

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

**RESTRICTED**  
**L/7161/Add.9**  
29 October 1993  
Limited Distribution

(93-1839)

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Original: English

**STATE TRADING**

**Notification Pursuant to Article XVII:4(a)**

**UNITED KINGDOM**

The following communication, dated 6 October 1993, has been received from the Permanent Mission of the United Kingdom.

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The following notification covers the activities of the Milk Marketing Boards, the Potato Marketing Board, the British Wool Marketing Board, the British Coal Corporation, Lynrise Limited and British Nuclear Fuels plc.

**A. Milk Marketing Boards**

**I. Enumeration of State trading enterprises**

There are five Milk Marketing Boards in the United Kingdom:

- (i) Milk Marketing Board for England and Wales;
- (ii) Aberdeen and District Milk Marketing Board;
- (iii) North of Scotland Milk Marketing Board;
- (iv) Scottish Milk Marketing Board;
- (v) Milk Marketing Board (Northern Ireland).

**II. Reason and purpose for introducing and maintaining the State trading enterprise**

The Milk Marketing Boards are independent dairy farmers' organizations financed and controlled by milk producers. The England and Wales Board was set up under the 1931 and 1933 Agricultural Marketing Acts with the objective of providing a system for orderly milk marketing and for representing milk producers' interests. Its aims, which remain the same, were to collect all milk produced by dairy farmers, sell on their behalf, pool the returns and distribute these returns equally to all producers in proportion of the amount of milk consigned. It commenced operations on 6 October 1933. The other four Milk Marketing Boards in the United Kingdom operate in a similar way to the England and Wales Board.

The legal basis of the current milk marketing arrangements in England, Wales and Scotland are the 1958 Agricultural Marketing Act as amended, the Milk Marketing Scheme formulated under the Act, and specific Community Regulations.

The Board in Northern Ireland was constituted under the Agricultural Marketing (Northern Ireland) Order 1955 and operates under the provisions of the Milk Marketing Scheme (Approval Order) Northern Ireland 1989.

Legislation to end the Milk Marketing Schemes in Great Britain is currently before Parliament. Revocation of the three schemes in Scotland is scheduled for 1 April 1994 and revocation of the England and Wales Scheme is scheduled for 1 October 1994. The legislation provides for each Milk Marketing Board to present proposals to Ministers for the introduction of successor voluntary arrangements relating to the marketing of milk in its area. Similar legislation to end the Milk Marketing Scheme in Northern Ireland will also be introduced.

III. Description of the functioning of the State trading enterprise

The main functions of the Boards in the United Kingdom are:

- (a) to collect, and market all the milk offered to the Board provided it complies with quality standards;
- (b) to maximize returns to producers by giving priority in allocation of supplies to the most remunerative markets;
- (c) to negotiate with the dairy trade to obtain the best possible prices for manufacturing milk;
- (d) to pay each milk producer, on a regular basis, a price based on the total returns from all markets.

Some other functions of the Board are:

- (a) to administer EC milk quotas on behalf of Her Majesty's Government;
- (b) to test milk for
  - (i) composition;
  - (ii) hygienic quality;
  - (iii) presence of antibiotics

IV. Statistical information

See Annex II.

V. Reason why no foreign trade has taken place in products affected

Not applicable.

**B. Potato Marketing Board****I. Enumeration of State trading enterprises**

Potato Marketing Board.

**II. Reason and purpose for introducing and maintaining the State trading enterprise**

The Potato Marketing Board which operates in Great Britain but not in Northern Ireland is a producer organization operating under the provisions of the Potato Marketing Scheme 1955 (as amended) and constituted under the Agricultural Marketing Act 1958.

The Board's purpose is to provide producers with guaranteed prices. The main elements of the guarantee arrangements are as follows:

- (a) an annual review of the economic condition and prospects of the industry;
- (b) in the light of that review, the determination of a guaranteed price for potatoes grown for sale for human consumption;
- (c) the quantity of such potatoes to which the guaranteed price will apply.

All producers who grow 0.4 hectares or more of potatoes are required to register under the scheme and to pay a levy to the Board based on their planted area.

There is no Potato Marketing Board in Northern Ireland. Guaranteed price arrangements for potatoes operate under the Northern Ireland Potato Market Support Arrangements 1984. This is an agreement between the Government and the Ulster Farmers Union.

**III. Description of the functioning of the State trading enterprise**

The Board acts as the agent of the Government in administering market support arrangements in Great Britain. This is based on three basic mechanisms as follows:

- (a) control of the area of potatoes planted by registered producers;
- (b) market intervention in times of over-supply based on a system of pre-season contracts;
- (c) a supplementary support buying arrangement known as the Direct Intervention System (DIS).

The Government's involvement in market support will end with the passage of the Agriculture Bill currently before Parliament.

In 1988 a review was carried out on the arrangements, and concluded that the basic elements of the Board's marketing mechanism should be retained provided that consumer and other non-producer interests were given greater influence in the Board's market management decisions. The Scheme has been modified in order to make producers more responsive to the market needs of the 1990s.

The other major functions of the Board include:

- (a) control, through a system of quotas, of the area planted to potatoes;

- (b) the prescription of size and quality standards for homegrown potatoes intended for safe consumption by registered producers and licensed merchants;
- (c) research, publicity, the collection and dissemination of statistics etc;
- (d) enforcement of the statutory requirements of the scheme.

IV. Statistical information

See Annex II.

V. Reason why no foreign trade has taken place in products affected

Not applicable.

C. British Wool Marketing Board

I. Enumeration of State trading enterprises

British Wool Marketing Board.

II. Reason and purpose for introducing and maintaining the State trading enterprise

The British Wool Marketing Board was established in 1950 under the British Wool Marketing Scheme (Approval) Order (as amended).

Its purpose is to administer the British Wool Marketing Scheme (contained in Part I of the Agriculture Act 1957 and Part I of the Agriculture Marketing Act 1958). The Scheme exists to regulate the collection and marketing of UK fleece wool.

III. Description of the functioning of the State trading enterprise

The Board operates a statutory monopoly on the purchase of fleece wool from producers. Exemptions exist for producers of wool from certain specified breeds of sheep, producers who sell small quantities of wool to handspinners, and producers who sell wool directly to a buyer outside the UK where this results in the export of this wool from the UK. Skin wool is excluded from the scheme.

The Board arranges the collection, storage and sale of fleece wool from producers. Purchase of wool from producers currently operates on the basis of a national guarantee price set annually by Ministers in the light of market conditions. UK wool is sold at open auctions, organized by the Board, in free competition with wool from other sources.

When the market price falls below the guaranteed level the Government makes cash advances to the BWMB to cover the shortfall; when sale prices are strong and the fund is in surplus the BWMB is required to make repayments to the Government. This guarantee mechanism is to be terminated with effect from 30 April 1993. The other marketing arrangements will remain.

The Board's activities are designed to ensure for producers an orderly collection and marketing of wool, without distorting the operation of the market. The Board has no rôle in determining market prices, although it can dictate a reserve price at auction. Wool imports to - and exports from - the UK flow freely without impediment.

The Board has several subsidiary companies which trade in wool at several stages in the manufacturing process. These operations are financially and commercially separate from the Board itself.

IV. Statistical information

See Annex II.

V. Reason why no foreign trade has taken place in products affected

Not applicable.

D. British Coal Corporation

I. Enumeration of State trading enterprises

British Coal Corporation.

II. Reason and purpose for introducing and maintaining the State trading enterprise

The National Coal Board was established as a public corporation in 1946 when the coal industry was nationalized. Its main duties are set out in the Coal Industry Nationalization Act 1946:

- (a) working and getting the coal in Great Britain to the exclusion (save as is provided in the Act) of any other person;
- (b) securing the efficient development of the coal mining industry;
- (c) making supplies of coal available, of such qualities and sizes, in such quantities and at such prices as may seem to the Board best calculated to serve the public interest.

Under the Coal Industry Act 1987 the National Coal Board became the British Coal Corporation.

The principal qualification of the Corporation's monopoly is that under section 36(2) of the 1946 Act, as amended by Section 46 of the Opencast Coal Act 1958, and the Coal Industry Act 1990, the Board may grant licences to others for the working and getting of:

- (a) coal from small mines in which the number of persons below ground is at no time likely to greatly exceed 150;
- (b) coal present among other minerals which is of such small value that its working is unlikely to be undertaken except as ancillary to the working of those other materials;
- (c) coal in small opencast sites which are unlikely to yield substantially more than 250,000 tonnes.

III. Description of the functioning of the State trading enterprise

Imports of coal are allowed freely on open general licence from any part of the world.

Imports during 1992 amounted to 20.3 million tonnes (provisional figures only).

Solid fuel exports are normally free of export control. Both British Coal and the private non-vested interests are free to compete for overseas markets on a commercial basis.

IV. Statistical information

See Annex I.

V. Reasons why no foreign trade has taken place in products affected

Not applicable - see Annex I.

VI. Additional information

The Government recently undertook a wide-ranging review of the coal industry, the conclusions of which were published in a White Paper.

The Government remains committed to the privatization of British Coal. An Act to allow British Coal to make preparations for privatization has passed through Parliament and came into force on 19 January 1993. No decisions on the timing of privatization legislation have yet been made.

E. Lynrise

I. Enumeration of State trading enterprises

Lynrise Ltd. and subsidiary aircraft leasing companies.

II. Reason and purpose for introducing and maintaining the State trading enterprise

In 1989 the United Kingdom Government privatized Short Brothers Plc, a manufacturer of aircraft and aerospace components. As part of the privatization terms, Her Majesty's Government retained ownership (and hence responsibility for the obligations) of the subsidiary companies of Shorts which had been involved in aircraft leasing operations.

III. Description of the functioning of the State trading enterprise

Amongst the products manufactured by Short Brothers Plc were the SD3-30 and SD3-60 commuter aircraft. The finance subsidiaries of Shorts arranged financing packages to enable these aircraft to be leased to airlines. The companies remaining in state ownership are involved in maintaining and meeting existing lease commitments and re-leasing returned aircraft on the open market. The companies trade in open international markets in competition with other business which are both privately and publicly owned.

IV. Statistical information

A total of 114 aircraft are currently involved in the sales financing companies portfolio.

V. Reason why no foreign trade has taken place in products affected

Not applicable.

VI. Additional information

It is the United Kingdom Government's policy to terminate the aircraft financings in due course in a cost efficient manner.

F. **British Nuclear Fuels plc (BNFL)**

I. **Enumeration of State trading enterprises**

British Nuclear Fuels plc (BNFL)

A complete range of nuclear fuel cycle services in the United Kingdom and overseas i.e. reprocessing and waste management, fuel enrichment and fabrication, transport and electricity generation.

II. **Reason and purpose for introducing and maintaining the State trading enterprise**

BNFL was established under the Atomic Energy Authority Act 1971 to take over the nuclear fuel business of the UKAEA and put it on a commercial footing. The company acts commercially borrowing from the market and not from Government. It is classified as a private sector company by the Central Statistical office (CSO).

III. **Description of the functioning of the State trading enterprise**

BNFL imports materials and exports its services to some dozen countries in line with contracts it has won in the market-place. BNFL is not a monopoly and other traders are free to buy nuclear services as they will. For example, the United Kingdom electricity supply industry purchases some of its fuel enrichment requirements from the USSR. BNFL does not use State-trading methods but negotiates contracts and prices commercially. Contracts are not negotiated centrally by Government.

IV. **Statistical information**

Not available.

V. **Reason why no foreign trade has taken place in products affected**

Not applicable.

VI. **Additional information**

BNFL is a public limited company and is accordingly subject to the same regulatory régime as other plcs which operate in the United Kingdom. It is an unquoted Companies Act company and is subject to Part IV of the Fair Trading Act 1973 and Sections 3 and 4 of the Competition Act 1980.

BNFL does not borrow from Government but finances its business from the commercial market, guaranteed by the Government under the Nuclear Industry (Finance) Act 1977. It has no special trading position and trades in the same way as other companies.

ANNEX I

**STATISTICS OF COAL TRADE AND PRODUCTION**

	Tonnage ('000 tonnes)				Value (£'000)			
	1989	1990	1991	1992	1989	1990	1991	1992
(a) Imports	12,137	14,783	19,611	20,373P	469,501	604,975	701,984	705,264 P
(b) Exports	2,072	2,307	1,824	973P	70,940	82,893	69,218	43,469 P
(c) (i) Total home production								
Deep mined	79,628	72,899	73,357	65,808P	3,260,000E	3,035,000E	3,130,000E	2,860,000EP
Recovered coal	2,849E	3,364E	4,167E	3,572E	N/A	N/A	N/A	N/A
Opencast	18,657	18,134	18,635	17,817P	820,000E	745,000E	795,000E	755,000EP
Total	101,135	94,397	96,159	87,197P	4,080,000	3,780,000	3,925,000	3,615,000P
(ii) Produced from licensed mines (including licensed opencast included in (c)(i))	2,106	3,682	3,089	3,682P	N/A	N/A	N/A	N/A

P = Provisional  
E = Estimated  
N/A = Not available



## ANNEX II

### UK Production of Wool, Potatoes and Milk

	Total quantity of output			Total value of output (£ million)		
	1989	1990	1991 (provisional)	1989	1990	1991 (provisional)
1. Fleece wool	53	(million kg.) 53	50.5	52	49	42
2. Potatoes	5,802	(thousand tonnes) 6,488	7,882	468	510	491
3. Milk	14,231	(million litres) 14,521	14,077	2,727	2,802	2,751

Notes: No appropriate statistics for the import and export of these products are available.