

CONFIDENTIAL.

NAT/SEA/6 # 5

SECRETARIAT

1859.

1859.

(Formerly)

SUBJECT:

PROPOSALS FOR COMPETITIVE SEALING LICENCES.

CONNECTED FILES.

NUMBER

120/26

589/27

75/35

10/44

21/45

119/45

0376

0497

1/28/47

1/9/51

1/8/51

0157/II

Sealing F.I. Season 1925/26

Grant of Licence to F.I. Sealing Co. Ltd.

F.I. and Dependencias Sealing Co.

Sealing in the Falklands enquires from Mr. Lowe

W. J. Hutchinson applies for licence to seal.

C. W. Bertrand " " " " "

The Falklands & Dependencias Sealing Co. Ltd.

Sealing - Enquires by Cooper Friend & Co.

Cia Argentina de Pesca General.

Sealing & Fishing Co. K. S. Pierce-Butler

Sealing Legislation.

Sealing in the Falkland Islands - Albion Star.

Y.E.

I have drafted a savingram to the Secretary of State suggesting that the South Georgia sealing licence should be offered on the basis of a competitive tender.

2. This I think is the suggestion you wish to put to the Secretary of State following Pierce-Butler's letter and memorandum on D/9/57.

3. I did I think tell you that Pierce-Butler was not anxious to discuss his proposition with Salvesen.

4. I imagine there is always the possibility now that Pierce-Butler will go in with Salvesen as his Manager at Leith. That being the case I think it is quite likely he will press the sealing project on Salvesen.

A. J. T.
7.3.58

H. 1
HES.

2.
Draft may issue.

DPA. 8.3.58

Copy in D/9/57

"Sealing + Fishing Coy - K.S. Pierce-Butler"

SAVING TELEGRAM.

From: The Officer Administering the Government of the Falkland Islands.

To: The Secretary of State for the Colonies.

Date: 11th March, 1958.

No. 43 SAVING. COLONY.See 32 in
D/9/57 for reply

I enclose for your information and consideration a copy of a memorandum submitted to this Government by Mr. K. Pierce-Butler, at present the Manager at Grytviken for the Compania Argentina de Pesca, which sets out certain proposals for the establishment of a Sealing and Fishing Company to operate in Falklands and Dependencies waters. Mr. Pierce-Butler proposes to leave Pesca at the end of this season.

2. As you are already aware, the Compania Argentina de Pesca have held the South Georgia sealing licence for thirty-one years. In May, 1955, Mr. Pierce-Butler, acting on the instructions of Mr. Ryan, the Chairman of Pesca, informed my predecessor that he intended to submit a formal application to this Government for the sole sealing rights in the waters of the Falkland Islands and the Dependencies. He intimated that it was the intention that the application should be made by the Albion Star Company of Gibraltar but, as an alternative and if Government preferred it that way, his principals would be prepared to form a separate company registered in the Falkland Islands. He went on to explain that if the company were to be given the concession it would build a sealing factory ship which would be operated with two smaller sealing vessels. Mr. Pierce-Butler was told that another concern was interested in developing the sealing industry in the Falkland Islands and the Dependencies, but if he would submit a formal application it would be considered together with any proposals that might be made by the other people concerned. It was in fact Captain Salvesen who was interested in the sealing possibilities in the Falklands.

3. A formal application for an exclusive sealing licence in the Falkland Islands and the Dependencies was submitted to this Government by the Albion Star Company in May, 1955. My predecessor, while on leave in the United Kingdom in 1955, ascertained from Salvesen that he was no longer interested in sealing in the Falkland Islands, and advised Pierce-Butler that if the Albion Star Company wanted exclusive rights they would have to make a financial offer in addition to undertaking to pay export duty on the seal oil, even though the seals taken from the beaches were processed on a factory ship lying outside territorial waters. From this arose the following exchange of telegrams and correspondence:-

- 15 in 0157/IV (i) Your telegram No.96 of the 27th August, 1955.
18 in " (ii) O.A.G.'s telegram No.147 of the 16th September, 1955.
23 in " (iii) O.A.G.'s savingram No.164, Colony, of the 24th October, 1955

and subsequent correspondence on the details of the proposed licences.

67 in 4. In August, 1956, my predecessor interviewed Ryan in the United Kingdom and pressed him to take effective action to register the Albion Star Company in the Falklands or in South Georgia, and to turn it into a going sealing concern. Although the Albion Star Company was eventually registered (3rd September, 1956) there the matter rests. Ostensibly Ryan's excuse for inactivity is that of "difficulties with the Argentine Government". This may well be true, since I have reason to believe that for some time now the Argentine Government have been taking a close interest in Ryan's activities and in the conduct of Pesca's affairs. It is, however, my view, which is shared by Pierce-Butler, that Ryan has used the Albion Star Company mainly as a convenient means of playing the Argentine Government off against this Administration and vice versa. He probably intends to do nothing more about it unless his position in the Argentine becomes untenable.

5. No great harm would result in allowing Pesca to continue with the sealing in South Georgia except for the following reasons:-

- (i) I am anxious to see the sealing potentialities of the Falkland Islands developed as soon as possible. I do not believe a sealing industry based solely on the Falkland Islands would ever prove a practical and economic proposition, and consider that sealing in the Falklands ought to be linked with the South Georgia licence and, if in time it proves to be possible, with the other Dependencies. I think a factory ship is essential.
- (ii) Ryan, while allowing his Manager at Grytviken to carry out experiments in whole carcass utilisation, shows no signs of putting the results of the experiments, which have proved most successful, into practice. The result is that there is and will continue to be enormous and inexcusable wastage, and a substantial loss of revenue to Government.

98 & 99 in 57 III 6. It was with all this in mind that a letter was handed to Pierce-Butler in mid-April, 1957, with the request that he should pass it on to Ryan whom he was seeing within a week in Montevideo. The following two paragraphs of this letter are relevant:-

"There are two further matters to which I think it desirable your Company should give urgent consideration. According to the latest official advice available to this Government, it is your Company's intention to commence sealing in Falkland Islands waters in 1957. You did, however, advise me recently in South Georgia that it was unlikely that the Albion Star Company would be in a position to begin until 1958. In the circumstances Government would be quite prepared to hold open the option of an exclusive licence until the end of 1958 but I trust you will appreciate that there would be serious difficulties in the way of continuing this concession and it is in fact doubtful whether Government could see its way to holding open the option beyond the 1958 season. In the circumstances I should be much obliged if you would inform this Government of your Company's intentions.

The second point of some importance is that of carcass utilisation. You will appreciate that in the draft Dependencies licence the principle of maximum

utilisation of the seal carcass has been incorporated. A similar provision has been incorporated in the draft Colony licence. You will appreciate, of course, that it is this Government's responsibility to ensure that the economic potentialities of both Dependencies and the Colony are exploited to the full and with maximum efficiency. In Government's view it is essential that very much more serious consideration should be given by the Albion Star Company than has hitherto been given by the Company Argentina de Pesca to the question of whole carcass disposals and I should be very glad if you would be good enough to inform me as soon as possible what steps the Albion Star Company proposes to take to ensure that in fact seal carcasses are utilised to the maximum."

There has been no response to this letter.

7. I have now no doubt that Ryan has no intention of making any further move with regard to either sealing in the Falkland Islands or towards a more efficient system of utilisation of his South Georgia licence while he is left in undisturbed possession of the sealing rights in South Georgia and things go reasonably smoothly for him in the Argentine. I think the time has come to consider whether we can justifiably allow the present arrangements to continue.

8. If we are to make a change, and I think we must, by opening up the field so as to give people like Pierce-Butler an opportunity, then I think we must also give Ryan a final chance to mend his ways. Salvesen, too, must be considered because he has applied for the South Georgia sealing rights in the event of Ryan surrendering his licence. If that is accepted, then I consider the most appropriate method would be by means of an open tender for the combined sealing rights in the Falkland Islands and in South Georgia in, say, 1959 or 1960, and for a minimum period of fifteen years. This would give any would be newcomer who is interested, such as Pierce-Butler (who I understand might well be backed by the Union Whaling Company) with the opportunity of tendering for the licences. The idea is not of course a new one. It was suggested by Sir Arnold Hodson in his despatch No. 93 of the 1st March, 1928.

9. There is one particular difficulty so far as a newcomer such as Pierce-Butler is concerned. To be certain of raising the quite considerable amount of capital, if he does not already possess it, to purchase, convert, and equip or build a suitable vessel, and the small craft required for working off the beaches, an individual or company would have to be tolerably certain of getting the licence. Before granting the licence, Government would have to be assured that the person or company concerned commands the necessary resources to do the work. I might mention, however, that Pierce-Butler has succeeded in modernising and improving the efficiency of Pesca's whaling station at Grytviken to a quite remarkable extent during the time he has been Ryan's Manager there, and I have every confidence in his ability.

10. If it is agreed that some form of competitive tender should be tried then I suggest the basis should be:-

- (1) Exclusive rights for a period of fifteen years to take up to 6,000 elephant seal per annum in South Georgia and 1,000 elephant seal and 9,000 sea lion per annum in the Falkland Islands (subject to the reservation with regard to separate agreements required in the case of Lafonia, adjacent islands and certain

Ref 0157 III

areas north of Choiseul Sound - see 1 (a) of O.A.G.'s telegram No. 147 of the 16th September, 1955.)

- (ii) There would be included in the licence a clause to the effect that oil obtained from seals processed at sea having been taken from the Falkland Islands and South Georgia beaches would be liable to export duty as in the case of a land based station.
- (iii) The successful applicant would first have to satisfy this Government that it commands the necessary financial resources and equipment for the project and also possess or could provide the facilities required to process and utilise to the full extent the whole carcass of every seal taken.
- (iv) The sealing company would be required to be registered either in the Falkland Islands or South Georgia, preferably the former. In addition to taxation commitments and export duty on seal oil the company would be required to pay an annual licence fee of £500.
- (v) The terms and conditions of the licence would be subject to negotiations on detail but would generally follow the lines of the two draft licences proposed in the case of the Albion Star Company (subject of course to no alteration with regard to the minimum sizes or the maximum kill unless such alteration is supported by your Scientific Advisers).

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0157 III

11. I appreciate that there are likely to be some difficulties to contend with. It is quite possible that the Pierce-Butler proposition might fall through and we fail to interest some other concern in the combined Falkland Islands and South Georgia proposition. If that happens we shall simply have to concentrate on South Georgia, in the hope, at least, of improving the present uneconomic and outdated methods of utilisation and of ensuring greater efficiency. There is also the political aspect to be considered. I have little doubt that if Pesca were to lose the licence they have held for so many years, as indeed they might well do, our action would be ascribed by the Argentine authorities as having a political motive. I am, however, in no position to assess the likely strength of Argentine reaction and its effect on our relationships and interests in the Argentine and this is one aspect of the problem which you would no doubt wish to consider in conjunction with the Foreign Office.

12. A number of details remain to be considered but before proceeding any further I shall be grateful to know whether the general proposition of attempting, as a first step, to combine the Falkland Islands and South Georgia sealing fields and of offering the long term exclusive rights on the basis of open competitive tenders would meet with your approval.

GOVERNOR

COPY.

PROPOSAL TO ESTABLISH A SEALING AND FISHING COMPANY
IN THE FALKLAND ISLANDS AND DEPENDENCIES.

GENERAL. At present Compania Argentina de Pesca operates the sealing industry in South Georgia, they are permitted under the licence issued by the Falkland Islands Government to take 6,000 elephant seals annually.

The methods used by Compania Argentina de Pesca, are to operate three small seal catchers from which parties are sent ashore to the various beaches populated by these seals and drive those to be taken down to the sea where they are shot and flensed. The blubber is then dragged out to the seal catchers and when a complete cargo of this has been collected, the vessels proceed to the Company's whaling station at Grytviken where the blubber is rendered down by press cooking to produce seal oil. The average annual production of seal oil using this system is approximately 320 kilos of oil per seal. No attempt is made to utilize the seal carcasses which are left on the beaches.

During recent experiments by the writer, a total of 100 elephant seal carcasses were fully utilized in order to ascertain, under factory conditions, what quantity and quality of oil and meal production could be expected and to compare this production with that of Compania Argentina de Pesca.

The results of these experiments showed an average production of 370 kilos of oil or 50 kilos in excess of that produced by Compania Argentina de Pesca and 238 kilos of mixed meat and bone meal having a crude protein content of 72%. In addition, the seal oil produced from the complete carcasses was found to be of a very light colour (Lovibond scale 2.9 Red) and containing only 0.5% free fatty acids. The reasons for the better quality of the oil was that the seals were all freshly killed and the method employed to extract the oil was such that the temperature of the raw materials was never allowed to exceed 90° C.

The average total annual production by Compania Argentina de Pesca using the existing methods is about 1,920 tons of seal oil. Whilst using the same methods as those adopted by the writer during the recent experiments, it would be possible to produce 2,220 tons of oil and 1,428 tons of mixed meat and bone meal from 6,000 elephant seals taken during a season at South Georgia.

The value of the above production at current oil and meal prices of £78 per ton for seal oil and 15/6d. per unit of protein would be:-

Compania Argentina de Pesca's Production.

Seal Oil.....£149,760

Production by Full Utilization.

Seal Oil.....£173,160

Meat & Bone Meal...£ 79,680

TOTAL.....£252,840

/PROPOSAL

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PROPOSAL. It is proposed to register a sealing and fishing company in the Falkland Islands.

The objects of this Company would be to expand the Sealing Industry to include the Falkland Islands as well as South Georgia by employing a sealing factory ship, having a cargo capacity of about 6,000 tons and equipped as described below enabling the complete carcass of all seals to be fully utilized in the production of seal oil and mixed meat and bone meal. In addition it is proposed to employ the vessel for the purpose of catching fish after the sealing season has finished and to produce fish oil and meal.

The gross income for the first year of operation resulting from the sale of seal products obtained from 6,000 elephant seals taken in South Georgia and 1,000 elephant seals and 9,000 sea lions taken in the Falkland Islands is estimated as follows:-

South Georgia.

Elephant Seal Oil	£173,160
Meat & Bone Meal	£ 79,680

Falkland Islands.

Elephant Seal Oil	£ 28,860
Meat & Bone Meal	£ 13,280
Sea Lion Oil	£ 86,580
Meat & Bone Meal	£ 39,840

TOTAL. £421,400

It is not possible to estimate at present the production of fish oil and meal and it would therefore, be necessary to spend one month at the end of the first sealing season on the fishing grounds between South Georgia, the Falkland Islands and the South Shetland Islands surveying the best areas for fishing. It is, however, known that there are large shoals of fish in this area and it should be relatively easy to find the best methods to employ for catching them.

The capital required to commence operations on the scale described below and the annual recurrent expenditure for the operation of the sealing and fishing factory are estimated as follows:-

Capital Expenditure.

Purchase of suitable ship	£100,000
Conversion of ship to factory ..	£ 50,000
Factory equipment	£ 35,000
4 Sealing launches complete	£ 24,000

TOTAL £209,000

/Recurrent

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Recurrent Annual Expenditure.

Crew's wages and bonus	£ 60,000
Provisions	£ 8,250
Insurance	£ 10,000
Fuel	£ 50,000
Expedition stores	£ 30,000
Annual refit	£ 25,000

TOTAL. £183,250

In addition to the above there would be a small expenditure on the establishment of an office in London or in Port Stanley, the former being more convenient as a centre for both selling the production and purchasing stores.

INTENTION. It is intended to provide either British or South African crew for the factory ship and the vessel would normally proceed from the United Kingdom in June and having taken a cargo of fuel would arrive in the Falkland Islands not later than mid July to commence sealing operations there and remaining in the Falklands until the end of August.

Sealing operations would commence in South Georgia in the first week of September and the Factory Ship would remain there until the end of the sealing season on 1st November or until the quota of 6,000 seals had been taken if this was earlier.

The Factory Ship would next proceed to the fishing grounds and remain there operating as a fish oil and meal factory until the end of December when it would return to the Falkland Islands on its way north thereafter proceeding to South Africa and Europe, if South African crews were employed or to Europe direct if British crews only were employed.

From the above it will be seen that the factory would provide an additional means of communication between U.K. and/or South Africa and the Falkland Islands and during the period of operations, between the Falkland Islands and South Georgia. There would be some additional passenger and cargo space to be utilized for the transport of passengers and stores if required.

Details of the proposed Factory Ship and methods of operation are given below.

FACTORY SHIP. The most suitable ship for conversion would be a small motor driven tanker having a cargo capacity of about 6,000 tons. Such vessels are now becoming obsolete as the modern trend is to build much larger vessels for the transport of fuel and other oils and therefore, the initial cost of the vessel would be relatively small.

The conversion would include building a factory deck on the existing tank tops and raising the main deck above this. The main deck would be fitted with a suitable slipway on either side, large enough to draw up the seal carcasses onto the main deck where a powered conveyor would carry the carcasses to a primary cutter. Here the carcasses would be reduced in size to enable them to be fed to a secondary cutter and from thence to a mincer. Sufficient space would be made available to stack carcasses on board so that during operations the vessel could be moved from one area to another.

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The daily capacity of the factory would be 200 elephant seals estimated as weighing 2 tons each, therefore, all plant in the factory would be designed to handle 400 tons of raw material, whilst the oil separation plant would be designed to produce 76.5 tons of oil and the meal plant would be capable of producing 50 tons of mixed meat and bone meal.

The Factory Ship would be equipped with 4 powerful sea going launches of approximately 40 feet overall length and powered with 120 H.P. marine diesel engines. The launches would be fully equipped to operate in the open sea up to 20 miles from the Factory Ship and would therefore be fitted with full navigational and radio aids including radar, echo sounding equipment, radio-telephone and direction finding receiver. Each launch would be provided with a pram dinghy to land the beach parties and in the event of an emergency would be capable of remaining away from the factory ship for up to one week.

Each launch would carry a crew of 7 men, 4 of whom would form one beach party consisting of the Gunner in charge of the party, 2 beaters to drive the seal down to the sea and a pram man.

METHODS OF OPERATION. During sealing operations the Factory Ship would either anchor up in a suitable harbour or lie as close to the coast as possible and the launches would be used to collect seal carcasses from the beaches within a 10 mile radius of the parent ship. Under normal circumstances 2 launches would work together but on the smaller beaches it might be found that one launch would be capable of handling all seals.

Each launch would be capable of towing 10 elephant seal carcasses or 30 sea lions and as soon as sufficient seals had been taken on a beach, the launch would return to the parent ship to deliver its cargo and return for more, in this way each launch would be capable of delivering 50 elephant seals or 150 sea lions per day.

Under normal circumstances the launches would only be lifted on board the factory ship for repair or when the factory was moving a relatively long distance, i.e. from the Falklands to South Georgia, but arrangements would be made to do this under most weather conditions.

The Factory Ship would load sufficient fuel on the outward voyage to maintain it throughout the season without refuelling and would be capable of carrying all the production of seal oil and meal back to Europe at the end of the season.

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DECODE.

TELEGRAM.

From.....Colonial Secretary,

To.....Administrative Officer.

Despatched : 14th March, 19 58 Time : 1115.

Received : 19 Time :

CONFIDENTAIL.

NO. 65. Sealing Licences.

For your own confidential information Governor has suggested to S. of S. that combined sealing licences in South Georgia and Falkland Islands should be offered on the basis of a competitive tender for a period of fifteen years. No further action can be taken pending receipt of S. of S'. views.

Secretary.

GTC:FH

✓Original filed in 1859
Copy filed in D/9/57.

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C O P Y

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EXTRACT FROM LETTER OF 24.7.58 TO H.E. FROM H.C.S.Pecca

Original filed in D/28/47

Corey

- 3/9/57 - K. S. P. Butler

I have seen the cables and at last the F.O. are at last to be told that we must bring the present sealing system to an end as Rogers is now personally interested I think there is some hope, though the F.O. won't like it. I have met Pierce-Butler and his accountants and lowers. I made it quite clear, before accepting the invitation to meet them, that I could only give information and could not enter into any commitments. I should have thought, though I entirely agree that a combined licence is the best, that there would be advantage in giving P.B. a foot in the door in order to enable him to make a start - raise the capital and buy a ship. Otherwise we may have no one, and if he is prepared to take the risk I should have thought that it would, in existing circumstances, be advantageous to have someone in the Falklands who would then be in a strong position to bid for the S.G. licence as well. But there it is and I hope something comes of it. He is negotiating with C.D.C. and Dr. Fraser has agreed, on the basis of Hamilton's report and Bonner's work on that report, that 15,000 sea lions would be safe to start with, provided there is a provision in the licence allowing for a reduction if necessary. I have had several talks with Fraser and he is writing to the C.O. giving his views for transmission to you.

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UNITED STATES DEPARTMENT OF JUSTICE

INVESTIGATION

13.

ACd

We have had nothing in
any mail for this file. R.R.

Don
11/15/59

Ja

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11/14/59