Scotland.

It is my personal opinion, and it can only be my personal opinion, that last autumn the Alginates board had virtually decided in principle to go ahead with development in the Islands, timing the raising of the money and the commencement of work to coincide with an upturn in the world economy. This was certainly my understanding of the position while we waited for three months to see Mr. Rowlands in order to press for an extension to the airfield on the grounds, among others, that Alginates were not prepared to invest unless they had direct air communications. It was most unfortunate that we were summoned to the Foreign Office to have the news broken to us by Mr. Rowlands that sovereignty was to be discussed with the Argentines with a delegation that was almost entirely composed of business interests to support the case for extending the airfield. William Merton, the Chairman of Alginate Industries Ltd. was part of this delegation, and it is my belief that he went into the room prepared to tell the Minister that in principle Alginates were going to go ahead and came out of the room having decided in his own mind that he could not in the circumstances go to the City of London to raise the money required for the investment.

From our point of view the decision to hold talks with Argentina was disastrously mistimed and it is, as I say my personal belief that in this respect at any rate it did the Islanders a great deal of damage.

Reverting to the question of a modest Alginates development, there seems to me to be at present two possible approaches.

One would be for me to sound out the Commonwealth Development Corporation who said last year that they would consider any productive investment of about £3m to £4m if we liked to put a proposal to them. The other possibility is that a Chilean development based at Punta Arenas using surplus gas for drying the weed may take place during the next decade. It might be a practical proposition to harvest Falkland Islands seaweed and ship it to Punta Arenas for processing because the Chilean reserves are neither as extensive nor as accessible as those round the Falkland Islands.

I am sorry if this letter is discouraging but please do not hesitate to let us know if there is anything we can do to help.

I would like to make it quite clear that I am satisfied in my own mind that Alginate Industries Ltd. have not lost interest in the Islands. Assuming an upturn in the world economy, I am quite certain they will want to use the Islands' resources. One can only hope that the world's economy will improve and that we shall sort out our problems with the Argentines in time for the present generation of Falkland Islanders to see some benefit from those resources.

Yours sincerely  
Bill

E. W. H. Christie  
Chairman

THE FALKLAND ISLANDS RESEARCH AND DEVELOPMENT ASSOCIATION LTD.

A Company Limited by Guarantee governed by a Council of Management

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Telephone 01-821-0032  
Telex 888164

General Secretary:  
Miss Leif Barton

The Falkland Islands Office,  
16 Regency Street,  
London S.W.1.

11th November 1977

His Excellency The Governor of the Falkland Islands,  
J. R. W. Parker Esq. O.B.E.,  
Government House,  
Port Stanley,  
Falkland Islands.

*Dear Mr. Parker,*

Further to my letter about the possibility of a small scale Alginates development, I am enclosing a copy of an item which appeared recently in the Daily Telegraph. It has occurred to us here that in the present situation British Shipbuilders, the nationalised shipbuilding organisation may well be prepared to build two kelp harvesting vessels on 100% credit soft loan terms to be repaid over a period of years either out of earnings or perhaps on a quota participation basis.

Alginates are in fact having discussions with them on the building of a vessel for their own use so that it would amount to an order for a class of at least three if Alginates were to go ahead.

The address of British Shipbuilders appears to be 127 George Street, Edinburgh EH2 4JN. There is a London Office but it is not yet in the telephone book.

*Yours sincerely  
Leif Barton*

E. W. H. Christie  
(Dictated by Mr. Christie  
and signed in his absence)

Enc.

Executive Board of Directors: E.W.H. Christie, B.L., J. Dowling, R.R. Merton, L. Daillie, J. Broadbent-Jones, M.V. Sumners B.A.,  
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# Tough Poles delay signing of £112m ships contract

8/11/77

By JOHN PETTY, Commercial Correspondent

**T**OUGH demands by the Poles are delaying the clinching of the £112 million contract, in which Mr Callaghan has been personally involved, for Britain to build 22 ships and two floating cranes for Poland.

The Poles are driving a hard bargain, even though they will get 100 per cent. credit on ships whose price is being cut by a subsidy of around £30 million from British taxpayers.

At the centre of the argument is whether engines and other equipment should be built in Poland and then sent to Britain for incorporation in the ships.

Britain has been sticking for a maximum of five per cent. of the cost of the ships to be Polish-made. British engine-builders are alarmed at the prospect that some of the engines may be built in Poland.

## Shipyard jobs

Mr Callaghan announced with a flourish at the Labour party conference more than a month ago that signing of the contract was imminent. British negotiators have been expecting the contract to be signed "within 10 days" for the past two months.

The deal has taken 18 months to set up and is intended to save 8,000 shipyard jobs on Tyneside and Clydeside for a year.

The Government is desperately seeking other shipbuilding contracts from abroad, even though every one will call for a big subsidy from the British taxpayer.

British shipowners fear that the Government will finish up subsidising their competitors at a time when shipping profits are vanishing in many sectors.

Mrs Hart, Overseas Development Minister, is offering Shipping Corporation of India large amounts of cash to build ships worth £50 million in Britain. It would come out of British aid to India.

## World crisis

Mr Kaufman, Industry Minister, is just back from Hongkong where he told Chinese businessmen that the British taxpayers would subsidise any ships they might order in Britain.

Portugal is another nation to be offered inducements to build in Britain.

Meanwhile, a working party of the Organisation for Economic Co-operation and Development was meeting in Tokyo yesterday to try to sort out the world shipbuilding crisis. One recommendation was that aid should not be given to help developing nations build new shipyards.

The European Economic Commission has suggested that Common Market countries should halve their shipbuilding industries, but most governments are instead backing subsidies as a means of keeping yards open.

# CONFIDENTIAL EXECUTIVE COUNCIL

No. 87/77

## SMALL-SCALE ALGINATES DEVELOPMENT

Mr. E. W. H. Christie, on behalf of The Falkland Islands Research & Development Association, has been in correspondence with His Excellency the Governor, about possible small-scale Alginite development in the Islands.

2. Copies of two letters from Mr. Christie are attached for information (His Excellency acknowledged the first only in a post-script to a letter about another topic).

3. The Chief Secretary is exploring with the Ministry of Overseas Development the possibility of approaching the Commonwealth Development Corporation to discover whether they would be interested in starting an alginite enterprise here.

4. Council is invited to take note of this initiative and also to comment upon steps that might be taken to pursue its possible implementation.

The Secretariat,  
Stanley.

6th December, 1977

Ref:- COM/29/2

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THE SECRETARIAT,  
STANLEY, FALKLAND ISLANDS,  
SOUTH ATLANTIC.

Ref: COM/29/2

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↓  
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.....16 December 1977<sup>19</sup>.....

E W H Christie Esq  
FIRADA  
Falkland Islands Office  
16 Regency Street  
London SW1

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I am writing to thank you for your letter of 11 November to the Governor suggesting that the Falkland Islands Government might get into touch with British Shipbuilders about the possibility of their building kelp harvesting vessels on soft loan terms.

2. This possibility has been laid before the Executive Council which will no doubt bear it in mind at the appropriate time.

J D Massingham  
CHIEF SECRETARY

→ on two months

1979

19 December

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Mrs C B Johnson  
Latin America Department  
Ministry of Overseas Development  
Eland House  
Stag Place  
London SW1E 5DH

#### DEVELOPMENT OF ALGINATES

Your files contain copies of at least some of the (often sharp) correspondence between the Falkland Islands Government and Alginate Industries Limited about the exploitation of Kelp in the Islands. I would draw your attention in particular to the blind copy, sent to Mary Rosser, of the Governor's letter of 29 June to Ralph Merton, Managing Director of AIL.

2. Since then AIL have indicated that they have withdrawn their offer to abandon the exclusive rights that they hold to the harvesting and processing of kelp. Accordingly they will now be paying, with effect from September of this year, an enhanced fee of £7,600 as royalty for such exclusive rights. However, the agreement will lapse in September 1979 when the whole future will have to be considered. Meanwhile there has been some considerable scepticism here about AIL's intentions despite all their protestations of interest in and friendship for the Falkland Islands. In straight commercial terms they have at their disposal reserves of kelp which are much more readily and cheaply exploited. Their reluctance, therefore, to move in here is not surprising, though we would have preferred that they had used straight economic and commercial arguments rather than hide behind the excuse of the economic uncertainty that the sovereignty issue raises.
3. We ought now to start thinking of what may happen in 1979 and, at this stage, it may be helpful if we could start some preliminary soundings with the Commonwealth Development Corporation to discover whether or not they have the expertise and interest to move into the exploitation of kelp. Presumably this would be an entirely new enterprise for them and they may have some difficulty in mounting any operation except in conjunction with AIL which may well have an almost exclusive knowledge of kelp processing. Any approaches that we made to CDC would have to be made discreetly at this point and, in any case, only in the most tentative and exploratory manner. Nevertheless, I wonder whether someone could take some soundings of them.
4. You might be interested to know that the Falkland Islands Research and Development Association have been prompting us to negotiate with British Shipbuilders to explore the possibility of their offering 100% credit terms on a soft loan basis to build us two kelp-harvesting vessels. This proposal, which was made to Executive Council here, drew virtually no response and I am frankly uncertain how the Association believed we could make use of such vessels even supposing that we could obtain them. It was, in fact, Bill Christie, the Chairman of the Association, who first suggested that CDC might be approached. He himself offered to do the sounding for us since he apparently has some contacts of his own. So far as I can understand his proposal is that we should simply harvest seaweed in the Falklands and ship it to Punta Arenas in Chile for processing. Whilst that might be intrinsically an attractive idea I am not certain how he envisaged our entering into such an enterprise - even supposing it were feasible - so long as AIL hold an exclusive licence. Anyway the first step is to discover what sort of attitude CDC are likely to adopt, and we shall look forward to hearing in due course what you have been able to glean from them.

J. D. Massingham  
Chief Secretary

EXTRACT OF MINUTES OF EXECUTIVE COUNCIL MEETING NO 11/77  
HELD ON WEDNESDAY 14TH DECEMBER 1977

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COE/29/2 ✓  
11/77

10. Christie Papers (Mems 86/77 & 87/77)

Two papers entitled "Constitutional & Economic Development" and "Small-scale Alginates Development" prepared by Mr. E. W. H. Christie on behalf of the Falkland Islands Research and Development Association in London were noted, without comment, by Council.

*D. W. W. W. W.*