

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

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### STATE TRADING

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

#### UNITED KINGDOM

The following notification, dated 21 August 1990, has been received from the United Kingdom Mission.

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A notification from the United Kingdom is reproduced hereunder. It covers the activities of the British Coal Corporation, British Shipbuilders, Lynrise Limited, the British Wool Marketing Board, the Potato Marketing Board, the Milk Marketing Board and British Nuclear Fuels plc.

A. 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 nationalised. Its main duties are set out in the Coal Industry Nationalisation 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 Board's monopoly is that under Section 36(2) of the 1946 Act, as amended by Section 46 of the Opencast Coal Act 1958, 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 thirty;
- (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 25,000 tonnes.

The Coal Industry Bill currently before Parliament proposes to raise the manpower limit on deep mines from 30 to 150 men who may be permitted to work underground, and the opencast site limit from 25,000 tonnes to 250,000 tonnes. The Bill is expected to come into force in 1990.

### 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 1989 amounted to 12.1 million tonnes (provisional figure). The prices and terms of contracts are negotiated by the importers themselves.

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

### IV. Statistical Information

See Annex I.

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

Not applicable - see Annex I.

### VI. Additional information

Following the Coal Industry Act 1977, the National Coal Board has been given authority to "work and get coal outside Great Britain".

Prior to the Act, the area of overseas work in which the Board was involved was restricted.

B. British Shipbuilders

I. Enumeration of state trading enterprises

British Shipbuilders.

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

No longer applicable.

British Shipbuilders has now disposed of or closed all its former shipbuilding and other related facilities. Harland & Wolff plc, Belfast, has also now been privatized. The shipbuilding, shiprepair and marine engineering industry in the UK is therefore now wholly in private sector ownership.

C. Lynrise Ltd

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 1969 the United Kingdom Government privatised 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 the 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 138 aircraft are currently involved in the sales financing companies' portfolio. The trading results of the financing companies are commercially confidential, and to disclose these could affect the leasing rates obtained.

V. Reason why no foreign trade had taken place

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.

D. 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.

The Board has a statutory monopoly on the purchase of wool produced in the United Kingdom (with the exception of wool from very small flocks and small sales to hand spinners).

III. Description of the functioning of the state trading enterprise

The Board arranges collection, storage and sale of wool in the United Kingdom. It purchases from producers at a price based on the guaranteed price set annually by the Government in the light of market conditions.

British wool is sold at open auctions, organised by the Board, in free competition with wool from other sources. If the market price does not coincide with the guaranteed price, the Board either accumulates the surplus in its funds or draws on those funds to finance the loss.

The Board's activities largely affect the producer, rather than the market. The Board has no role in determining market prices, although it can dictate a reserve price at auction. Similarly, it has no role as an importer or exporter.

The Board has several subsidiary companies which trade in wool at various stages of 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.

E. 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 organisation 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 contacts;
- (c) a supplementary support buying arrangement known as the Direct Intervention System (DIS).

Recently a review was carried out on the arrangements, and concluded that the basic elements of the Board's marketing mechanism are to be retained provided that consumer and other non-producer interests are given greater influence in the Board's market management decisions. The Scheme is in the process of being modified and the new arrangements are the Board's attempt 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 sale for human 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.

F. Milk Marketing Board

I. Enumeration of state trading enterprises

Milk Marketing Board which includes the following:

- (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).

III. Reason and purpose for introducing and maintaining the state trading enterprise

The Milk Marketing Board is an independent dairy farmers' organization, financed and controlled by milk producers. The 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 to the amount of milk consigned. It commenced operations on 6 October 1933. There are five Milk Marketing Boards in the United Kingdom, three in Scotland, one covering England and Wales and one in Northern Ireland. They all operate in a similar way.

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.

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 maximise 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.

(c) To provide various customer services eg:

- (i) an artificial insemination service;
- (ii) a veterinary service;
- (iii) a milk recording scheme.

IV. Statistical Information

See Annex II.

V. Reason why no foreign trade has taken place

Not Applicable.

G. 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 ie 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

See Annex III:

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 regime 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 5 of the Competition Act 1980.

BNFL does not borrow from Government but finances its business from the commercial market. It has no special trading position and trades in the same way as other companies.

ANNEX 1

Statistics of Coal Trade and Production

|  | <u>Tonnage ('000 tonnes)</u> |         |           |             | <u>Value (£'000)</u> |             |
|--|------------------------------|---------|-----------|-------------|----------------------|-------------|
|  | 1987                         | 1988    | 1989      | 1987        | 1988                 | 1989        |
| (a) Imports  | 9,781                        | 11,993  | 12,137    | 368,353     | 427,820              | 469,501     |
| (b) Re-exports   |                              |         |           |             |                      |             |
| (c) (i) Total exports  | 2,342                        | 1,737   | 2,072     | 78,411      | 64,465               | 70,940      |
| (ii) Exports from non-vested (licensed) mines and opencast sites included in (c) (i) |                              |         |           |             |                      |             |
| (d) (i) Total home production  |                              |         |           |             |                      |             |
| Deepmined  | 85,852                       | 83,462  | 78,831 P  | 3,470,000 E | 3,400,000 E          | 3,210,000 E |
| Recovered coal   | 2,790 E                      | 2,405 E | 2,849 E   | N/A         | N/A                  | N/A         |
| Opencast   | 15,793                       | 17,918  | 18,671 P  | 680,000 E   | 770,000 E            | 810,000 E   |
| Total  | 104,435                      | 103,785 | 100,351 P | 4,150,000   | 4,170,000            | 4,020,000   |
| (ii) Production from licensed mines * included in (d) (i)                            | 1,911 P                      | 1,724 P | 1,323 P   | N/A         | N/A                  | N/A         |

\*Including licensed opencast.  
P = Provisional  
E = Estimated  
N/A = Not Available

ANNEX II

UK Production of Wool, Potatoes and Milk

|             | <u>Total Quantity of Output</u> |                            |               | <u>Total Value of Output (million £)</u> |       |               |
|-------------|---------------------------------|----------------------------|---------------|--|-------|---------------|
|             | 1987                            | 1988                       | 1989          | 1987                                     | 1988  | 1989          |
|             |                                 |                            | (provisional) |  |       | (provisional) |
| 1. Wool     | 62                              | (million kg)<br>67         | 73            | 43.4                                     | 48    | 52            |
| 2. Potatoes | 6,222                           | (thousand tonnes)<br>5,940 | 5,802         | 533.6                                    | 400   | 468           |
| 3. Milk     | 14,801                          | (million litres)<br>14,444 | 14,246        | 2,434.1                                  | 2,562 | 2,749         |

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

ANNEX III

Statistics of BNFL Production and Exports (£ million)

|            | Fuel | Enrichment | Spent Fuel Management* | Total |
|------------|------|------------|------------------------|-------|
| 1988/89    |      |            |                        |       |
| Production | 193  | 123        | 545                    | 861   |
| Exports    | 30   | 44         | 95                     | 169   |
| 1987/88    |      |            |                        |       |
| Production | 174  | 104        | 493                    | 771   |
| Exports    | 24   | 30         | 80                     | 134   |
| 1986/87    |      |            |                        |       |
| Production | 210  | 105        | 422                    | 737   |
| Exports    | 28   | 47         | 77                     | 152   |

\* includes figures for Transport, Engineering and Reactor Divisions