

CONFIDENTIAL.

MIN/KEL/1#8

# SECRETARIAT

(Formerly)

0004/11

## ALGINATE INDUSTRIES

Commercial with folio 133 CONNECTED FILES.

NUMBER

472/28

Exploitation of kelp.

17/46

Seaweed required by the Colonial Office.

52/116

Falkland Land Timber Co.

Kelp Industry in the Falkland Is.

0004/A

British American Kelp Co. - Power Supply

0004/B

" " " " - Housing

0004/C

" " " " - Labour.

2438

Seaweed.

~~SECRETARY~~

CS. Pery spoke to Miss Swanick on 13<sup>th</sup>  
Telephone this morning and dictated  
attached "table". On 18<sup>th</sup> July he will  
telephone again and dictate letters, including  
one for you + one for Sloggie. Arrangements  
have been made to tape dictation. NO  
action needed by you yet but I would be  
glad to have Alginate's file.

Henk  
12/47

M  
30/6/69

TABLE TO GO AT THE END OF LETTER CONCERNING HEADS OF AGREEMENT :-

SCALE TONS PER ANNUM

	4,000	16,000	32,000
COST PER TON	£65	£53	£50
TOTAL COST OF ONE YEAR'S PRODUCTION	£260,000	£850,000	£1,600,000
LICENCE FEE	£1,000	£1,000	£1,000
ROYALTY AT 30/- PER TON	£6,000	£24,000	£48,000
PROFITS TAX AT 10%	£26,000	£85,000	£160,000
TOTAL TO COLONY	£33,000	£110,000	£209,000

*Answer*  
*136*

X not what was discussed. We thought that up to 10% of the total expenditure would be profit, not tax. But as they seem ready to pay 10% tax we could, and should, think again. L.G.

General

Seaweed is usually classified according to colour. There are more than 7,000 species of which over 100 are put to industrial use. Size varies from very small to exceptionally large - of more than 70 metres in length.

The degree of their concentration, and their chemical composition depends on such factors as climate, latitude, season, depth, currents, etc. Methods of collecting vary according to species and the use to which they are to be put.

Drying is always done naturally, by laying out near the shore or mechanically by hot air. After drying the seaweed can be put to industrial or commercial use.

Argentinian Seaweed

In some coastal areas there is no seaweed, and in others only kinds which are not exploitable. But from Puerto Lobos to Tierra del Fuego macrocystis is found; from Punta Tombo to San Julian ulva and perifera and from Camaroses southwards, lessonia - in the greatest quantities at Santa Cruz and Tierra del Fuego.

Dr. Jensen's Report

Dr. Jensen, working under the auspices of the United Nations Technical Assistance Programme, indicated in his report written in 1964 the possibility of harvesting large tonnages of various types of seaweed, for example; 20 - 25,000 tons of macrocystis. Seaweed would make a useful contribution to the local economy and the commercial possibilities were worth investigating.

Uses of Seaweed

These comprise food (the oldest method of utilisation), medicine, industry (textiles etc.). All the Pacific coasts abound in edible varieties.

Norway and Canada utilise seaweed for animal feed. Chile and Argentina are potential competitors in this field.

The collection of seaweed began in Argentina in 1956, 100 tons being harvested by the firm of Soniano. Harvesting for industry and export began the following year and by 1960 the value of this export was \$50,000.

The firm of Soniano entered with a technical contract with the Japanese firm Kinitzu Chemicals for building a plant for the production of alginates.

Argentina has put to use all the derivatives of seaweed.

Edible Seaweed

Seaweed as a food is widely used along the Pacific coastline and in oriental countries, for example Japan. In South America various edible seaweeds are eaten in Chile, Peru and Ecuador.

Perifera

Perifera is well known and much used in Japan where it is known as NORI.

Being rich in minerals it is an indispensable food for regions far from the sea and where diets are lacking in iodine. In countries where alginates are used as food it is noticeable that diseases for which iodine is effective are less prevalent.

137  
(R)

Industry

The greatest industrial use is as animal feed. It was so used in many countries before its exact chemical composition was known. Later analysis proved it to be indispensable for proper glandular functioning and proved its vitamin richness, its content including iodine, manganese and Vitamin D.

Production in Argentina rose from the original 100 tons already mentioned as produced by Soniano in 1956 to 7,000 tons in 1967. Mechanised methods now permit a daily production of 300 tons.

The 1967 production represented 16% of world production.

1st July, 1969

MJ

A.C.S.Alginate Industries Ltd: Housing.

Mr Johnson of ESRO saw me yesterday to say that it seemed probable that he would shortly be having two houses free, & for a period of 12 months, possibly a good deal longer. His London headquarters had told him that Alginate Industries had expressed interest in these two houses. Mr Johnson was to ask me my reactions.

2 I advised Mr Johnson to inform him that government had under consideration the question of housing requirements of Alginate Industries & that it was therefore best for government to be the channel on the matter, rather than Alginate - Esro direct.

3 There may also be a vacancy in Esro's bachelor house next year, for a considerable period.

4 There are only matters to note at present. This minute should go into the file containing the Exco. Memorandum on Alginate Industries Ltd so as to be available when matter is taken up at Monday's Exco Meeting

J 11/7

s/c  
 re. bring forward <sup>such</sup> to the Housing file.

11.7.69

192

EXTRACT FROM MINUTES OF MEETING NO. 7/69 OF EXECUTIVE COUNCIL  
HELD ON 15th, 16th, 17th JULY, 1969

0004/II.

Discussion on the Draft Heads of Agreement continued throughout the morning and a draft reply was prepared by the Colonial Secretary. After careful consideration it was agreed that a further draft incorporating views, suggestions and amendments arising from discussion should be prepared and that this draft, after circulation to Members, be the subject of discussion at a further meeting scheduled to take place on Tuesday, 22nd July.

*[Handwritten Signature]*  
CLERK OF COUNCIL.

ACS. please pass to CT and him to ~~him~~  
 that has been taken down over telephone  
 from London and may not be 100%  
 correct. We shall have  
 to discuss in ExCO.  
 A short memo will be  
 necessary. 3/7/69

FALKLAND ISLANDS

DRAFT HEADS OF AGREEMENT

1. Alginate Industries welcome the co-operation and assistance of the Falkland Islands Government in their venture to provide a kelp supply base at Port Stanley. ✓
2. Until the company is able fully to exploit all the waters of the Colony, it is accepted that their initial exclusive concession for 50 years should be limited to the coast line of the East Falkland and adjoining islands. ✓

This would not exclude the right of the company to harvest kelp elsewhere around the Falkland Islands. ✓

3. Should the company eventually wish to apply <sup>for</sup> a larger exclusive concession, the Falkland Islands Government would be prepared to negotiate. ✓
- In the event of any other operator applying for concessions in the uncommitted area, the company would be given the opportunity of first refusal.
4. The company would take into account the fact that, in certain instances, kelp beds are an aid to navigation and play an important part in the preservation of wild life. ✓
5. It is understood by the company that kelp could be harvested by any individual, or group of individuals, resident in the Falkland Islands, for use only within the Islands. ✓

6. The company would pay a licence fee for the exclusive right to harvest kelp over the concession area. The licence fee would be £1,000 ~~per year~~ per year for the first 5 years starting in the year following that in which it produced more than one thousand tons of dried milled kelp, or in any case no later than 1975. Thereafter the licence fee would be renewed every five years on the basis of the percentage change in the U.K. price index numbers (Chemical and Allied Industries Section) for the previous year as related to the index for the first year that the licence was paid. ✓

7. The Falkland Islands Government would reserve the right to review the exclusivity of the licence should the company fail to produce <sup>the</sup> a minimum quantities of dried milled kelp specified below: ✓

- an average of 4,000 tons per year over two years from a period of three years after the first licence fee is paid.
- an average of 8,000 tons <sup>per year</sup> over two years from a period of 10 years after the first licence fee is paid.

8. The company would pay a royalty for every ton of dried milled kelp produced. The royalty payment would commence when the company became liable to the licence fee and would be at the rate of £1. 10. Od. per ton of dried milled kelp for the first five years. Thereafter the royalty payment would be reviewed on the basis of the percentage change in the U.K. price index numbers (Chemical and Allied Industries Section) for the previous year as related to the price index for the first year that the licence fee was paid. ✓

L.E.  
 4/7/69  
 3269  
 139  
 (1) ✓  
 meaning?  
 (2) ✓  
 (3) ✓  
 (4) ✓  
 (4) ✓  
 (5+6)  
 ?  
 (5+6)  
 quantities  
 (7)  
 (price of kelp)  
 (375)

Annexure I

(word obscure)

(word obscure)

% of the profit  
will be taxed.  
Thompson's letter  
Reid.

(10)

9. Profit subject to Falkland Islands taxation would be expressed in the terms of ~~at~~ percentage of the annual production cost, including overheads and plant depreciation as from the date when the ~~licence~~ licence became payable. These costs would not, however, include any write off of expenditure not represented by fixed assets (e.g. consulting fees, cost of charging weed beds, <sup>etc</sup>) incurred in the initial stages and charged to a development or similar account.

(11)

10. In respect of power requirements, every effort would be made by the Government to provide for the pilot plant up to a loading of 100 kilowatts, although it would be understood that the load may have to be restricted during peak periods.

(12)

Further to  
see comment

11. Should the company decide not to generate its own power requirements for the Unit Stage, the earliest possible notice would be given to allow the Falkland Islands Government to plan <sup>the</sup> to estimate for the purchase and installation of additional machinery and the buildings to house it. In the meantime the suggestion is agreed that a suitable basis for negotiation is that the company should pay a charge per kilowatt of electricity consumed such as to allow <sup>include</sup> ..... for amortization over a ~~year~~ period of 25 years, or so, <sup>as</sup> and that proportion of the capital cost of the plant which would have been installed in order to meet the requirements, <sup>that together</sup> with interest on the sum at a rate to be agreed. It is also understood for the purposes of negotiation, that installation of a reserve capacity to meet breakdowns and overhauls would be part and parcel of the requirements for the purpose of calculations, and that it might be necessary to accept a figure on which amortization would be based representing the total cost of the installation, should it prove necessary to install a plant <sup>of capacity</sup> greater than the company's estimated requirements, no part of the balance of which is made regular use of by the colony.

(13)

12. It is also agreed for the purposes of negotiation that the charge per kilowatt to the company would be calculated by adding the figure for amortization to the figure representing <sup>of that portion of</sup> the combined cost of insurance, fuel, operating costs, <sup>and</sup> overheads <sup>represented by the number of units</sup> consumed by the company compared with the number of units generated. The figure for overheads being accepted as 10% of the operating costs.

(14)

? economic rents  
7/12/66

13. In view of the very heavy commitment in plant and machinery, the company would be unable to finance the building of houses. Thus the company would look to the Falkland Islands Government to provide houses on a rental basis.

On the assumption that all labour was imported, and 30% were bachelors, approximately 16 houses would be required when the main plant <sup>was</sup> started, and a further 10 houses might be required within the following two to three years.

(15)

14. In respect of water supply, it is confirmed that the Mt. William water supply, less that proportion used by the Moody Valley farm ~~rock~~ and the Stone Crusher could be made available to the company free of charge.

(16)

15. It is understood that the company would be responsible for providing their own water supply at the Unit Stage, and subject to any previous water extraction grants, would be allowed <sup>of</sup> the use of the water from the Murrel River, /or any other ....

or any other suitable supply in the area, free of tariff. Likewise, it is agreed to allow a supply pipe from the source to the site of <sup>a</sup>the factory to be laid on the surface of the camp, provided that adequate crossing places, to be determined by agreement, were provided for. No rental would be charged for the land taken up by the supply pipe.

(17) ✓

16. Equality of <sup>treatment</sup>~~terms~~ with other commercial undertakings would be guaranteed in respect of port dues and harbour rights. ✓

(18) ✓

17. When it is known whether the formation of a subsidiary company registered in the Falkland Islands is a possibility, sympathetic consideration would be given to the encouragement of local participation in such a company. ✓

(19)

18. No tax would be levied which has any specially adverse effect on the company's <sup>operations</sup>. - such as would arise if a fuel tax were to imposed. ✓

(20) ✓

19. The company would appreciate all possible support from the Falkland Islands Government in any approach to the Ministry of Defence (Navy) in ~~connection~~ with leasing the Camber site and oil storage facilities. Beyond any doubt the Camber site is the most suitable for the company's operations. ✓

20. The company looks forward to receiving the Falkland Islands Government's reply to the above suggestions, and as soon as a satisfactory agreement has been reached in principle, the company proposes to ask its legal advisers to draft a formal agreement for submission to the Falkland Islands Government. ✓

+ Table of figures

COLONIAL SECRETARY'S OFFICE  
7-JUL 1969  
5 July 1969.-  
FALKLAND ISLANDS

The Honourable The Colonial Secretary,  
Stanley.-

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Sir,

Alginat Industries Limited have instructed me to try to arrange for the rock pinnacles, clearly visible below the water, at low tide, in the centre of the Camber Harbour, to be blown up.

This request is made in spite of the fact that it is not certain that Alginat Industries Limited will ever work from the Camber, for no Heads of Agreement have been signed.

2. Please be kind enough to give the necessary permission for the demolition to be carried out and, if needful, will you please request the Ministry of Defence to agree.

3. Then please be kind enough to advise the Officer Commanding the Royal Marines Detachment who has been approached to carry out the work as a rewardful exercise.

4. Alginat Industries Limited hope that the job may be done as soon as possible because the present Detachment of Royal Marines have all the ways and means and ability to do the work, whilst nothing is known of future Detachments or plans.

5. Alginat Industries Limited have authorized me to pay for the cost of explosives, materials, etc.-

I have the honour to be,

Sir,

Your obedient Servant,

for Alginat Industries Limited.

c.c. Capt. McLeod R.M.  
The Manager, F. I. C.  
The Harbour Master  
A. I. L. London.  
A. I. L. Girvan.

CONFIDENTIAL

Issued today

10/7/69

AA 148

10th July, 1969

No. 52/69

EXECUTIVE COUNCIL

Alginat Industries Ltd.

Memorandum by the Colonial Secretary

Previous References: Executive Council Meeting No. 3 of 1969, Minute 21  
" " " " No. 4 " " Special Record

After meetings which included a Special Meeting of Executive Council (with membership increased by the inclusion of Mrs N. King, Mr W.H. Clement and Mr R.W. Hills as Extraordinary Members) with Mr M.H.C. Pery of Alginat Industries, of April this year, a letter dated the 1st of May and addressed to Mr Pery was issued by the Colonial Secretary. Copies of this letter were provided for all Members and Extraordinary Members.

2. The letter in question set out the Colony Government's reaction to the proposals of Alginat Industries particularly as contained in draft Heads of Agreement between the company and the government proposed by Mr Pery.

3. Further proposals have now been received from Alginat Industries Ltd. These proposals are embodied in a letter which should have arrived by post. In the event it was not received and its text was accordingly telephoned. For this reason it probably contains errors. It is attached hereto as Annexure I. Financial tables which should be read with the letter are also attached as Annexure II.

4. The proposals of Alginat Industries Ltd. contained in the letter annexed hereto differ from the views contained in the Colonial Secretary's letter of the 1st of May or represent the company's further thinking in aspects which are still subject of negotiation, mainly as follows - (the numbered references which appear below underlined refer to paragraphs of Annexure I; numbers immediately following them in brackets refer to paragraphs of the Colonial Secretary's letter of the 1st of May.).

(i) 6-7; (5 - 6)

Concerning the amount of the license fee; the intervals at which the fee should be reviewed; a fixed basis for the alteration of the fee; the exclusiveness of the license; the terms upon which the licences exclusiveness would be forfeited.

(ii) 8; (7)

Concerning the initial amount of royalty to be paid; and its subsequent variation.

(iii) 11; (12)

The company proposes an amortization period of 25 years instead of 15 years.

(iv) 13; (14)

The company proposes that the Colony Government should provide all necessary housing on a rental basis. Sixteen (16) houses required when the plant is started, with a probable further ten (10) within the following two to three years: (say, 25 houses in all at a rough estimated capital cost, including ancillary services (site, works etc) of more than £1 million.).

v/...

CONFIDENTIAL

H 8 A

CONFIDENTIAL

- 2 -

(v) 18; (19)

The company continues to seek a guarantee that taxes which would have a particularly adverse effect on its operations would not be imposed by the Colony Government, citing a possible fuel tax as an example.

5. In short, a very large measure of agreement has emerged.

6. Council is asked to advise on the attitude to be taken to proposals of the company which differ from those put forward by Government in the Colonial Secretary's letter under reference or which are made in response to specific requests for them made in that letter.

COLONIAL SECRETARY

Ref: 0004/II

SC

CONFIDENTIAL

FALKLAND ISLANDS

DRAFT HEADS OF AGREEMENT

1. Alginate Industries welcome the co-operation and assistance of the Falkland Islands Government in their venture to provide a kelp supply base at Port Stanley.

2. Until the company is able fully to exploit all the waters of the Colony, it is accepted that their initial exclusive concession for 50 years should be limited to the coast line of the East Falkland and adjoining islands.

This would not exclude the right of the company to harvest kelp elsewhere around the Falkland Islands.

3. Should the company eventually wish to apply for a larger exclusive concession, the Falkland Islands Government would be prepared to negotiate. In the event of any other operator applying for concessions in the uncommitted area, the company would be given the opportunity of first refusal.

4. The company would take into account the fact that, in certain instances, kelp beds are an aid to navigation and play an important part in the preservation of wild life.

5. It is understood by the company that kelp could be harvested by any individual, or group of individuals, resident in the Falkland Islands, for use only within the Islands.

6. The company would pay a licence fee for the exclusive right to harvest kelp over the concession area. The licence fee would be £1,000 per year for the first five years starting in the year following that in which it produced more than one thousand tons of dried milled kelp, or in any case no later than 1975. Thereafter the licence fee would be renewed every five years on the basis of the percentage change in the U.K. (word obscure) price index numbers (Chemical and Allied Industries Section) for the previous year as related to the index for the first year that the licence was paid.

7. The Falkland Islands Government would reserve the right to review the exclusivity of the licence should the company fail to produce the minimum of dried milled kelp specified below:

an average of 4,000 tons per year over two years from a period of three years after the first licence fee is paid.

an average of 8,000 tons per year over two years from a period of 10 years after the first licence fee is paid.

8. The company would pay a royalty for every ton of dried milled kelp produced. The royalty payment would commence when the company became liable to the licence fee and would be at the rate of £1. 10s. 0d. per ton of dried milled kelp for the first five years. Thereafter the royalty payment would be reviewed on the basis of the percentage change in the U.K. (word obscure) price index numbers (Chemical and Allied Industries Section) for the previous year as related to the price index for the first year that the licence fee was paid.

9. Profit subject to Falkland Islands taxation would be expressed in the terms of a percentage of the annual production cost, including overheads and plant depreciation as from the date when the licence became payable. These costs would not, however, include any write off of expenditure not represented by fixed assets/...

assets (e.g. consulting fees, cost of charging weed beds, etc) incurred in the initial stages and charged to a development or similar account.

10. In respect of power requirements, every effort would be made by the Government to provide for the pilot plant up to a loading of 100 kilowatts, although it would be understood that the load may have to be restricted during peak periods.

11. Should the company decide not to generate its own power requirements for the Unit Stage, the earliest possible notice would have to be given to allow the Falkland Islands Government to plan the estimate for the purchase and installation of additional machinery and the buildings to house it. In the meantime the suggestion is agreed that a suitable basis for negotiation is that the company should pay a charge per kilowatt of electricity consumed such as to include allowance for amortization over a period of 25 years, or so, of that proportion of the capital cost of the plant which would have been installed to meet the requirements, together with interest on the sum at a rate to be agreed. It is also understood for the purposes of negotiation, that installation of a reserve capacity to meet breakdowns and overhauls would be part and parcel of the requirements for the purpose of calculations, and that it might be necessary to accept a figure on which amortization would be based representing the total cost of the installation, should it prove necessary to install a plant of capacity greater than the company's estimated requirements, no part of the balance of which is made regular use of by the Colony.

12. It is also agreed for the purposes of negotiation that the charge per kilowatt to the company would be calculated by adding the figure obtained for amortization to the figure representing that portion of the combined cost of insurance, fuel, operating costs and overheads represented by the number of units consumed by the company compared with the number of units generated. The figure for overheads being accepted as 10% of the operating costs.

13. In view of the very heavy commitment in plant and machinery, the company would be unable to finance the building of houses. Thus the company would look to the Falkland Islands Government to provide houses on a rental basis.

On the assumption that all labour was imported, and 30% were bachelors, approximately 16 houses would be required when the main plant is started, and a further 10 houses might be required within the following two to three years.

14. In respect of water supply, it is confirmed that the Mt. William water supply, less that proportion used by the Moody Valley farm and the Stone Crusher could be made available to the company free of charge.

15. It is understood that the company would be responsible for providing their own water supply at the Unit Stage, and subject to any previous water extraction grants, would be allowed the use of the water from the Murrel River or any other suitable supply in the area, free of tariff. Likewise, it is agreed to allow a supply pipe from the source to the site of a factory to be laid on the surface of the camp, provided that adequate crossing places, to be determined by agreement, were provided for. No rental would be charged for the land taken up by the supply pipe.

16. Equality of treatment with other commercial undertakings would be guaranteed in respect of port dues and harbour rights.

17. When it is known whether the formation of a subsidiary company registered in the Falkland Islands is a possibility, sympathetic consideration would be given to the encouragement of local participation in such a company.

18./...

(178)

ANNEXURE I (contd)

18. No tax would be levied which has any specially adverse effect on the company's operations - such as would arise if a fuel tax were to be imposed.

19. The company would appreciate all possible support from the Falkland Islands Government in any approach to the Ministry of Defence (Navy) in connection with leasing the Camber site and oil storage facilities. Beyond any doubt the Camber site is the most suitable for the company's operations.

20. The company looks forward to receiving the Falkland Islands Government's reply to the above suggestions, and as soon as a satisfactory agreement has been reached in principle, the company proposes to ask its legal advisers to draft a formal agreement for submission to the Falkland Islands Government.

ANNEXURE II

SCALE - TONS PER ANNUM

	4,000	16,000	32,000
Cost per ton	£65	£53	£50
Total cost of one year's production	£260,000	£850,000	£1,600,000
Licence Fee	1,000	1,000	1,000
Royalty at 30/- per ton	16,000	6,000	24,000
Profits tax at 10%	9,000	26,000	85,000
Total to Colony	£33,000	£110,000	£209,000

$$\begin{array}{r} 1300 \\ 26000 \times 7 \\ \hline 20 \end{array}$$
 9,100

148E

ANNEXURE III

Letter from the Hon. M.H.C. Pery dictated over the Overseas Telephone Circuit  
on 1st July, 1969.

20th June, 1969.

Dear Sir Cosmo,

I am taking the liberty of sending direct to you the attached reply to Mr Thompson's letter of 1st May.

As agreed, I am dictating this letter over the telephone and it will be followed by the letter proper - presumably not until September.

Mr Merton has been in touch with the Colony's tax adviser in London, and it is felt that the figure of 10% profit on cost is likely to be acceptable to the Board of Inland Revenue. We have a precedent for this in our dealings with the Irish Government over a seaweed supply factory in Connemara. Provided that we receive double taxation relief (and that your taxation does not escalate!) we can see no reason for scaling down the level of profits in the early stages.

As soon as we start full scale operations we shall work up as quickly as possible - probably within one year - to produce at a rate of 4,000 tons dried milled machro per year. Thereafter we shall probably increase production by multiples of 4,000 tons.

The attached calculations may be of assistance as an indication of the possible revenue to the Colony from our operations. The costs of production are our most recent estimates, and I should be grateful if you would treat these particular figures as completely confidential, since we obviously do not wish them to be known to our competitors. Exactly when we shall open the various levels of production is in the lap of the gods and the Chancellor, but we obviously hope to expand as quickly as possible.

Yours sincerely,

Michael Pery (sgd)

P.S. The calculations referred to above were dictated over the telephone to Miss Swanick yesterday.

148F

ANNEXURE IV

Letter from the Hon. M.H.C. Pery dictated over the Overseas Telephone Circuit  
on 1st July, 1969

20th June, 1969.

Dear Sir Cosmo,

Many thanks for your letter of the 29th May enclosing a copy of your address at the budget meeting of the Legislative Council. I have read your address with much interest and was pleased to note that you have firmly placed kelp in what we regard as its true perspective. I was slightly alarmed by the "jam today rather than jam tomorrow" attitude expressed by some people whom I met during my visit. I realise, of course, this was largely due to a superficial reading of our press release and from taking figures relating to potential production as being just round the corner.

I had a most enjoyable trip and maintained my untarnished record of being present at every meal on the "Darwin"! I was very favourably impressed by the engineer whom I met in Uruguay. Should he accept the post, I think you need have no fears about his being accepted by the Falkland Islanders.

Having had an excellent opportunity to assess the position in the Falkland Islands, thanks to your kind assistance, we have now prepared detailed estimates of operating costs and capital expenditure required for the venture. The capital expenditure figures for a number of reasons are considerably higher than was at first anticipated and it has become abundantly clear that the timetable for establishing our Unit Stage and its subsequent expansion will depend mainly on the availability of finance. In this context, assistance from somebody such as the C.D.C. in the form of a grant or long term low interest loan will be essential particularly as current interest rates are running at over 10%.

Mr Merton approached the Ministry of Defence concerning the Camber site after ascertaining that your letter had been passed on. We are awaiting confirmation from the Ministry but their first reaction was most encouraging.

We have also been in touch with your tax adviser in London over the question of double taxation relief.

In accordance with your suggestion, we shall be telephoning a reply to Mr Thompson's letter of 1st May concerning the kelp concession. Undoubtedly we can not afford any further capital expenditure for the provision of housing and we shall have to ask for some form of mortgage or lease.

As planned, we propose to set up a pilot plant on the site of the F.I.C. mink farm by about the middle of 1970.

With kind regards to Lady Haskard and yourself.

Yours sincerely,

Michael Pery (sgd)

P.S. I am dictating this letter over the telephone as I fear the original will have missed the "Darwin" due to the Montevideo mail strike.

Y.E.

149

~~149~~  
149

will recall that the manuscript memo on Alginate Industries' latest letter was mentioned when C.T. and I discussed the matter with you yesterday. It is at pages 193 - b in the file and as your minute at p. 192 requested it is brief. C.T. has seen it and has no comments, vide his minute at the bottom of p.194.

2. Filed also as pages 195 - 6 are the two letters you handed me yesterday which I suggest, with the main letter at p.192 and the financial tables at p.191, should be attached to the Exco Memo as annexures.

CS. Agued  
ls 8/7/69

  
(J. A. JONES)  
COLONIAL SECRETARY

8 July, 1969.

0004/II

SC

52

Guthrie's interpretation of para. 12.

200

150

1. The maximum demand tubator would be used to show, over any 30 minute period, what has been seen. use in kw.
2. Fixed charge. This would be based on the max demand. This would enable amortisation to be worked out annually. If fixed charge was £107 per kw & max demand was 100 kw to 1,000; if next yr, they used 200 kw, total charged in 2nd yr wd be £2,000.
3. Fixed charge covers depreciation.
4. Running charge wd. meet costs of fuel, maintenance, insurance, & all other overheads except capital equipment.
5. This means different form of charging & billing from any other used locally. ESKO asked for this method about 3 years ago. ("Industrial" Tariff).
6. Algerian's para. 12 is consistent with a 2-part tariff.  
In such a small supply org. as ours,  
It wd. be to our disadvantage if we installed more capacity than Algerian's in the end needed.

200A  
8.

Grudge was never asked about this.

a) distribution not mentioned so personally  
Alignates resp.

b)

9  
he needs more time to think & will have to  
meet Kuo.

Mrs Swank.

~~202~~

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Please phone W Bennett &  
ask him if our vegetation reserves  
to Government all Mineral Rights (including  
water) in the Colony. I believe not.

J. J. Jones.  
16.7.66

C.S.

With reference to our discussion yesterday on Alginat's proposed electricity tariff. I have carefully studied the proposals set out in your Memorandum to Executive Council, No. 52/69. These proposals, as I mentioned yesterday to you, did not originate from my office and I had not seen them before. I believe you are now aware of the nature of the proposed tariff.

In the event of Government being the supplier of electric power to Alginat's, I would not advise the adoption of the tariff shown. This advice is given after I have carried out certain costings and considered other effecting factors. I suggest for your consideration the following amendments to paragraphs 10. and 11. of Annexure I. Draft Heads Of Agreement.

Para. 10.

In respect of power requirements, every effort would be made by the Government to provide for the pilot plant, although it would be understood that no guarantee could be given to maintain continuity of supply. Tariff for power consumed would be that current at the time to other consumers.

Para. 11.

In the event of the Company wishing to have the Government Electricity Supply connected to the Unit Stage, earliest possible notice would have to be given to allow the Falkland Islands Government to plan, purchase and install additional machinery to meet the extra demand. It is suggested on the part of the Government that the tariff, which would need to be an economic one, would be on a sliding scale and a block tariff, and be negotiated on the scales shown below:-

10465.  
Understood  
Revised?

*this does not show incl. amortisation, but if pilot plant installed would have to.*

- 1st. { First 200,000 units at current rates. (all i.e. around charge)
  - 2nd. { 200,000 units at cost plus 25%. (the at cost figure includes amortisation)
  - 3rd. { There after at cost plus 10%. (ditto)
- (Excludes) amount in comparison 1,600,000 (£? 200K)*

concern

Para. 12. Delete.

200,000 units has been chosen at this stage, in order not to offend present consumers whose demands approach this magnitude, or jeopardize the Undertakings present economic position.

with let's

It also would be well to add that any tariff negotiated assumed their load power factor should not fall below 0.8 lagging. I mention this for I know the nature of the load will be highly inductive and it would have serious economic consequences if the power factor falls below 0.8 lagging. It is quite normal to include a power factor clause in a connection, of this nature.

*agreement*

1 year reasonable.  
2 years which is too long a period of amortisation: Peace Centre which 15 yrs overruns 20 in UK.

16-7-69.

Mr Jones

Land Ordinance Cap. 36 paragraph d. of subsection 2 of section 28 reserves all minerals to the Government.

Mr Bennett comments:

"This has effect only in respect of Crown grants made on or after 31st December 1949 which is the date of commencement of that Land Ordinance. Previous to that date all diamonds and all mines of gold, silver and other metals and mines of coal were reserved to Government. No mention of water anywhere."



16/7/69

~~203~~  
153

CS. Alginates.  
we discussed in ECo

155

LA  
19/7

NNNN

ZCZC ATS035 GWV631 PF125

OBAN 34 9 1155

HASKARD GOVERNMENT HOUSE PORTSTANLEY

REGRET FIGURES RELATING TO REVENUE FROM PROFITS TAX ON TABLE  
DIKTATED TO YOUR SECRETARY ARE INCORRECT STOP FIGURES QUOTED ARE  
TAXABLE PROFITS AND NOT TAX PAID PLEASE AMEND ACCORDINGLY

PERY

COL PERY

200

156

CONFIDENTIAL

EXECUTIVE COUNCIL

The following telegram was received from The Hon. M.H.C. Pery of Alginate Industries Limited :-

"Regret figures relating to revenue from profits tax on table dictated to your secretary are incorrect. Figures quoted are taxable profits and not tax paid please amend accordingly."

This telegram refers to Annexure II of Memorandum 52/69 and Members are asked to amend their copies of this Memorandum.

---

C.S.

With reference to our discussion yesterday on Alginat's proposed electricity tariff. I have carefully studied the proposals set out in your Memorandum to Executive Council, No. 52/69. These proposals, as I mentioned yesterday to you, did not originate from my office and I had not seen them before. I believe you are now aware of the nature of the proposed tariff.

In the event of Government being the supplier of electric power to Alginat's, I would not advise the adoption of the tariff shown. This advice is given after I have carried out certain costings and considered other effecting factors. I suggest for your consideration the following amendments to paragraphs 10. and 11. of Annexure I. Draft Heads Of Agreement.

Para. 10.

*Tell SRK this was not completely accepted JMM*

*Pilot*

In respect of power requirements, every effort would be made by the Government to provide for the pilot plant, although it would be understood that no guarantee could be given to maintain continuity of supply. Tariff for power consumed would be that current at the time to other consumers.

Para. 11.

In the event of the Company wishing to have the Government Electricity Supply connected to the Unit Stage, earliest possible notice would have to be given to allow the Falkland Islands Government to plan, purchase and install additional machinery to meet the extra demand. It is suggested on the part of the Government that the tariff, which would need to be an economic one, would be ~~on a sliding scale and~~ a block tariff, and be negotiated on the scales shown below:-

- First 200,000 units at current rates.
- 2nd. 200,000 units at cost plus 25%.
- There after at cost plus 10%.

*This block should not be necessary because of effect on the consumer. Define cost, not necessarily.*

Para. 12. Delete.

200,000 units has been chosen at this stage, in order not to offend present consumers whose demands approach this magnitude, or jeopardize the Undertakings present economic position.

It also would be well to add that any tariff negotiated assumed their load power factor should not fall below 0.8 lagging. I mention this for I know the nature of the load will be highly inductive and it would have serious economic consequences if the power factor falls below 0.8 lagging. It is quite normal to include a power factor clause in a connection of this nature

*agreement.*

*not less than 2 years*

*Guarantee that this one will not be cancelled later.*

*"Any tariff negotiated is on the assumption that the overall power factor does not fall 0.8 lagging"*

*[Signature]*  
16-7-64.

200  
158

S.  
T.

C.T. Question. What guarantee is embodied in either tariff, of Alginates taking up the quantity of power asked for. What redress has Government in the event of Alginates ceasing to trade. ?

The answer is none. To the best of my knowledge on tariffs, and here I will add that my knowledge in this field is limited as it is normally regarded a specialist study, there is or are none that will offset capital expenditure on plant capacity that was estimated for and not taken up. It would not apply under normal circumstances of a national supply Undertaking such as the British Supply Undertaking. On a small Undertaking such as ours an agreement might be negotiated where a surety was obtained from Alginates for the capital cost of the proportion of the plant/estimated as purchased and installed to meet their needs. For this Alginates would need to pay current interest rates on ~~the~~ this sum to a bank or some other financial institution who would stand surety for them. This would be a separate arrangement and not form part of the tariff. A condition such as this would not normally be applied and I doubt whether it would be acceptable.

The following is an example of how the conditions of tariff would apply as proposed by Alginates. I will use 750Kw. (their original estimate) as the maximum demand. The method of calculation would be the same for other maximums but obviously the amounts would be different.

Cost of two 750Kw. sets to meet M.D.  
of 750Kw. allowing for full stand-by. £90,000.

Amortisation, 15yrs. 5%. average  
annual repayments. 9,000

Fixed charge per Kw. used, assume their estimate of  
750Kw. M.D. correct. This charge would then be  
calculated as  $\frac{£9,000}{750Kw.} = £12$  per Kw. used.

Added to this would be the unit charge for units consumed, this figure would be calculated on all running costs but exclude amortisation which has been paid for in the fixed charge. Allow 6 million units to be sold, 3 million of which are consumed by Alginates. The cost would be of the order of £50,000 add the 10% per cent as suggested, the figure is now £55,000 of which Alginates would pay half. i.e. 3 million : 6 million. this equals. £27,500.  
Alginates would pay £9,000 + £27,500. £36,000.  
Government profit would be £2,500.

If their M.D. fell below 520Kw. (Kw used) as it could well do, Government would show a loss. I believe the profit margin too small at 7% on running costs, or 2.2% on capital expended, and the risk of a loss too great.

If the fixed charge was not calculated on Kw. used but, remained constant at £9,000 the tariff would be economic.

*2*  
*(1584)*

Assume now the same conditions of load and consider the block tariff.

	£
First 200,000 units at current rates. (say 4 $\frac{1}{2}$ d).	3,750.
Second 200,000 at cost including amortisation (2.664d) plus 25%.	2,750.
Remainder 2,600,000 at cost plus 10%.	<u>31,900.</u>
	38,400.
Cost of production including amortisation.	<u>33,000.</u>
Difference.	5,700.

Maximum demand with fixed charge does not apply in the Block Tariff.

At figures shown already with total output at 6 million units.

Total revenue would be	94,000.
Total expenditure	<u>66,000.</u>
Difference.	38,650.

*[Signature]*  
Supt. P. & B. Dept.  
18th July 1969.

167  
~~21~~

Montevideo,  
28.6.69.-

The Private Secretary,  
Government House.  
Stanley.-

Madam,

I have just received a long "telex" from  
Alginat Industries Limited. Part of it reads as  
follows:-

....."CONFIRM RECEIPT OF CORRESPONDENCE  
INCLUDING.....LETTER TO GOVERNOR".....

My reply, in part, reads:-

....."NOT RECEIVED.....NOR LETTER  
TO GOVERNOR.....THIS PROBABLY DUE TO URUGUAYAN MAIL  
STRIKE".....

I am sure that the Company will take the  
necessary steps to keep H. E. informed.

2. Mr. R. R. Merton went to New York.  
There have been significant developements.

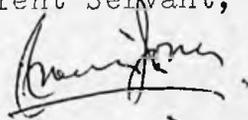
3. Please be kind enough to give me an  
address of His Excellency The Governor in the British  
Isles so that I can send a cable to Alginat Industries  
Limited, giving them sufficient information to enable  
them to contact H.E. to arrange a meeting if and when  
there is a mutual desire to do so. I would like to  
give the Company plenty of previous advice because it  
will be holiday time in the northern hemisphere.

*Done*

I have the honour to be,

Madam,

Your obedient Servant,



for Alginat Industries Limited.

*es. for Secretariat file.*

*General Office via ACS*

*ls 24/7/69*

*For Alginat Industries file 2277*

*29/7*

C.S.,

- 2. This later stage would be defined as the time when the unit stage is in operation and production reaches 1,000 tons. Royalties should not, perhaps, await the 1,000 tons stage but would not be payable during the pilot stage.
- 3. "or less" seems a little sinister. Provided we have adequate control over production levels (para 7) the life of the licence is not important.
- 6. I think Alginate need to be told something about the licence fee. Having spent millions on unit stage installation they would want some guarantee that the licence fee would be reasonable. If we do not want to be too forthcoming, would it be possible to say that what we have in mind does not differ largely from their proposal of \$1,000 for the exclusive licence.

L.E.  
19/7/69

162

Power Station points not yet discussed  
with S.P.E. who comes in 9.30 today

10. This is considered to be acceptable provided the pilot plant is at the Mink Farm site. Perhaps a more suitable wording for the paragraph might be "So far as power requirements are concerned every effort will be made by the Government to provide for the pilot plant although it would be understood that no guarantee could be given to maintain continuity of supply. Tariff for power consumed would be that current at the time for other consumers."

Insert at para. 11 as amended opposite:-

The company, in the event that the Government started to supply electric power for the first stage, would be committed to a guarantee that it would not later install its own power supply.

~~213~~  
164

CONFIDENTIAL

21st July, 1969.

No. 59/69

EXECUTIVE COUNCIL.

Alginatc Industries Limited.

Memorandum by the Colonial Secretary.

Previous references: Executive Council Meeting 3/69 Minute 21  
Executive Council Meeting 4/69 Appendix I

In accordance with the requirement stated at Executive Council Meeting No 7/69, of 15th - 18th July, 1969, a draft reply to Alginatc Industries Ltd. letter of the 20th June is attached hereto, as an Annexure, for consideration.

  
(J. A. Jones)  
COLONIAL SECRETARY.

Ref: 0004

AR.

Letter to --

The Hon. M.H.C. Pery of Alginate Industries.

dated the 16th July, 1969.

Your letters of the 20th of June, dictated over the telephone with the new draft Heads of Agreement similarly passed to me, have been receiving very careful attention during the last ten days.

Your new proposals have given us considerable food for thought and have, in the financial situation in which we find ourselves and which is not unknown to you, presented us with problems the answers to which are not yet entirely clear. They will continue to receive our consideration. I feel sure that you, on your side, will not expect us to rush this crucial stage. It may nevertheless be useful for you to know the stage our thinking has reached as well as to have an indication of the areas where we believe further clarification and negotiation are necessary by the mail going by "Darwin" leaving here on the 25th of July. Though we hope to make arrangements for despatching mail to Montevideo about the middle of August these arrangements cannot be absolutely guaranteed and a considerable period might elapse before we are able to write to you again unless we take this opportunity.

I should like to comment on your new Heads of Agreement seriatim, and references which follow below are to the numbered paragraphs of that document.

1. We have no comments.
2. Reflection has led us to the view that, rather than offer your company an exclusive licence to a defined and limited area in the early stages of the project it would be to the advantage of both sides for us to offer you a general concession, not limited to any particular area of these aspects, and to negotiate at a later stage the question of an exclusive licence. This later stage would be defined as the time when the Unit Stage is in operation and production has reached 1,000 tons of dried milled kelp and must not be later than the last day of 1975. At the same stage such questions as royalties would be negotiated.
3. We will give your company an exclusive concession to an area to be agreed when the stage referred to in the preceding paragraph is reached. The term will be (25/50) years.
4. No comments.
5. No comments.
6. a) A fee, to be negotiated, would be paid for the general licence as well as, later, for the exclusive licence; on the understanding that the former would be less than the latter. As regards the latter, what we have in mind does not differ from the figure hitherto suggested of £1,000.  
b) The second sentence of your paragraph evokes no comment.  
c) Clarification of what the Price Index is to which you refer would be appreciated. The telephoned text here was corrupt.
7. Our preference is for the figure 5 to be substituted for the figure 10 in the last line of this paragraph thus setting 1981 as the latest year by which production is to start averaging 8,000 tons per year.

8. Clarification as to what percentage of this Index Price 30% represents would be welcome.

9. No comment.

10. This is considered to be acceptable provided the pilot plant is at the Mink Farm site. Perhaps a more suitable wording for the paragraph might be "So far as power requirements are concerned every effort will be made by the Government to provide for the pilot plant although it would be understood that no guarantee could be given to maintain continuity of supply. Tariff for power consumed would be that current at the time for other consumers."

11. It is felt that the formula hitherto proposed is somewhat clumsy and could be improved. A tentative re-wording is suggested, thus -

"Should the company decide not to generate its own power requirements for the Unit Stage the earliest possible notice, which is mutually understood to be not less than two years, would have to be given to allow the Falkland Islands Government to plan, purchase and instal additional machinery to meet the demand. A suitable basis for negotiation is that the company should be subject to an economic block tariff negotiated on the following scales:

1st 200,000 units at current rates (as annually revised)  
2nd 200,000 units at cost plus 25%  
Thereafter at cost plus 10%

Any tariff negotiated would constitute agreement that the overall power factor would not fall below 0.8 lagging.

The company, in the event that the Government started to supply electric power for the Unit Stage, would be committed to a guarantee that it would not later instal its own power supply."

12. Delete.

13. a) Before taking this proposition much further we consider it is important to know first, what are your company's housing requirements for the pilot stage of the project; secondly, the types of housing needed both in the pilot stage and the main stage together with the numbers of each type and including an indication whether anything in the way of a bachelor mess is envisaged.

b) We do not envisage, in the circumstances mentioned earlier in this letter, being able to provide housing on a rental basis. However, we do believe there may be a real possibility of being able to provide a limited amount of housing on a sale and mortgage basis. Projecting our thinking on this a little further, we foresee the possibility of being able to begin construction of two houses annually, and thereafter two more annually, up to the limits needed to meet reasonable requirements of your company. Repayment by your company of the costs of the first two houses constructed would need to be effected by the end of the third year so that this Government's commitment of capital on housing construction would not at any one time be greater than the sum of the construction costs of six houses.

14. The St. William water supply would be available on a "as is" basis and without any further commitment on this Government's part.

- 3 -

15. No comment.

16. No comment.

17. No comment.

18. Whilst appreciating the company's anxiety over the question of adverse taxation, in connection with which you quote as an example a possible fuel tax, the conclusion which we have tentatively reached is that no Government (which does not have special legislation regarding pioneer industries) could contemplate giving such a guarantee and so both fettering its own power to tax and the powers of its successors in this respect. Nor is it easy to see how any gentleman's agreement subject to review and which did not violate the principle stated in the preceding sentence, could be arrived at to achieve the same desired effect (desired by your company).

The contents of your letters dictated at the same time as the Heads of Agreement and the financial data accompanying them have been noted but do not appear to call for comment.

May I emphasise that this letter contains the results of thought and study covering a period of time too short to enable us to be absolutely firm about them. Its purpose is to give you our ideas at this stage in case the interruption of our mail service over the next ten weeks or so prevents us from presenting to you our more final conclusions until well into October. Meanwhile you may wish to consider the proposals we are now putting forward and to comment both upon them and upon the points upon which we have sought clarification.

C. HASKARD (sgd)

CONFIDENTIAL

20th July 1969.

Issued today

AA.  
INF 3/69.

28/7/69. 168

EXECUTIVE COUNCIL.  
Alginate Industries

Memorandum by the Colonial Secretary

Previous reference: Executive Council Meeting Nos 7/69  
and 8/69 (Minutes not yet issued)

Annexed hereto, for the information of Members is a copy of the agreed text of a letter to the Hon. M.H.C. Pery, of Alginate Industries Ltd., commenting upon revised draft Heads of Agreement put forward by the company under cover of letters dated the 20th of June.

*L. C. Gleadoll*

(L.C. Gleadoll)  
Ag. COLONIAL SECRETARY

AA.

CONFIDENTIAL

Ref: 0001/II

Dear Mr. Pery,

The Governor has asked me to answer your letters of the 20th June which were in reply to my predecessor's letter of the 1st May.

Your letters, dictated over the telephone on the 1st of July with the new draft Heads of Agreement, have been receiving very careful attention during the last ten days and we are happy to note that your intention is to work up as quickly as possible once you have started full scale operations to produce at a rate of 4,000 tons of dried milled kelp per year.

Your new proposals have given us considerable food for thought and have, in the financial situation in which we find ourselves and which is not unknown to you, presented us with problems the answers to which are not yet entirely clear. They will continue to receive our consideration. I feel sure that you, on your side, will not expect us to rush this crucial stage. It may nevertheless be useful for you to know the stage our thinking has reached, as well as to have an indication of the areas where we believe further clarification and negotiation are necessary, by the mail going by "Darwin" leaving here on the 25th July. Though we are making arrangements for despatching mail to Montevideo about the middle of August these cannot be absolutely guaranteed and a considerable period might elapse before we are able to write to you again unless we take this opportunity.

I should like to comment on some of the new Heads of Agreement: references which follow below are to the numbered paragraphs of that document.

2. Reflection has led us to the view that, rather than offer your company an exclusive licence to a defined and limited area in the early stages of the project, it would be to the advantage of both sides for us to offer you a general concession, not limited to any particular area of these coasts, and to negotiate at a later stage the question of an exclusive licence. This later stage would be defined as the time when the Unit Stage is in operation and production has reached 1,000 tons of dried milled kelp a year and not later than the 1st of January, 1975.

3. We will give your company an exclusive concession to an area to be agreed when the stage referred to in the preceding paragraph is reached. We are thinking in terms of exclusive licences linked to defined areas and to your company's production targets. The duration of licences would be subject to negotiation.

6. a) A fee, to be negotiated, would be paid for the general licence as well as, later, for an exclusive licence, on the understanding that the fee for the former would be less than for the latter.

b) Clarification of what the Price Index is to which you refer would be appreciated. The telephoned text here was corrupt.

7. Our preference would be for this paragraph to read as follows:

"The Falkland Islands Government would reserve the right to review the exclusiveness of the licence should the company at any stage fail to produce the minimum of dried milled kelp specified below:

From a date 3 years after the first exclusive licence fee is paid, an average of 4,000 tons per year over 2 years.

From a date 5 years after the first exclusive fee is paid, an average of 3,000 tons per year over 2 years."

.....2 years./This.....

This establishes 1981 as the latest year by which production is to start averaging 8,000 tons per year in view of the substitution of a period of 5 years for the period of 10 years proposed in your draft.

8. Information as to what percentage of the current Index Price 30/- represents would be welcome. When this information is available we may wish to put forward further proposals on the question of the royalties to be paid to the Falkland Islands Government.

10. This is considered to be acceptable provided the pilot plant is at the Mink Farm site. Perhaps a more suitable wording for the paragraph might be - "So far as power requirements are concerned every effort will be made by the Government to provide for the pilot plant. Tariff for power consumed would be that current at the time for other consumers."

11 and 12. It is felt that the formula hitherto proposed could be improved. A tentative re-wording is suggested, thus -

"Should the company decide not to generate its own power requirements for the Unit Stage the earliest possible notice, which is mutually understood to be not less than two years, would have to be given to allow the Falkland Islands Government to plan, purchase and instal additional machinery to meet the demand. A suitable basis for negotiation is that the company should be subject to an annual block tariff negotiated on the following scales:

1st 200,000 units at current rates (as annually revised)  
(4½d. a unit at this date).

2nd 200,000 units at cost plus 25%  
Thereafter at cost plus 10%

Any tariff negotiated would constitute agreement that the overall power factor would not fall below 0.8 lagging.

The company, in the event that the Government started to supply electric power for the Unit Stage, would be committed to a guarantee that it would not later instal its own power supply."

13. a) Before taking this proposition further we consider it essential to know, first, what are your company's housing requirements for the pilot stage of the project? Secondly, the types of housing you consider will be needed both in the pilot stage and the main stage together with the numbers of each type and including an indication whether anything in the way of a bachelor mess is envisaged.

b) We do not envisage being able to provide housing on a rental basis. However, we do believe there may be a real possibility of being able to provide a limited amount of housing of modest size on a sale and mortgage basis. Projecting our thinking on this a little further, we foresee the possibility of being able, given reasonable notice, to begin construction of two houses annually, and thereafter two more annually, up to the limits needed to meet reasonable requirements of your company. Repayment by your company of the costs of the first two houses constructed would need to be effected by the end of the third year so that this Government's commitment of capital on housing construction would not at any one time be greater than the sum of the construction costs of six houses.

14. The Mt. William water supply would be available free of charge on an "as is" basis and without any further commitment on this Government's part.

18. Whilst appreciating the company's anxiety over the question of adverse taxation, in connection with which you quote as an example a possible fuel tax, the conclusion which we have tentatively reached is that no Government (which does not have special legislation regarding pioneer industries) could contemplate giving such a guarantee and so both fettering its own power to tax and the powers of its successors in this respect. However, it is reasonable to suppose that Government would not take action detrimental to your interests in this context.

May I emphasise that this letter contains the results of thought and study covering a period of time too short to enable us to be absolutely firm about them. Its purpose is to give you our ideas at this stage in case the interruption of our mail service over the next ten weeks or so prevents us from presenting to you our more final conclusions until well unto October. Meanwhile you may wish to consider the suggestions we are now putting forward and to comment both upon them and upon the points upon which we have sought clarification.

Yours sincerely,

(J. A. Jones)

The Hon. M. H. C. Pery.

~~211~~  
169

EXTRACT FROM MINUTES OF MEETING NO. 7/69 OF EXECUTIVE COUNCIL

HELD ON 15th, 16th, 17th JULY, 1969.

0004/II 8. ALGINATE INDUSTRIES. (Memo 52/69)

Council studied two letters from Mr. M. H. C. Pery dated 20th June, 1969 and an amended Draft Heads of Agreement which had been dictated over the overseas telephone circuit on the 1st July, 1969. After prolonged discussion it was decided to adjourn consideration of this item until the following day.

  
CLERK OF COUNCIL

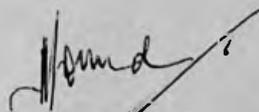
EXTRACT FROM MINUTES OF MEETING NO. 8/69 OF EXECUTIVE COUNCIL HELD ON

22nd JULY, 1969

0004/II 1. ALGINATE INDUSTRIES (Memo 59/69)

The Colonial Secretary explained that in accordance with a decision reached at a previous meeting he had prepared a further draft reply to Messrs. Alginate Industries embodying the agreed amendments and invited Council to study and comment.

After further amendments had been agreed, Council advised that the letter reproduced at Annexure I be issued.

  
CLERK OF COUNCIL

Stanley,  
24.7.69.-

170 ~~218~~  
218

The Honourable The Colonial Secretary,  
Stanley.

Sir,

For your information, Alginate Industries Limited telephoned and cabled me to send 150 pounds of wet fresh kelp samples from Port William to Girvan, via Montevideo, by air.

2. It has been decided not to have any kelp samples sent from the Falkland Islands next August and September.

I have the honour to be,

Sir,

Your obedient Servant,

for Alginate Industries Limited.

fa

172  
24th July, 69

The Governor has asked me to answer ~~your~~ your letters of the 20th June which were in reply to my predecessor's letter of the 1st May.

Your letters, dictated over the telephone on the 1st of July with the new draft Heads of Agreement, have been receiving very careful attention during the last ten days and we are happy to note that your intention is to work up as quickly as possible once you have started full scale operations to produce at a rate of 4,000 tons of dried milled kelp per year.

Your new proposals have given us considerable food for thought and have, in the financial situation in which we find ourselves and which is not unknown to you, presented us with problems the answers to which are not yet entirely clear. They will continue to receive our consideration. I feel sure that you, on your side, will not expect us to rush this crucial stage. It may nevertheless be useful for you to know the stage our thinking has reached, as well as to have an indication of the areas where we believe further clarification and negotiation are necessary, by the mail going by "Darwin" leaving here on the 25th July. Though we are making arrangements for despatching mail to Montevideo about the middle of August these cannot be absolutely guaranteed and a considerable period might elapse before we are able to write to you again unless we take this opportunity.

I should like to comment on some of the new Heads of Agreement: references which follow below are to the numbered paragraphs of that document.

2. Reflection has led us to the view that, rather than offer your company an exclusive licence to a defined and limited area in the early stages of the project, it would be to the advantage of both sides for us to offer you a general concession, not limited to any particular area of these coasts, and to negotiate at a later stage the question of an exclusive licence. This later stage would be defined as the time when the Unit Stage is in operation and production has reached 1,000 tons of dried milled kelp a year and not later than the 1st of January, 1975.

3. We will give your company an exclusive concession to an area to be agreed when the stage referred to in the preceding paragraph is reached. We are thinking in terms of exclusive licences linked to defined areas and to your company's production targets. The duration of licences would be subject to negotiation.

6. a) A fee, to be negotiated, would be paid for the general licence as well as, later, for an exclusive licence, on the understanding that the fee for the former would be less than for the latter.

b) Clarification of what the Price Index is to which you refer would be appreciated. The telephoned text here was corrupt.

7./...

The Hon. M.H.C. Pery.

~~173~~  
173

7. Our preference would be for this paragraph to read as follows:

"The Falkland Islands Government would reserve the right to review the exclusiveness of the licence should the company at any stage fail to produce the minimum of dried milled kelp specified below:

From a date 3 years after the first exclusive licence fee is paid, an average of 4,000 tons per year over 2 years.

From a date 5 years after the first exclusive fee is paid, an average of 8,000 tons per year over 2 years."

This establishes 1981 as the latest year by which production is to start averaging 8,000 tons per year in view of the substitution of a period of 5 years for the period of 10 years proposed in your draft.

8. Information as to what percentage of the current Index Price 30/- represents would be welcome. When this information is available we may wish to put forward further proposals on the question of the royalties to be paid to the Falkland Islands Government.

10. This is considered to be acceptable provided the pilot plant is at the Mink Farm site. Perhaps a more suitable wording for the paragraph might be - "So far as power requirements are concerned every effort will be made by the Government to provide for the pilot plant. Tariff for power consumed would be that current at the time for other consumers."

11 and 12 It is felt that the formula hitherto proposed could be improved. A tentative re-wording is suggested, thus -

"Should the company decide not to generate its own power requirements for the Unit Stage the earliest possible notice, which is mutually understood to be not less than two years, would have to be given to allow the Falkland Islands Government to plan, purchase and instal additional machinery to meet the demand. A suitable basis for negotiation is that the company should be subject to an annual block tariff negotiated on the following scales:

1st 200,000 units at current rates (as annually revised)  
(4½d. a unit at this date)

2nd 200,000 units at cost plus 25%  
Thereafter at cost plus 10%

Any tariff negotiated would constitute agreement that the overall power factor would not fall below 0.8 lagging.

The company, in the event that the Government started to supply electric power for the Unit Stage, would be committed to a guarantee that it would not later instal its own power supply."

13. a) Before taking this proposition further we consider it essential to know, first, what are your company's housing requirements for the pilot stage of the project; secondly, the types of housing you consider will be needed both in the pilot stage and the main stage together with the numbers of each type and including an indication whether anything in the way of a bachelor mess is envisaged.

b)/...

C.S.  
C.T.

C.T. Question. What guarantee is embodied in either tariff, of Alginates taking up the quantity of power asked for. What redress has Government in the event of Alginates ceasing to trade. ?

The answer is none. To the best of my knowledge on tariffs, and here I will add that my knowledge in this field is limited as it is normally regarded a specialist study, there is or are none that will offset capital expenditure on plant capacity that was estimated for and not taken up. It would not apply under normal circumstances of a national supply Undertaking such as the British Supply Undertaking. On a small Undertaking such as ours an agreement might be negotiated where a surety was obtained from Alginates for the capital cost of the provision of the plant estimated as purchased and installed to meet their needs. For this Alginates would need to pay current interest rates on ~~the~~ this sum to a bank or some other financial institution who would stand surety for them. This would be a separate arrangement and not form part of the tariff. A condition such as this would not normally be applied and I doubt whether it would be acceptable.

The following is an example of how the conditions of tariff would apply as proposed by Alginates. I will use 750Kw. (their original estimate) as the maximum demand. The method of calculation would be the same for other maximums but obviously the amounts would be different.

Cost of two 750Kw. sets to meet M.D.  
of 750Kw. allowing for full stand-by. £90,000.

Amortisation, 15yrs. 5%. average  
annual repayments. 9,000

Fixed charge per Kw. used, assume their estimate of 750Kw. M.D. correct. This charge would then be calculated as  $\frac{£9,000}{750Kw.} = £12$  per Kw. used.

Added to this would be the unit charge for units consumed, this figure would be calculated on all running costs but exclude amortisation which has been paid for in the fixed charge. Allow 6 million units to be sold, 3 million of which are consumed by Alginates. The cost would be of the order of £50,000; add the 10% per cent as suggested, the figure is now £55,000 of which Alginates would pay half. i.e. 3 million : 6 million. this equals. £27,500.  
Alginates would pay £9,000 + £27,500. £36,000.  
Government profit would be £2,500.

If their M.D. fell below 520Kw. (Kw used) as it could well do, Government would show a loss. I believe the profit margin too small at 7% on running costs, or 2.2% on capital expended, and the risk of a loss too great.

If the fixed charge was not calculated on Kw. used, but remained constant at £9,000 the tariff would be economic.

Assume now the same conditions of load and consider the block tariff.

	£
First 200,000 units at current rates. (say 4½d).	3,750.
Second 200,000 at cost including amortisation (2.664d) plus 25%.	2,750.
Remainder 2,600,000 at cost plus 10%.	<u>31,900.</u>
	38,400.
Cost of production including amortisation.	<u>33,000.</u>
Difference.	5,700.

Maximum demand with fixed charge does not apply in the Block Tariff.

At figures shown already with total output at 6 million units.

Total revenue would be	94,000.
Total expenditure	<u>66,000.</u>
Difference.	38,650.

  
Supt. P. & E. Dept.  
18th July 1969.

DECODE.

X X X

177

TELEGRAM SENT.

From SECRETARY OF STATE to GOVERNOR

Despatched: 21/8/69

Time:

Received: 22/8/69 Time:

No. 105

CONFIDENTIAL

Alginates.

Copy of letter dated 7th August addressed to Haskard by Merton was sent to Stanley by bag leaving London on 11th August. Please open it. Merton telephoned Haskard on 8th August saying letter was not intended as an ultimatum and if the tone appeared high handed this was unintentional. Haskard expects you will discuss contents of Merton's letter with Executive Council later this month. Haskard will be back in London from 12th to 25th September and would propose seeing Merton again so hopes you can telegraph Executive Council's reactions before 12th September. Haskard was careful to enter into no commitments and his personal view is that Falkland Islands Government should not be hustled.

Cypher : SJS

C.S. For Alginates file, + submission of  
file to us, pl.

J 22/8

Issued today  
25/8/69

178

CONFIDENTIAL

25th August, 1969.

INF 8/69.

EXECUTIVE COUNCIL

Alginat Industries Limited

Memorandum by the Colonial Secretary

Previous reference: Executive Council Meeting No 8/69  
Minute 1.

Information has been received that a letter from Alginat Industries Limited, presumably in reply to the letter to the Hon. M.H.C. Pery of the 24th of July which resulted from the recent deliberations in Council about Alginat Industries Limited new draft Heads of Agreement, will be among the mail carried by "Forrest". As it now seems probable that "Forrest" will not reach Stanley until the 29th August it may not be possible to circulate a considered Memorandum before the meeting of Council on the 2nd of September.

2. The purpose of this Information Memorandum is therefore to advise Members that it may be necessary to consider, at short notice, at the meeting of Council on the 2nd of September, a further communication from Alginat Industries Limited.

*L. Gleadell*

(L.C. GLEADELL)  
ACTING COLONIAL SECRETARY

Ref: 0004/II

APA.

CONFIDENTIAL

179

M/28/8

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

TEL. 01-836 0451.

11<sup>th</sup> August  
'69

Dear Sir Cosmo.

I am horrified to hear that you have not yet received my letter & I hasten to send a photocopy (the first one I can lay hands on & I am afraid rather scruffy) to you at the Foreign & Colonial Office where I hope it will find you..

Yours Sincerely  
Ralph Herford

9/28/60

~~DCS~~

180

RRM/ad

7th August, 1960.

Dear Sir Cosmo.

First of all I should like to say how very pleased we were to see you at lunch today, and to have an opportunity of discussing our plans for the Falkland Islands.

As promised [I am enclosing a brief note indicating the basic conditions upon the acceptance of which we will go ahead with ordering the plant required for the pilot stage.

I have omitted reference to the question of housing, but would merely record the fact that we do not propose to make provision for housing employees in the Falkland Islands after the pilot plant stage, as this is not generally accepted as a commercial responsibility.

These conditions are designated by reference to the draft heads of agreement sent to Government House by wireless telephony, a copy of which is enclosed.

If you are able to clear this matter perhaps by cable during the next few weeks, we will undertake to go ahead with the pilot stage forthwith.]

In any case we look forward very much to seeing you in London some time during the week beginning the 6th October, if not before.

Sir Cosmo Mankard, K.C.M.G., M.B.E.,  
c/o Sir Robert Stanley, K.B.E., C.M.G.,  
80 Aberdeen Park,  
Highbury,  
London N.5.

Yours sincerely,  
Ralph Mankard



CC WRM RCP AHS DCS, MP.

CONDITIONS REQUIRED TO BE ACCEPTED BEFORE  
AIL IS PREPARED TO PLACE ORDERS FOR PILOT  
PLANT IN THE FALKLAND ISLANDS

1. Acceptance of clauses 1 - 5 inclusive of the draft heads of agreement submitted by AIL, subject to the limitation of the area covered by the exclusive licence to be that area surveyed during 1947 and designated in the 1947 negotiations (i.e. the South-East coast of the East Falklands).
  
2. Acceptance of the terms of licence, royalty, and conditions of review as in AIL draft paragraphs 6, 7, and 8.

RFM/ad  
7.8.69.

DRAFT HEADS OF AGREEMENT.

1. Alginatc Industries welcome the co-operation and assistance of the Falkland Islands Government in their venture to provide a kelp supply base at Port Stanley.
2. Until the Company is able fully to exploit all the waters of the Colony it is accepted that an initial exclusive concession for fifty years should be limited to the coastline of the East Falkland and adjoining Islands.  
  
This would not exclude the right of the Company to harvest kelp elsewhere around the Falkland Islands.
3. Should the Company eventually wish to apply for a larger exclusive concession, the Falkland Islands Government would be prepared to negotiate. In the event of any other operator applying for concessions in the uncommitted area, the Company would be given the opportunity of first refusal.
4. The Company would take into account the fact that, in certain instances, kelp beds are an aid to navigation and play an important part in the preservation of wild life.
5. It is understood by the Company that kelp could be harvested by any individual, or group of individuals, resident in the Falkland Islands, for use only within the Islands.
6. The Company would pay a licence fee for the exclusive right to harvest kelp over the concession area. The licence fee would be £1,000 per year for the first five years starting in the year following that in which it produced more than 1,000 tons of dried milled kelp, or not later than 1975. Thereafter the licence fee would be renewed every five years on the basis of the percentage change in the U.K. wholesale price Index Nos. (Chemical and Allied Industries Section) for the previous year, as related to the price index for the first year that the licence was paid.
7. The Falkland Islands Government would reserve the right to review the exclusivity of the licence should the Company fail to produce the annual minimum quantities of dried milled kelp specified below:  
  
An Average of 4,000 tons/year over 2 years from a period of 3 years after the first licence fee is paid.  
  
An Average of 8,000 tons/year over 2 years from a period of 10 years " " " "  
" " " "
8. The Company would pay a Royalty for every ton of dried milled kelp produced. The Royalty payment would commence when the Company became liable to the licence fee and would be at the rate of £1.10.0. per ton of dried milled kelp for the first five years. Thereafter the Royalty payment would be reviewed on the basis of the percentage change in the U.K. wholesale price Index Nos. (Chemical and Allied Industries Section) for the previous year as related to the price index for the first year that the licence fee was paid.
9. Profits subject to Falkland Islands taxation would be expressed in terms of a percentage of the annual production costs, including overheads and plant depreciation, as from the date when the licence became payable. These costs would not however, include any write-off of expenditure not represented by fixed assets (e.g. consultants fees, costs of charting weed beds etc.), incurred in the initial stages and originally charged to a development or similar account.  
  
The percentage would be 10% or such other figure as might be accepted by the Inland Revenue Authorities of the United Kingdom under their double taxation agreement.

10. In respect of power requirements, every effort would be made by the Government to provide for the pilot plant up to a loading of 100 kW, although it would be understood that the load may have to be restricted during peak periods.
11. Should the Company decide not to generate its own power requirements for the unit stage, the earliest possible notice would have to be given to allow the Falkland Islands Government to plan and estimate for the purchase and installation of additional machinery and the buildings to house it. In the meantime the suggestion is agreed that a suitable basis for negotiation is that the Company should pay a charge per kilowatt of electricity consumed such as to include allowance for amortisation over a period of twentyfive years, or so, of that proportion of the capital cost of the plant which would have been installed to meet the requirements, together with interest on the sum at a rate to be agreed. It is also understood for the purposes of negotiation, that installation of a reserve capacity to meet breakdowns and overhauls would be part and parcel of the requirement for the purpose of calculation, and that it might be necessary to accept a figure on which amortisation would be based representing the total cost of the installation, should it prove necessary to instal a plant of capacity greater than the Company's estimated requirements, no part of the balance of which is made regular use of by the Colony.
12. It is also agreed for the purposes of negotiation that the charge per kilowatt to the Company would be calculated by adding the figure obtained for amortisation to the figure representing that proportion of the combined cost of insurance, fuel, operating costs, and overheads, represented by the number of units consumed by the Company compared with the number of units generated. The figure for overheads being accepted as 10% of the operating costs.
13. In view of the very heavy commitment in plant and machinery, the Company would be unable to finance the building of houses. Thus the Company would look to the Falkland Islands Government to provide houses on a rental basis.  
  
On the assumption that all labour was imported, and 30% were bachelors, approximately sixteen houses would be required when the main plant is started, and a further ten houses might be required within the following two to three years.
14. In respect of water supplies, it is confirmed that the Mount William water supply, less that portion used by Moody Valley Farm and the stone crusher could be made available to the Company free of charge.
15. It is understood that the Company would be responsible for providing their own water supply at the unit stage, and subject to any previous water extraction grants, would be allowed the use of water from the Murrell River, or any other suitable supply in the area, free of tariff. Likewise, it is agreed to allow a supply pipe from the source to the site of the factory to be laid on the surface of the Camp provided that adequate crossing places, to be determined by agreement, were provided for. No rental would be charged for the land taken up by the supply pipe.
16. Equality of treatment with other commercial undertakings would be guaranteed in respect of port dues and harbour rights.
17. When it is known whether the formation of a subsidiary Company registered in the Falkland Islands is a possibility, sympathetic consideration would be given to the encouragement of local participation in such Company.
18. No tax would be levied which had any specially adverse effect on the Company's operations - such as would arise if a fuel tax were to be imposed.

- 19. The Company would appreciate all possible support from the Falkland Islands Government in any approach to the Ministry of Defence (Navy) in connection with leasing the Camber Site and oil storage facilities. Beyond any doubt the Camber Site is the most suitable for the Company's operations.
  
- 20. The Company looks forward to receiving the Falkland Islands Government's reply to the above suggestions, and as soon as a satisfactory agreement has been reached in principle, the Company proposes to ask its legal advisors to draft a formal agreement for submission to the Falkland Islands Government.

CONFIDENTIAL.

A. Production.

Tons Production per year.	<u>4,000</u>	<u>16,000</u>	<u>32,000</u>
Cost per ton.	£65	£53	£50
Total Cost of a year's production.	£260,000	£850,000	£1,600,000
Taxable Profits (at 10% of production cost)	£26,000	£85,000	£160,000

B. Possible Revenue.

Licence Fee.	£1,000	£1,000	£1,000
Royalty at 50/- per ton.	£5,000	£24,000	£48,000
Profits Tax (at 7/9d)	<u>£10,000</u>	<u>£33,000</u>	<u>£62,000</u>
Total to Colony.	<u>£17,000</u>	<u>£58,000</u>	<u>£111,000</u>

c.c. R.R.M.  
 W.R.M.  
 R.C.P.  
 A.H.S.

DECODE.

TELEGRAM SENT.

*From* GOVERNOR *to* SECRETARY OF STATE

*Despatched:* 28/8/69

*Time:*

*Received:*

*Time*

No. 121

CONFIDENTIAL

Your telegram 105.

Alginates.

Merton's letter to Haskard received per "Forrest" 28th.  
Executive Council meets 2nd September.

Cypher : SJS

187

CONFIDENTIAL

29th August, 1969.

No. 80/69

EXECUTIVE COUNCIL

Alginate Industries Limited

Memorandum by the Colonial Secretary

Previous Ref: Executive Council INF. Memorandum 8/69

As foreshadowed in Executive Council Information Memorandum No. 8/69 a letter from Alginate Industries Limited arrived by "Forrest" on the 28th August. Attached hereto as Annexure I is an extract of the relevant part of the letter (which was addressed by Mr Merton to Sir Cosmo Haskard).

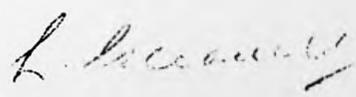
2. It will be noted that Annexure I refers to "basic conditions upon the acceptance of which (Alginate Industries Limited) will go ahead with ordering the plant required for the pilot stage" of the scheme. These conditions are contained in Annexure II and the references in that Annexure are to the draft Heads of Agreement which were attached as Annexure I to Memorandum no. 52/69 which Council considered at its seventh and eighth meetings held during July.

3. Advice has been received indicating that, while the latest communication from Alginate Industries Ltd. may appear to be couched almost in the terms of an ultimatum this was not the intention of Mr Merton's letter which resulted from discussion which took place between him and the Governor on the 7th August. It is necessary to state in this connection that the Governor was careful to enter into no commitments on behalf of the Colony Government.

4. It will be seen from Annexure II hereto that Alginate Industries Limited have not modified their proposals as regards clauses 1-8 of their most recent draft Heads of Agreement in the light of the suggestions made in our letter of the 24th July.

5. Mr. Merton and the Governor are expected to meet again on or about 12th September and it is important for Council's advice to be available to Sir Cosmo Haskard before that meeting.

6. The question for the consideration of Council is therefore whether to accept the conditions proposed by Alginate Industries Ltd. in order to set in motion the events which will lead to a start being made on the pilot project: or whether it is wiser to refuse to be hustled and perhaps to temporise until it has been possible to consider any personal report, views and impressions gained by the Governor from his talks with Alginate Industries Ltd., or other knowledgeable sources.

  
(L. C. Gleadell)  
Acting Colonial Secretary.

Ref: 0004/3

JML

188

ANNEXURE I

Meeting No. 80/69

RRM/ad

7th August, 1969.

Dear Sir Cosmo,

First of all I should like to say how very pleased we were to see you at lunch today, and to have an opportunity of discussing our plans for the Falkland Islands.

As promised I am enclosing a brief note indicating the basic conditions upon the acceptance of which we will go ahead with ordering the plant required for the pilot stage.

I have omitted reference to the question of housing, but would merely record the fact that we do not propose to make provision for housing employees in the Falkland Islands after the pilot plant stage, as this is not generally accepted as a commercial responsibility.

These conditions are designated by reference to the draft heads of agreement sent to Government House by wireless telephony, a copy of which is enclosed.

If you are able to clear this matter perhaps by cable during the next few weeks, we will undertake to go ahead with the pilot stage forthwith. ....

Signed by R. Nerton.

ANNEXURE II

dated 7th August, 1969.

CONDITIONS REQUIRED TO BE ACCEPTED BEFORE  
AIL IS PREPARED TO PLACE ORDERS FOR PILOT  
PLANT IN THE FALKLAND ISLANDS

1. Acceptance of clauses 1 - 5 inclusive of the draft heads of agreement submitted by AIL, subject to the limitation of the area covered by the exclusive licence to be that area surveyed during 1947 and designated in the 1947 negotiations (i.e. the South-East coast of the East Falklands).
2. Acceptance of the terms of licence, royalty, and conditions of review as in AIL draft paragraphs 6, 7 and 8.

JML  
29th August, 1969.  
Ref. 0004/3

*7/25/69*

*188*  
*189*

# 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, Scotland.

TELEPHONE:  
01-836 0451/4.  
01-886 0142/3.  
TELEGRAMS:  
"ALGINATES, LONDON, W. C. 2"  
CABLES:  
"ALGINATES, LONDON, W. C. 2"  
BENTLEY'S SECOND PHRASE.  
TELEX. 23815.



CONFIDENTIAL.

15th July, 1969

H. E. Sir Cosmo Haskard, K. C. M. G., M. B. E.,  
Government House,  
Falkland Islands.

Dear Sir Cosmo,

With reference to my telegram of <sup>155</sup> 9th July, I enclose a revised table to replace the one attached to my letter of 3rd July. The original letter and table was dictated over the telephone on 1st July and the taxable profits were shown incorrectly as profits tax. I regret that the amended figures show a slightly less dramatic contribution to the revenue of the Colony, but I feel ~~that~~ you will agree that, in the long term, it is by no means insignificant.

With apologies for the error.

Yours sincerely,

*Michael Pery*

M. H. C. Pery.



1968

QUEEN'S AWARD TO INDUSTRY

A. Production.

Tons Production per year.	<u>4,000</u>	<u>16,000</u>	<u>32,000</u>
Cost per ton.	£65	£53	£50
Total Cost of a year's production.	£260,000	£850,000	£1,600,000
Taxable Profits (at 10% of production cost)	£26,000	£85,000	£160,000

B. Possible Revenue.

Licence Fee.	£1,000	£1,000	£1,000
Royalty at 30/- per ton.	£6,000	£24,000	£48,000
Profits Tax (at 7/9d)	<u>£10,000</u>	<u>£33,000</u>	<u>£62,000</u>
Total to Colony.	<u>£17,000</u>	<u>£58,000</u>	<u>£111,000</u>

OVER

2y. 8.

An alternative suggestion is the enactment of an Ordinance prohibiting the exportation of belp in any form (manufactured, partly manufactured or un-manufactured) except under licence and the same law providing for the payment of royalties, or export duty or whatever it may be called.

J. B.

1. IX. 69.

0004/11 5. ALGINATES INDUSTRIES LIMITED (Memo 80/69)

His Excellency read the text of Mr. Merton's letter to Sir Cosmo Gaskard of the 7th August outlining Alginates Industries' conditions for acceptance of the proposed Heads of Agreement. Council noted the apparent lack of reaction by Alginates Industries to the proposals contained in the Colonial Secretary's letter to Mr. Pery of 24th July and in particular the clauses dealing with the terms under which the exclusive concession would be granted.

Council advised that their reaction to the latest developments be telegraphed to Sir Cosmo Gaskard and that a draft telegram be prepared for consideration when Council assembled the following day. (See Minute 15)

0004/11 16. ALGINATES INDUSTRIES (See Minute 3)

Members studied a draft telegram prepared by the Acting Governor and after agreeing to minor amendments, advised that the telegram should issue in the form recorded at Annexure I.

Clerk of Council

191

TELEGRAM TO FOREIGN AND COMMONWEALTH OFFICE

Alginat Industries (For information Sir Cosmo Haskard).

Executive Council disappointed apparent lack of reaction by AIL to proposals in our letter of 24th July to Pery, particularly as regards area and exclusiveness of concession. (As further indication this disappointment Council notes AIL has apparently not responded to request for information requested paragraph 3 (b) and 8 that letter). It seems some mutual lack of confidence amounting almost to mistrust needs to be remedied. In this connection it would be helpful to know as result of full and frank discussion Haskard/Merton what is AIL objection proposals paragraphs 2 and 3 our letter 24th July. Feeling here is that before giving exclusive concession Colony needs positive assurance that concession will be fully exploited and not frozen. Aspects such as royalties etc. of less importance at this stage but question of area and exclusiveness of concession fundamental.

2. If Alginates do not indicate preparedness review their position fundamental clauses 2 and 3 most recent draft Heads of Agreement (implying also possible modification immediately following clauses relating terms licence basis royalties etc.) Haskard is advised to inform AIL early definitive reply their latest proposals unlikely. Council would then seek benefit Haskard's advice and personal assessment after his return from leave resulting from his meetings with Merton and any other knowledgeable sources it may be possible to consult.

File ref. 0004/II  
18th September, 1969.  
JML

Bu 15/10  
M 2/10

Our Ref: C04/III

14th October, 1969.

F. Jones, Esq.,  
38, Ross Road,  
Stanley.

Dear Sir,

It has recently come to my attention that due to an unfortunate oversight no reply has been sent to your letter of the 5th of July in which you said that your principals had instructed you to endeavour to arrange for some rocks in the centre of the Camber harbour to be blown up. Whilst apologising for the delay in replying I regret that the reply itself must, for the present, be negative.

Yours faithfully,

(J.A. Jones)  
ACTING GOVERNOR

CS.

Thank you

ln 25/10

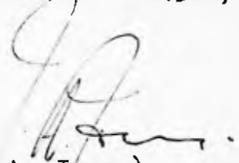
Y.E.

has seen during your southward voyage from Montevideo the Memorandum and relevant Minute for the September Ex.Co. Meeting on the subject of Alginate Industries Ltd. I had the Information Memorandum at p.178 which, you have not seen, prepared as a result of 'your' telegram p.177 in order to alert Members.

2. An item of legislation for the control of Kelp harvesting figures on the October Ex.Co. agenda and provides the opportunity for you to make an oral follow-up on your talks with Alginates.

3. You may recall almost a year ago a request being made to the British Government for information on the use of Kelp as manure and as animal food. This information which is useful and interesting but a good deal of it well over ten years old is in a form which necessitated my arranging for it to be passed to Members of Ex.Co. from hand to hand. It should now be with Mr Hills and will I hope be returned by 21st October to enable you to look at it before Ex.Co. meets. (The folder containing the papers is identified by the number of the Seaweed file - 2438.)

16 October, 1969.

  
(J.A. Jones)  
ACTING GOVERNOR

194

ALGINATE INDUSTRIES  
LIMITED

22, Henrietta Street, London, W. C. 2.

RM/ad

7th October, 1969.

Dear Sir Cosmo,

As promised I am writing to you so as to record the matters which were discussed between us yesterday.

Briefly there were two matters which you raised regarding our previous proposals; one in connection with the immediate grant of an exclusive licence, and the other to do with the term of the licence when granted.

We would have no wish to be "dog in the manger" over the Falkland Islands' weed supplies even if there were a competitor for them; and we appreciate the reluctance of the Falkland Islands' Government to grant a long-term exclusive licence without being fully guaranteed that AIL are going to operate the weed on a commercial scale within a reasonable time.

We on our part cannot contemplate embarking upon a venture in the Falkland Islands at all unless we can receive guarantees regarding the weed supply, particularly as we do not have in our possession the money, and it will be necessary to obtain it from outside sources.

In the circumstances I am prepared to recommend to my colleagues that they accept the following proposal.

*10-year option  
exercisable when  
plant working.*

In lieu of granting an immediate exclusive licence to AIL, the Government should consider granting them a ten year option to take a licence upon the same exclusive terms as hitherto proposed, the option only to be exercisable by AIL however when plant designed to produce at the rate of 4,000 tons per annum has been installed, and is working. (*is it necessary producing at that rate?*)

The figure of ten years in this proposal is important to us, because although we are anxious to extend our sales as quickly as possible, our plants are dependent upon a forecast that the Northern Hemisphere will be "top weight" for weed in about five years' time. Since the exact timing depends on such matters as world economic conditions, we must have a reasonable margin before we can proceed.

*Yes, but Kaunda's  
era is here.  
Had Kaunda's  
help is hardly  
comparable with  
recent history.*

With regard to the term of the lease, which was your second point, we consider that the nearest analogous case is that of a mining concession, and until the era of Mr Kaunda we understand that concessions were "in perpetuity". We feel that it would be quite unreasonable to expect us to invest millions of pounds in the Falkland Islands to feed a plant in Scotland costing many more millions, without at least fifty years' security of tenure. Nor would it be possible to raise the money necessary to put all these plants into effect without such security. Moreover, we have agreed to include a "escalation" clause which automatically takes care of the loss in value of money arising from inflation.

*Important*

I understand that you will be meeting your Executive Council at the end of this month. If you are able to clear these matters with them we will undertake to go ahead with our pilot plant scheme so as to be in operation next year, as outlined to you by Michael Pery. We would also be in a position to start planning the provision of the finance necessary for operating on a commercial scale.

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- 2 -

We very much appreciated your visit, and the opportunity to discuss these matters with you, and we shall look forward to hearing from you in due course regarding these two crucial points.

In the meantime Michael Pery will answer Mr Thompson's letter regarding the other non-controversial points of detail, such as the provision of power etc., which incidentally I believe he proposes to drop from the agreement.

Hoping you have a reasonably comfortable journey.

Yours sincerely,

(signed) Ralph Merton

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
c/o Sir Robert Stanley, K.B.E., C.M.G.,  
80 Aberdeen Park,  
Highbury,  
London, N. 5.

# ALGINATE INDUSTRIES

L I M I T E D

120, GEORGE STREET, OBAN, ARGYLLSHIRE.



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. I. BANKES.  
THE RT. HON. THE VISCOUNT  
STUART OF FINDHORN,  
P.C.H., M.V.O., M.C.  
F. L. G. GRIFFITH-JONES.

196

TELEPHONE:  
OBAN 205A.

HEAD OFFICE  
22 HENRIETTA STREET  
LONDON. W.C.2

8th October, 1969.

The Colonial Secretary,  
Port Stanley,  
Falkland Islands.

Dear Mr. Jones,

I apologise for not replying before to your letter of 24th July, but as I understood that no mail for Stanley was scheduled between July and October, I thought it more useful to delay my reply until Mr. Merton and I had our second Meeting with the Governor on his return from Ireland.

X Merton's  
suggestion  
OK

No doubt you will have been in telegraphic communication with the Governor and thus be familiar with what was discussed at our first Meeting on 7th August. As a result of our second meeting on 6th October, we agreed to the suggestion that paragraph 2 of our draft "Heads of Agreement" should be modified to granting Alginat Industries a ten year option to take a licence upon the same exclusive terms as described in paragraph 6 as soon as plant is installed capable of producing 4,000 tons per year of dried Kelp.

The long option  
proposal

Whilst we appreciate your concern on behalf of the Falkland Islands Government to tie Alginat Industries to a timetable, we must point out that it is every bit as much in the interest of the Company to expand its production - and thus its requirement for Kelp - as quickly as possible. However, as Kelp has little or no Market value unless used for making Alginates, the exact timing of our operations in the Falkland Islands is governed by the rate of growth of World Trade, the demand for Alginates by Companies launching new products, and many other factors outside our control.

You will appreciate that harvesting Kelp in the Falkland Islands represents a very major step in the development of Alginat Industries, and the very large capital expenditure involved can only be justified if some financial assistance from the British Government is forthcoming in the form of a Grant or low interest loan. Under these circumstances, I think it would be out of the question for the Company to make such a move unless/



THE QUEEN'S AWARD TO INDUSTRY

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RL!

unless the terms of an exclusive Concession and the conditions under which it is to be granted are first agreed.

In reply to the other questions raised in your letter:-

Para. 6.

See p. 148B

The U.K. Wholesale Price Index (Chemical and Allied/Section) Industries is, as its name suggests, an Index representing the average price of the large number of chemicals produced in the U.K. We felt this to be the most appropriate yardstick for maintaining, in real terms, the value of the licence fee and Royalty payments as originally negotiated

Para. 7.

See p. 148B

As mentioned above, we intend to do our utmost to expand our production of Alginates as quickly as possible and particularly to expand our production of dried Kelp from the Falkland Islands to 8,000 tons per year as this makes more economic use of our plant. We cannot, however, agree to being tied down by conditions affected by factors outside our control and should thus prefer to leave Para. 7. as it stands.

Para. 8.

Probably (the first five) let us get advice from the British Government in UK

I think your comments must arise from the fact that this paragraph was confused in the course of the telephone transmission. The Index numbers would merely be used to adjust the figure of 30/- to keep pace with inflation - exactly as would be the case with the licence fee.

Para. 10.

Your rewording is quite acceptable. We merely make the point that we shall require up to 100. Kws.

Paras. 11 & 12.

This is what I've hoped for.

As it seems almost certain that we shall generate our own power requirements for the main plant, I think it would save time and trouble to delete Paras. 11 & 12 from the draft "Heads of Agreement".

Para. 13.

A considerable change in attitude.

We shall be responsible for providing any houses required for the Pilot Plant and, at this stage, we merely intend to make the point with the British Government, when discussing financial assistance, that we do not consider the provision of employees houses to be a normal commercial responsibility.

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We shall, of course, let you know our requirements at the earliest possible opportunity. However, for the time being, I am afraid there is nothing that we can add to our rough estimate as it now stands. No doubt, we shall have a clearer picture when the Pilot Plant has been in operation for some time.

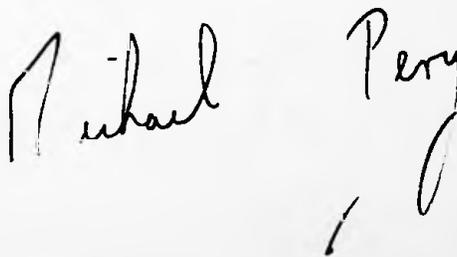
Para. 18.

Although we understand you feel you cannot tie the hands of your successors by giving a specific assurance over the question of adverse taxation, we must again emphasise that our projected investment in the Falkland Islands represents far and away the largest development in the history of the Company. The fuel cost will represent approx. 25% of the total cost of the dried kelp after shipping to the U.K., and thus a reasonable assurance for the stability of the price of fuel oil is as important to us as an agreed licence fee and Royalty payment.

We would only contemplate such an investment on the assurance of your good faith over the question of a Fuel Oil Tax.

I hope that the above will be of some help when you come to discuss this project at your Executive Council Meetings in October.

Yours sincerely,

A handwritten signature in cursive script that reads "Michael Pery". The signature is written in dark ink and is positioned above the typed name.

M.H.C. Pery.

*Rec'd 5/8/69*

*199*

# ALGINATE INDUSTRIES

L I M I T E D

120, GEORGE STREET, OBAN, ARGYLLSHIRE.

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.H.M.V.O.M.C.  
 F. L. G. GRIFFITH-JONES.



*To main file please  
5/11*

TELEPHONE:  
OBAN 2056.

HEAD OFFICE  
22 HENRIETTA STREET  
LONDON. W.C.2

23rd July, 1969.

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
c/o Sir Robert Stanley, K.B.E., C.M.G.,  
80 Aberdeen Park,  
Highbury, London, N.5.

Dear Sir Cosmo,

I gather from Freddie Jones that you are returning to the U.K. for a short spell and I know that Mr. Merton would very much like to meet you if you could spare the time. Mr. Merton will be away from London from August 21st - 28th and again from September 15th - 22nd. Would you be kind enough to suggest a day outside these dates that would be convenient to you to visit our Head Office and lunch with Mr. Merton.

I imagine that you will be working to a very tight schedule but, if by any chance you should be coming North, I should be delighted to have the opportunity to return some of your kind hospitality and demonstrate that the West Highlands make up in scenery for what the inhabitants may lack in character when compared to the West Coast of Ireland !

I should like to take this opportunity to congratulate you on your re-appointment for a further term and look forward to hearing from you in due course.

Yours sincerely,

*Michael Perry*

M.H.C. Perry.

*Reply included:  
my movements.  
shall write to Merton.  
Scotland visit open.  
Jones's letter of 24 July.  
Home address &  
telephone number.*



THE QUEEN AWARD TO INDUSTRY

*Booked  
5/18/69*

*200*

# ALGINATE INDUSTRIES

L I M I T E D

120, GEORGE STREET, OBAN, ARGYLLSHIRE.

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.

TELEPHONE:  
OBAN 2056.

HEAD OFFICE

22 HENRIETTA STREET  
LONDON. W.C.2



*To main file pt.  
5/11*

29th July, 1969.

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
c/o Sir Robert Stanley, K.B.E., C.M.G.,  
80 Aberdeen Park,  
Highbury, London, N.5.

Dear Sir Cosmo,

I am sending you a copy of the recent issue of the "CIBA Review" much of which is devoted to Alginates and was written by members of Alginate Industries.

Incidentally, this Review has been published in English, French, German and Italian, and I think you will find it somewhat more authoritative than the brief explanation of our activities which you kindly arranged for me to give to your Council at Stanley !

Yours sincerely,

*Michael Pery*

M.H. C. Pery.



THE QUEEN'S AWARD TO INDUSTRY

Booked 14/9/69  
Proposed 2.30 pm Monday 6<sup>th</sup> October

20

# 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  
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

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



To main file please  
4/10 4/11

RRM/ad

2nd September, 1969.

Dear Sir Cosmo,

Very many thanks for your letter of the 19th August, which I found on my return from a short holiday in Scotland.

I have a note in my diary that you will be back in London on Monday, 6th October, and I am very much hoping that you will be able to spare time for discussions with us early that week, as I am due to fly to New York on Thursday the 9th, and I am hoping to complete our discussions before leaving.

I shall be away for the inside of a week, so that if by any chance you are planning to be in London into the following week then there is no problem as we could continue to discuss any matters outstanding then.

I very much appreciated the opportunity of meeting you during your brief spell in London. If you could make any firm dates for either the Monday, Tuesday, or Wednesday, 6th, 7th or 8th October, I would suggest to Mickey Pery that he should plan to fly down and join us again.

Hoping you are having an enjoyable time in Ireland. I have myself only just returned from a week's shooting in Scotland, which I enjoyed enormously.

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
Tragariff,  
Bantry,  
Co. Cork,  
Eire.

Yours sincerely,  
Ralph Merton



THE QUEEN'S AWARD TO INDUSTRY

# ALGINATE INDUSTRIES

L I M I T E D

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

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



202

*to handle please*  
*Mo*  
*5/11*

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

RRM/ad

23rd September, 1969.

*Dear Sir Cosmo,*

I must apologise for not having answered your letter of the 14th September earlier, but I have only just returned from a week in the South of France.

I am delighted to hear that the 6th October is suitable for you, and that you could come round to this office at 2.30 p.m.

I have not yet had a chance of getting in touch with Mickey Pery, but I propose to do so forthwith, and I am very much hoping that he will be able to join us.

*Yours sincerely,*  
*Ralph Lee*

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
c/o M. C. Waldron Esq.,  
The Dower House,  
Mautersbury,  
Stow-on-the-Wold,  
Gloucestershire.



CONFIDENTIAL

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MINISTRY OF OVERSEAS DEVELOPMENT

Eland House, Stag Place, LONDON S.W.1

Telegrams: Ministrant, London, Telex

Telephone: 01-834-2377, ext.

Our reference:  
Your reference:

CS  
in main file  
to 2/11/69  
CLA 278/60/01  
CV/OD/1

7 October, 1969

Thank you for your very helpful letter of 8th August about the seaweed industry in the Falkland Islands. The FCO are closely concerned with this enquiry and I have copied your letter to John Sugg who should now be kept informed of developments.

As explained on the telephone some days ago, we are not yet sure if and when we will be asked to advise on the question of royalties. As you are aware, there are a number of other people to whom we would wish to look for help in this enquiry but rather than attempt to call them together, perhaps abortively, now we propose to prepare a draft invitation to them and an explanatory background paper so that a meeting could be called fairly quickly when necessary. I envisage that Dr. Hall our Fisheries Adviser would chair such a meeting.

In thinking along the lines of this approach, I was struck by the last paragraph of your letter where you say that further study of the problem and of the information which can be obtained from the prospective developers of the industry would be necessary before the matter could be carried much further. To my knowledge present discussion by the Falkland Island Government is exclusively with Alginate Industries Limited. I think the broad manner in which Alginate Industries would propose to operate is set out in the enclosed draft Heads of Agreement which is under discussion between the Government and the firm. This draft paper has come to us incidentally and I am sure we should treat it as a confidential document.

You may wish to note in particular at paragraph 8 of the draft Heads of Agreement that the company is suggesting a royalty of 30/- per ton of dried milled kelp for the first 5 years.

On the strong assumption that Alginate Industry Limited is the only firm involved at present and in the light of the draft Heads of Agreement (copy enclosed) do you foresee the need for us to do any further preparatory work in anticipation of the proposed meeting of experts.

I also enclose the first draft of a tentative invitation to the experts we think should attend the proposed meeting together with a copy of a background paper which would go to them. I should be grateful for any comments you may have on these drafts.

A copy of this letter goes to John Sugg at the F.C.O. whose comments are also invited. He also receives a copy of your letter of 8th August to me.

We are very grateful for your help in this matter.

Yours sincerely,

S. G. Hope Esq.  
Valuation Office  
Inland Revenue  
Finsbury Square House  
Finsbury Square  
London E.C.2

(D. H. Braun)

CONFIDENTIAL



Valuation Office, Inland Revenue  
 CHIEF VALUER  
 Finsbury Square House,  
 Finsbury Square, London, E.C.2.  
 Telephone: 01-638 6020 ext.

20x<sup>45</sup>

E629. L+R to me pl.  
 JH Braun

11/3

D.H. Braun, Esq.,  
 Ministry of Overseas Development,  
 Eland House, Stag Place,  
 London, S.W.1.

Your reference:  
 In any reply please quote:

CLA 278/60/01  
 CV/OD/1 (C)

Date: 8th August, 1969

Dear Braun,

1. In reply to your letter dated 23rd July addressed to Fallows about the seaweed industry in the Falkland Islands we can see that you have an interesting and unusual valuation problem. In the absence of direct evidence of charges made in similar circumstances and which can be used for the purpose of comparison by applying valuation principles, it may well be necessary, as your Fisheries Adviser suggests, to go back to first principles of valuation in determining the sort of royalty that should be charged for seaweed taken in the Falkland Islands.

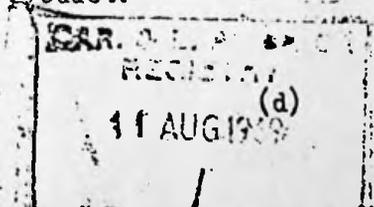
2. We have so far been unable to trace any cases dealt with in this office exactly on all fours with this one, but there are similarities between this kind of transaction and others with which we are conversant and, of course, we are constantly having to find solutions to problems. The following first thoughts might be of assistance.

3. A royalty may be defined as a proprietary right of part profit. It is normally paid periodically at half yearly intervals.

4. The essential basis for a royalty would seem to be that it should be an amount which, assessed at so much per ton or other unit, can be easily absorbed in the cost of working leaving the royalty payer with sufficient profit to recoup his capital expenditure over the life of the concern, and at the same time to realise a reasonable return on his investment.

5. Obviously the ultimate figure to be paid will be a matter for bargaining, but the "first principles" may be said to be:-

- (a) The royalty should be an amount assessed by reference to the substances removed from time to time, which the royalty payer can easily absorb in his costs.
- (b) It should not take an unreasonable share of the profit but the owner should be entitled to participate in it; this raises the question of the monopoly of the owner.
- (c) It must be a figure which is comparable, taking into account situation, quality, mode of occurrence, ease of working, etc. with royalties paid elsewhere for a similar product.



- (d) So far as the owner is concerned, it should take into account the value for other purposes of the land subject to the lease or licence and at the same time have regard to supply and demand.
- (e) It should be expressed in such a form as to enable the gross amount payable to be easily ascertained and if necessary, checked.

6. As stated above, the ultimate royalty is a matter for negotiation. If there is only one firm seeking the licence, then they are in a strong bargaining position and, vice versa, if there is a material which is only present in a limited area, and there are a number of competitors, then the owner is in the stronger position.

7. Further study of the problem and of the information which can be obtained from the prospective developers of the industry would be necessary before we could carry the matter much further. If you would like us to have a representative present at further discussions we shall be glad to give such assistance as we can.

Yours sincerely,



Draft letter addressed to:-

- 1. Dr. Hall, ODM Fisheries Adviser
- 2. Dr. Spensley, Tropical Products Institute
- 3. Dr. F. N. Woodward,  
Arthur D. Little Research Institute  
Inveresk,  
Musselburgh, Midlothian
- 4. Mr. J. H. Price, British Museum
- 5. Mr. S. G. Hope, Valuation Office, Inland Revenue
- 6. Mr. A. St. J. Sugg, Foreign and Commonwealth Office

The Falkland Island Government is considering the possibility of the development of the seaweed industry in the Islands. The firm of Alginate Industries Limited have figured largely in preliminary discussion with the Governor and have plans to start operations in the Falklands. The Foreign and Commonwealth Office and ourselves have been asked to advise on the sort of royalties which should be charged for seaweed collected. It is felt that a number of experts are in a position to contribute to the consideration of this problem and we would like to enlist your help.

I enclose a copy of an explanatory background paper for use at a meeting of experts which we are arranging.

The meeting is to be held at \_\_\_\_\_ on \_\_\_\_\_ at Eland House and I should be very grateful if you would let me know fairly quickly whether you are able to attend. Invitations are also being addressed to:-

- Dr. Hall, ODM Fisheries Adviser
- Dr. Spensley, Tropical Products Institute
- Dr. F. N. Woodward
- Arthur D. Little Research Institute
- Inveresk,
- Musselburgh, Midlothian
- Mr. J. H. Price, British Museum
- Mr. S. G. Hope, Valuation Office, Inland Revenue
- Mr. A. St. J. Sugg, F.C.O.

Yours sincerely,

( )

Draft Background Paper

In anticipation of a request to advise the Falkland Islands Government on the amount of royalties which should be charged for the collection of seaweed in the Islands for industrial purposes, some preliminary thought has been given to the question and the initial conclusion was that it would be necessary to go back to first principles in order to give effective advice. It would be necessary to know the basis on which royalties might be assessed and it was considered that probably three factors were involved:-

- (a) the quantity of seaweed collected;
- (b) the quality of the seaweed;
- (c) the element of competition for the collection.

The factors require confirmation.

The last time the question of royalties for seaweed collection in the Falkland Islands was discussed was in 1946 when Dr. Hickling, the Overseas Department Fisheries Adviser at the time, was called in. Unfortunately, the record of these discussions is no longer available.

It was felt that there might be others who would be able to help with further discussion on this problem. These included:-

- (1) Dr. Hall, ODM Fisheries Adviser.
- (2) Dr. Spensley, Tropical Products Institute.
- (3) Dr. F. N. Woodward, Arthur D. Little Research Institute, Inveresk, Musselburgh, Midlothian.
- (4) Mr. J. H. Price, British Museum.
- (5) Mr. S. G. Hope, Valuation Office, Inland Revenue.

As part of the preliminary consideration the advice of the Crown Estate Office was sought for confirmation of the factors set out above and a history of the 1946 discussions but they were unable to help very much and they suggested that an enquiry be addressed to the Valuation Office. The Valuation Office replied as follows, giving their first thoughts:-

"A Royalty may be defined as a priority right of part profit. It is normally paid periodically at half yearly intervals.

The essential basis for a royalty would seem to be that it should be an amount which, assessed at so much per ton or other unit, can be easily absorbed in the cost of working leaving the royalty payer with sufficient profit to recoup his capital expenditure over the life of the concern, and at the same time to realise a reasonable return on his investment.

Obviously the ultimate figure to be paid will be a matter for bargaining, but "first principles" may be said to be:-

- (a) The royalty should be the amount assessed by reference to the substance removed from time to time, which the royalty payer can easily absorb in his costs.
- (b) It should not take an unreasonable share of the profit but the owner should be entitled to participate in it; this raises the question of monopoly of the owner.
- (c) It must be a figure which is comparable, taking into account the situation, quality, mode of occurrence, ease of working, etc. with royalties paid elsewhere for a similar product.
- (d) So far as the owner is concerned, it should take into account the value for other purposes of the land subject to the lease or licence and at the same time have regard to supply and demand.
- (e) It should be expressed in such a form as to enable the gross amount payable to be easily ascertained and if necessary, checked.

As stated above, the ultimate royalty is a matter for negotiation. If there is only one firm seeking the licence, then they are in a strong bargaining position and vice versa, if there is a material which is only present in a limited area and there are a number of competitors, then the owner is in the stronger position".

/So

CONFIDENTIAL

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So far as we know the present discussions by the Falkland Island Government are exclusively with Alginate Industry Limited. The firm has produced a draft "Heads of Agreement" (a copy of which is enclosed) which gives a good idea of how they would propose to operate. The enclosed draft Heads of Agreement has come to the ODM incidentally and it should be strictly regarded as a confidential document.

Caribbean and Latin America Department,  
Ministry of Overseas Development.

October, 1969

CONFIDENTIAL

# ALGINATE INDUSTRIES

L I M I T E D

120, GEORGE STREET, OBAN, ARGYLLSHIRE.



*Received 10/15  
LH*

210

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.H.M.V.O. M.C.  
F. L. G. GRIFFITH-JONES

TELEPHONE:  
OBAN 2056.

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

8th October, 1969.

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
c/o Sir Robert Stanley, K.B.E., C.M.G.,  
80 Aberdeen Park,  
Highbury,  
London, N.5.

*To main file please*

Dear Sir Cosmo,

I apologise for having to dash off to catch an aeroplane on Monday but unfortunately I could not obtain a booking for a later plane. However, I feel that we had practically exhausted the subject!

In view of the time factor, I enclose my reply to Mr. Jones's letter of 24th July and should be most grateful if you would be kind enough to give it to him on your return. I apologise for burdening you with yet another package, but I felt that it would be too much of a risk to send the letter by Air Mail at this stage.

With kind regards to Lady Haskard and all wishes for a calm "Darwin".

Yours sincerely,

*Michael Pery*

M.H.C. Pery.

*Reply at 211*



THE QUEEN'S AWARD TO INDUSTRY

210a

# 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, Scotland.

TELEF  
 01-836 0  
 01-836 01  
 TELEGRA  
 "ALGINATES, LONDON, W.C  
 CABLE.  
 "ALGINATES, LONDON, W.C.2  
 BENTLEY'S SECOND PHRASE.  
 TELEX. 23815.



3rd July, 1969.

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
 Government House,  
 Falkland Islands.



Dear Sir Cosmo,

I am taking the liberty of sending direct to you the attached reply to Mr. Thompson's letter of 1st May.

Mr. Merton has been in touch with the Colony's Tax Advisor in London, and it is felt that the figure of 10% profit on costs is likely to be acceptable to the Board of Inland Revenue. We have a precedent for this in our dealings with the Irish Government over a seaweed supply factory in Connemara. Provided that we receive double taxation relief (and that your taxation does not escalate !) we can see no reason for scaling down the level of profit in the early stages.

As soon as we start full scale operations we shall work up as quickly as possible - probably within one year - to produce at a rate of 4,000 tons dried milled Macro per year. Thereafter we shall probably increase production by multiples of 4,000 tons.

The attached calculations may be of assistance as an indication of the possible revenue to the Colony from our operations. The costs of production are our most recent estimates, and I should be grateful if you would treat these particular figures as completely confidential, since we obviously do not wish them to be known to our competitors. Exactly when we shall achieve the various levels of production is in the lap of the Gods and the Chancellor, but we obviously hope to expand as quickly as possible.

*As this has followed me around!*

Yours sincerely,

*Michael Pery*

*MA 21/10/69*

Michael Pery.

p.s. This was dictated over the telephone on Tuesday, 1st July.



1968

THE QUEEN'S AWARD TO INDUSTRY

Scale - tons per annum.	4,000	16,000	32,000
Cost per ton.	£65	£53	£50
Total cost of a year's production.	£260,000	£850,000	£1,600,000

---

Licence fee.	£1,000	£1,000	£1,000
Royalty at 30/- per ton.	£6,000	£24,000	£48,000
Profits Tax at 10%	£26,000	£85,000	£160,000
Total to Colony.	<u>£33,000</u>	<u>£110,000</u>	<u>£209,000</u>

# 210 (A)

EXTRACT FROM MEETING 12/69 HELD ON 27th, 28th, 29th,  
30th & 31st OCTOBER 1969.

0004/II 4. ALGINATE INDUSTRIES (Memo. No. 80/69)

The Governor reported on talks he had had with Mr. R. Merton of Alginate Industries Ltd., on 7th August and 6th October. At the second of these meetings the Governor had discussed the situation arising from the issue of a telegram resulting from Council's 11th meeting.

A letter from Mr. Merton dated 7th October was circulated to Members to form the basis of discussion at the current meeting.

The Governor informed Council that he had, while in London, taken up the question of royalties as a result of which the Ministry of Overseas Development in collaboration with the Foreign and Commonwealth Office was setting up a working party to examine this aspect of the matter.

Council considered Mr. Merton's letter of the 7th October to the Governor. Lengthy discussion led to the view that the proposals contained in that letter were more out of line with local needs than those contained in paragraphs 1 to 8 of the earlier draft Heads of Agreement. The view of Council was that any exclusive right given to the company must be tied to a production target. This was the case with paragraph 7 of the draft Heads of Agreement but was not the case so far as the proposals of 7th October were concerned.

Council advised that a non-committal letter might be sent to Alginate Industries indicating that it was the Colony Government's intention to proceed to agreement in due course after receiving further advice from competent quarters. Simultaneously the advice of the Foreign and Commonwealth Office would be sought regarding the Colony Government's proposal to go ahead with an agreement on the basis of clauses 1 to 7 of the draft Heads of Agreement, reserving the question of royalties for later negotiations. Members would be kept informed of the developing situation.

0004/III

6th November,

69

7  
6

210

Thank you for your letter of the 8th October. While not in a position as yet to reply to it definitively as we need to consult further with the Foreign and Commonwealth Office we feel we are moving towards more common ground as a result of your recent letter.

The Governor is writing separately and at greater length to Mr. R. Herton in reply to the letter of the 7th of October from the latter.



(J. A. Jones)  
Colonial Secretary.

The Hon. M. H. C. Pery,  
Alginate Industries Limited,  
120, George Street,  
OBAN, Argyllshire.

0004/II

4th November, 69

27  
10

--- It has occurred to the Colony Government that it would be advisable in our mutual interests to enact simple legislation for the control of the harvesting of kelp in these Islands. A copy of this draft legislation is attached hereto and I shall be grateful for the comments and observations of your Company upon it.

I have taken the opportunity by this same mail of referring the legislation to the Foreign and Commonwealth Office.

The Bill was given its First Reading at the meeting of Legislative Council which was held here on the 29th October when advisedly we did not proceed beyond the First Reading. This was done in order to provide the opportunity to take opinions, including that of your Company, before proceeding to enact the legislation. Provided all opinions are gathered and are not unfavourable it will be the intention to take the legislation through the rest of its stages at the next meeting of the Legislative Council. For reasons unconnected with this particular piece of legislation it is possible that the next meeting of Legislative Council will be held in December. If, therefore, it is possible for you to let me have your comments early I shall be grateful.

J. A. Jones,  
Colonial Secretary.

The Hon. M. H. C. Pery,  
120 George Street,  
OBAN,  
Argylshire.

JML

6th November, 69

7  
10

p. 210

Our negotiations with Alginate Industries Limited have now reached the stage where I have issued the letter, a copy of which is attached hereto and marked 'A'. The Governor has also written, at greater length, to Mr. R. Merton, and he will be sending you a copy of that letter separately but by this same mail.

p. 148B

p. 172

p. 196

Also attached are documents marked 'B' (draft Heads of Agreement between the Colony Government and the company, proposed by the letter); 'C', dated the 24th of July, 1969, being our reply to 'B'; and 'D', being the company's reply, dated the 8th of October to 'C'. I believe you have these documents already but in case you have not I am taking this opportunity of sending you them, and their attachment in one lot to this letter will, I hope, make the papers easier to handle.

After prolonged consideration in Executive Council we feel that, subject to your advice and agreement, we would do best to give the company a letter of intent to go ahead with the project on the basis of paragraphs 1 - 7 of document 'B' while reserving, for further advice from you and the Ministry of Overseas Development, on the subject of royalties (paragraph 8, document 'B'). If this is acceptable to your Ministry we would be grateful for your advice on the form such a letter might take. Apart from this one reservation on royalties we would wish to be able, if this is considered feasible, so to assure the company of our intentions as to induce it to go ahead now with the preliminary pilot project.

  
(J. A. Jones)  
Colonial Secretary.

Mr. A. St. J. Sugg, C.M.G.  
Foreign and Commonwealth Office  
LONDON S.W.1.

JML

213  
~~214~~

6

November, 1969.

Our Ref: 0004/II

Would you please refer to your letter of 7th October regarding matters which were discussed between us the previous day.

I left London on 11th October and after an 18 hour hold up in Switzerland, due to fog, and a six day voyage by Darwin I arrived back in Stanley on a gloriously fine afternoon. The next week was largely occupied in catching up with local affairs and then came a five day meeting of Executive Council during the course of which we had a very full discussion regarding plans for your company to start operations here.

There was a short meeting of Legislative Council in the middle of the week and I enclose for your information a copy of my address on that occasion.

I am not yet able to give you a definite answer to the points raised in your letter of 7th October, as we want to take advice regarding one or two matters before supplying you with a full reply. It would, however, be fair to say that what we have in mind is to send you before very long a Letter of Intent stating clearly what action we would like to take. I hope, and indeed believe, that you will find its contents satisfactory and I also hope that you will regard it as sufficient guarantee of the good faith of the Falkland Islands Government to make it possible for you to start without delay on your pilot stage, leaving the preparation of a detailed Heads of Agreement until we have completed taking advice.

WA

R. Merton, Esq.,  
Alginate Industries Ltd.,  
22, Henrietta Street,  
LONDON, W.C. 2.

Copied to A. St.J. Sugg, Esq., C.M.G.

*For Alginates file please*

*S/C for file 0004 J/6/11*

C.S. (W.S.)

Alginates

I propose, subject to scrutiny by you, to send the attached telegram, to FCO for info.

Any comments please?

LS  
11/11/69

~~J.L.~~ C.S.

As Alginates have also suggested a target (182) of 8000 tons by about 1987 would it be as well to try to keep them to it. Attention on comment.

L.S.  
11/11/69

DECODE.

215  
12/11

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched: 12/11/69 Time: Received: Time:

No. 166

RESTRICTED

Your telegram 105 of 21st August.

Alginates. (177)

Letter dated 6th November from Jones to Sugg sent by bag (212)  
7th November is likely to take longer to reach London than letter of (213)  
6th November posted from Haskard to Merton copied to Sugg.

2. Executive Council has concluded that option offered in Merton's letter of 7th October is in reality rather less favourable to Falkland Islands than conditions listed by Merton on 7th August of which you have a copy. (194) (181)

3. Clause 7 gives Falkland Islands Government right to review exclusiveness of licence should company fail to produce an average of 4,000 tons a year over two years from period of three years after first licence fee is paid. Latest date for latter is 1975 which would allow review in 1981. Clause 7 gives Falkland Islands Government further right to review in 1987 should company fail to produce average 8,000 tons by then. (182)

4. Ten year option would continue until 1980 but would only require company to instal plant designed repeat designed to produce 4,000 tons a year to be working but at an unspecified rate which could be very low. (194)

5. Executive Council is inclined to recommend that Alginate Industries be sent Letter of Intent basing agreement on conditions of 7th August except for clause 8. We would appreciate advice from you and ODM (181)

- (a) on overall merits of proceeding as above;
- (b) specifically regarding clause 8 (royalties) in which connection I would be prepared to ask company to provide seaweed samples as discussed with Hall at Sugg's office on 7th October. No action on this has been taken pending Hall discussing with Spensley. (203)-(209)

Cypher : SJS

12/11/69

Mr Steadell }  
Mr H.L. Bond } to see and file to  
be BU for Mr Jones on his return  
from S. Georgia. please.

12/11

216

Information has been received from F.C.O. that Hall would not be available until after the 22nd November. This means that there is bound to be some delay in our receiving the advice sought in paragraph 5 of the telegram at p. 215.

J.A.J.  
24/11/69.

Sir Cosmo Haskard

Confidential

K.C.M.G., M.B.E.



*With the compliments of*  
FOREIGN AND COMMONWEALTH  
OFFICE

HGF7/5

LONDON, S.W.1.

3.11.69.

In file 0004

217

Gibraltar & South Atlantic Department

31 October, 1969

Further to my letter to you of 13 October about Alginates and the Falklands, I now attach a copy of the letter written by the Company to the Governor and referred to in paragraph 3 of my letter.

I have also just received a copy of Hope's helpful letter of 27 October and, provided you and he see no objection to this, I would like to send a copy off to the Governor by the bag which leaves on 3 November, although this does not, of course, leave us any time to make any comments on it.

*I can't see*

Alginate's letter would seem to leave plenty of scope for negotiations and Hope's suggestion in observation (d) of his letter seems to me to be a very sound basis to work from.

I am particularly interested in paragraph 3 of Hope's letter. There does not appear to have been much thought given in the recent negotiations to the question of what I suppose should be called the maximum sustained yield of weed in the area, and this is, presumably, most important. The reason may be, however, that the sustained yield is thought to be very much higher than Alginate could expect to harvest. But this certainly requires to be considered.

X

I am sending a copy of this letter to Hope.

(A. St.J. Sugg)

D.H. Braun, Esq.,  
Caribbean & Latin America Department,  
Ministry of Overseas Development,  
Eland House,  
Stag Place,  
LONDON, S.W.1.

*CS and CT*  
*Plan BU for discussion*  
*18/11*  
*CT To be, after which we will arrange discussion with WE.*  
*19/11*



Confidential

104 118

D H Braun Esq  
Ministry of Overseas  
Development  
Eland House  
Stag Place  
London S W 1

RECEIVED IN  
REGISTRY No. 17  
3 OCT 1969  
HGF/5

CLA 278/60/01  
CV/OD/1

27 October 1969

Dear Braun

Further to my letter of 20 October I am now able to reply to your letter of 7 October.

With regard to the proposed meeting and the constituent members it appears to me that, in the main, their contributions will be on the scientific side and that their views, which will be of valuable assistance to a full appreciation of the raw material and possibly the processes leading to the finished product, should be obtained and made available for consideration before the meeting. It would then be for consideration as to whether the problem - advise on the sort of royalties which should be charged - could best be resolved by a more compact company.

The local importance of the weed is noted from Clause 4 of the draft Heads of Agreement: presumably it is naturally perpetual or self propagating and will not be destroyed by harvesting on the scale and by the methods proposed by Alginate Industries, so that we are concerned with a perpetual asset as distinct from a wasting one as in the case of minerals. If that presumption is not supported by already established facts - as would appear to be the case from the letter of 24 December, 1946, from British American Kelp Co Ltd - it is suggested that it is a matter for advice from the scientific experts in the present interim period. It is noted that the current draft Heads of Agreement is silent on the question of control of cutting although the subject figured in the 1946 negotiations.

Other points on which advice seems to be desirable at this stage are:

1. Is there a limit to the supply of seaweed available from accessible sources?
2. Is it known where the Company intend to market their product?

The information requested in paragraph 4 of your letter of 16 October to Dr Spensley will be very helpful - but, bearing in mind that the negotiations with Alginate started some 23 years ago, is there a commitment to that Company?

Your letter and its enclosures together with the letter from John Sugg and its enclosures combine to present a more detailed picture than existed when I wrote on 8 August and I should like to make the following observations.

is this?  
yes

- 219
- a. As the licence fee and the royalty are proposed to be kept quite separate is the fee solely for the exclusive right to harvest kelp? If it is not, what does it cover?
  - b. If the licence fee is solely for the rights and it is proposed to obtain payment for the kelp by way of a royalty, so that the fee is, in effect, a "dead rent", there seems to be a case for simplifying the charging procedures in Clauses 6 and 8 of the draft Heads of Agreement by the adoption of the customary method in such cases, i.e. that the "dead rent" merges with the royalty in consideration of a higher royalty.
  - c. It is noted from Clauses 6 and 8 of the draft Heads of Agreement that no payments of any kind are to be made for an initial period which may extend to 1975, but I would mention that in Crown Estate foreshore cases some payment is required to be made from the outset, which is a more normal practice and one which it is suggested should be followed here, whatever the eventual method of payment may be.
  - d. It is clear from the papers you have sent me that there will be considerable capital commitment by both the Government of the Islands and the Company so that the success of the venture is equally important and this prompts me to suggest that the approach to the basis and amount of the payments to be made by the Company should be on the lines of a partnership with a fair proportion of the profits to each party rather than on the lines of seeking to obtain the highest possible royalty with its attendant possibility that it might eventually prove to be uneconomic and cause or contribute to the collapse of the project.

The payment I have in mind on the approach suggested above would be based on a percentage of the price f.o.b. of the finished product or on profits.

- e. Of the figures given in the confidential document those for "Taxable Profits" appear to be arbitrary and inserted mainly for the purpose of indicating the Revenue benefit to the Colony.

Looking at the figures given as a whole, however, and taking them for what they are worth and without investigation they indicate a reasonable starting point from which to conduct further negotiations.

- f. Although the terms of reference are to advise on the sort of royalties to be paid I still consider that, whatever the method of payment, the amount is a matter for negotiation and you may wish to consider whether the negotiations could best be undertaken by the Valuation Office (it is assumed that the Company have a representative in London) whose services are available to advise Government Departments.

I am sending a copy of this letter to John Sugg (FCO).

Yours sincerely

S.G. HOPE

DECODE.

TELEGRAM SENT.

lh 220  
17/11

From SECRETARY OF STATE to GOVERNOR

Despatched: 14/11/69

Time :

Received : 15/11/69 Time :

No. 145

RESTRICTED

Your telegram 166.

Alginates.

pp. 217-9

Copies of letter of ----- are in the bag to you. Hall has been away for sometime and we will not be able to reconsider the problem and give the advice you ask for until after his return on 22nd November.

Cypher : SJS

Alta Alginates file of G.H.

CS. for Alginates file. ✓ Done.  
Please note for EXCO agenda  
of 1 Dec.  
lh 17/11

23th November,

69

Your Ref: HGF 7/5

Alginate Industries Limited

Please refer to your telegram No. 145 and to the correspondence mentioned therein which was received here on the 18th November.

While we are not formally commenting at this stage upon the points raised in the exchange of letters between you and Braun, and Hope and Braun, we have reservations about the points made in Hope's paragraphs 3 on the sustained yield of seaweed and 5 (d) on the capital commitment of the Colony Government. As regards maximum sustained yield it is our understanding that it is in considerable measure because of the large quantities of kelp available locally and their usual self-renewing properties that Alginate Industries Limited is interested.

As regards Hope's paragraph 5 (d) we do not envisage considerable capital commitment by this Government. At present we foresee a possible small commitment on housing construction perhaps in a few years' time and a much remoter possibility of sizeable investment in new electricity generating plant and ancillary equipment. I say, remoter possibility because it seems virtually certain that the company will generate its own electricity at the Camber site.

The foregoing points seemed worth making by the first outgoing mail after the papers which gave rise to them were received here.

J. A. Jones  
Colonial Secretary.

A. St. J. Sugg, Esq., C.M.G.  
Foreign and Commonwealth Office,  
Curtis Green Building,  
Victoria Embankment,  
LONDON S.W. 1.

JML

File Note.

Executive Council was informed orally on the 3.12.69 that a letter had been sent to F.C.O. expressing reservations about the view contained in Mr. Sugg's letter at p.217 on maximum yield of kelp and the view expressed in Mr. Hope's letter at p. 218 about the extent of the Colony Government's financial involvement in the venture.

2. In answer to a question Council was informed that Alginate Industries Limited had stated that they would be prepared to ensure the pilot stage of the project as soon as the Colony Government had accepted Heads 1 - 6 of the draft Heads of Agreement at page 182.

  
J. A. Jones  
5th December, 1969

File Reference 0004/III  
JML

1st December, 69

You should have received by the outgoing mail which left here on the 7th November a copy of a piece of legislation for the control of the harvesting of kelp in the Colony and its exportation, forwarded to you for your Board's comments. Unfortunately something seems to have gone wrong this end and I am not certain that in fact the legislation was sent to you and am therefore taking the opportunity of sending you two more copies of the Bill.

The Bill is a simple one, the purpose of which is to place within the body of our law control of the harvesting of kelp by making such harvesting dependent upon the issue of a Government licence while at the same time making provision for the payment to Government of royalties. As you are aware there is nothing new in this and your Company and this Government are in the course of negotiating an Agreement as part of which the question of charges for a licence and the amount of royalties will be dealt with. But we felt it was only fair and certainly in the mutual interests of both sides if your Board was given the opportunity to study the Bill and make any comments which it wishes. The Bill has been given the First Reading only in our Legislative Council and the intention is that its further stages will not be proceeded with until we have had your comments together with those of other organisations concerned in this matter.

I shall be grateful if you will let me have your Board's comments upon the enclosed Bill at your convenience.

J. A. Jones  
Colonial Secretary.

The Hon. M. H. C. Pery,  
120 George Street,  
OBAN,  
Argyleshire.

JML

c.c. Alginates File.

224  
225

Alginat Industries Limited,  
Box 214,  
Stanley.  
18.11.69.-

The Honourable The Colonial Secretary,  
Stanley.

Sir,

Please authorise me to process and or export  
kelp (seaweed), up to 150 kilos monthly, for and on behalf  
of Alginat Industries Limited.

I have the honour to be,

Sir,

Your obedient servant,

for Alginat Industries Ltd.

c.c. A.I.L., London.  
A.I.L., Oban.-

Reply at 229

12

Y.K.

may please to mention this in Exco.  
before an answer is returned to the enquiry?

14/12

CS Namally I would not worry  
Ex Co and would say "Go  
ahead" but as we have  
EX CO on 17<sup>th</sup> Dec I would  
like you to go ahead.

14/12

AGREED  
on 17.12.69

225 (a)

MINUTES OF THE MEETING OF THE COUNCIL OF THE COLONIAL OFFICE  
Held on 14th, 15th, and 16th December 1960.

0004/II

16. ALGINATES INDUSTRIES LTD.

The Colonial Secretary informed Council that there was no development of immediate importance to report.

CLERK OF COUNCIL.

# ALGINATE INDUSTRIES

L I M I T E D

226  
f. 0004

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.

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



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

RRM/ad

18th November, 1969.

*Dear Sir Cosmo,*

Many thanks for your letter of the 6th November, and I am very glad to hear that in spite of hold-ups you nevertheless arrived back safely in Stanley.

I can well understand that you have been extremely busy since your return, and that you have not yet been able to deal other than cursorily with our affairs. I note, however, that you propose shortly to send us a Letter of Intent on the basis of which you believe that we shall be able to decide to go ahead.

We shall all look forward to receiving this, and in the meantime very many thanks for the copy of your address to the Legislative Council.

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
Governor of the Falkland Islands,  
Government House,  
Port Stanley,  
Falkland Islands,  
South Atlantic.

*Yours Sincerely  
Ralph Merton*



THE QUEEN'S AWARD TO INDUSTRY



*C.S. Please see for  
mention in ExCo  
on 17 Dec  
LM:3/12*

DECODE.

COPY

TELEGRAM SENT.

227  
Original in f. 2438

From SECRETARY OF STATE to GOVERNOR

Despatched: 15.12.69

Time:

Received:

Time:

Jones letter No.2438 of 4. November Kelp In order that the Governor in Council can fully control royalties payable and to ensure good husbandry ODM and ourselves suggest the following amendments to Bill. (A) Insert at the beginning of clause 5 'Subject to Section 6' (B) Add after clause 5 'The Governor in Council may upon such terms and conditions as he may agree upon with the licensee grant an exclusive licence to harvest kelp for export in any specified areas and may provide in the licence for the royalties payable on kelp exported under the licence and for the periodical revision of these royalties. 7. there shall be implied in every licence the following conditions (A) that the licensee shall carry on all his harvesting operations in a safe orderly skilful efficient and workmanlike manner and shall not cause danger or damage to persons lawfully using or being on or in the foreshore of ~~the territorial waters of the Colony~~ the territorial waters of the Colony (B) that the licensee shall take due and proper precautions for the safety of all persons employed by him in harvesting operations'

(C) Renumber clauses 6 and 7 as 8 and 9 in line 2 of clause 8 (2) as renumbered. After 'specified', insert 'or implied'. Clause 8 (2) as renumbered permits the court to suspend or revoke a licence on conviction for breach of a condition. This could only be remitted under the prerogative which is exercisable by the Governor not the Governor in Council. Possibly you would confirm that this is what is desired although as the Governor is also the judge the point is perhaps academic.

STEWART.

Copy on File 2438 and 0004/II

Es. Thank you. When replying we must be careful to point out that the Governor is not his judge but may act as judge (Cap 3, sec 8). W

YE

F.y.i.

Amendments for first meeting of 1970?  
18/12

16/12  
19/12  
Return in f. 2438.

DECODE.

TELEGRAM SENT.

f. 0004 228

From SECRETARY OF STATE to GOVERNOR

Despatched: 15/12/69

Time:

Received: 16/12/69 Time:

No. 169

RESTRICTED

Your telegram 166: Alginates.

At a meeting with ODM attended by the legal adviser, Dr Hall and others, we

(a) agreed with conclusion reached in paragraph 2 of your telegram under reference but consider paragraph 7 of the draft Heads of Agreement must state clearly what Government wants to be free to do if production does not come up to the figures set out. Possibly you would let us know this? Perhaps it is too late to suggest protecting Government's interest in another way by providing that after dates set out in paragraph 7, royalties should be payable on minimum tonnage set out even if production falls short of this.

(b) In view of the time ----- to reach any conclusions based on sampling and the fact that most known authorities on seaweed met ----- Alginates, we believe that the amount of royalties should be arrived at by negotiation. Valuation Office of Inland Revenue are experienced in this and we are enquiring into the possibility of them negotiating on your behalf. Negotiations would take in outstanding differences, e.g. paragraph 7, as well as royalties. Grateful to know whether you would wish this arranged possibly under Technical Assistance.

(c) Meeting had no information regarding estimated maximum sustained yield of seaweed in the area, but believe a clause to ensure good husbandry should be included (see separate telegram).

(d) Agree that a Letter of Intent be sent to Alginates and will advise you on this.

2. We hope to send a letter by the next mail giving more details but thought you would like to know the present position.

Cypher ; SJS

*Exco's advice sought*

*Exco. advise sought*

EXTRACT FROM THE MINUTES OF MEETING NO 17/69

HELD ON WEDNESDAY 17TH DECEMBER 1969.

24/III 7. ALGINATES INDUSTRIES LIMITED

The Colonial Secretary informed Council that Alginate Industries Ltd. agreed to the proposed legislation for controlling the harvesting of kelp. However, modifications to the bill had been suggested by the Foreign and Commonwealth Office in consultation with the Ministry of Overseas Development and these would be circulated to Members in the normal way.

A letter from Mr R. Merton to His Excellency, dated 18th November 1969, was read. It welcomed the news that a letter of intent work be sent to Alginate Industries.

The Colonial Secretary also informed Council that proposals had been made jointly by the two Ministries mentioned above to assist the Colony Government in reaching finalisation on the Heads of Agreement, particularly in respect of Heads 7 and 8. Included in the proposals was a suggestion that the experienced services of the Valuation Office of the British Inland Revenue Department might be made available under technical assistance to help solve the royalties problem.

Council took note.

A letter from Mr F. Jones of the 18th November on behalf of A.I.L., requesting permission to process and/or export kelp, up to 150 kilos monthly, was read.

Council advised that the permission sought by Mr F. Jones should be given.

CLERK OF COUNCILS.



P. Box 214,  
Stanley.  
18.12.69.-

The Honourable The Colonial Secretary,  
Stanley.

Sir,

I beg to enclose a cutting from the Los Angeles Times of 28.9.69. Perhaps His Excellency the Governor may be interested in it. Please be kind enough to have it returned to me in due course.

2. In case you do not know it already, I beg to advise you that Mr. D.F. Gooch will be visiting the Falkland Islands for one month, January/February 1970, for Alginate Industries Limited. Later on, as you probably know, he will be appointed Colonial Manager.

I have the honour to be,

Sir,

Your obedient servant,

*(Handwritten signature)*

for Alginate Industries Limited.

*lb*  
*28/12*

*SLC*

*In file in 0004: Alginates. (Cutting to be clipped to file).*

*J*

16th February 70

Dear Sir,

I am to thank you for your letter of 18th December 1969, enclosing a cutting from the Los Angeles Times of 28th September 1969. His Excellency has read the item with interest and I now return it to you, as requested.

2. Note has been taken of the impending visit of Mr P. F. Gooch.

Yours faithfully,



for COLONIAL SECRETARY.

Mr F. Jones,  
P.O. Box 214,  
STANLEY.

18th December,

69

Dear Sir,

You are authorised hereby to process and or export kelp up to an amount of 150 kilos monthly for and on behalf of Alginate Industries Limited.

Yours faithfully,

*J. K. Jones*  
J. K. Jones  
Colonial Secretary.

Mr. F. Jones,  
Alginate Industries Limited,  
Box 214,  
STANLEY.

JML

See 225

## EXECUTIVE COUNCIL

Alginate Industries Limited

Memorandum by the Colonial Secretary.

Previous References: Exco. Meeting No. 12/69 Minute 4  
Exco. Meeting No. 16/69 Minute 16

Members will recall that, in broad terms, the current position with regard to our negotiations with Alginate Industries Limited is that the Colony Government has advised the Foreign and Commonwealth Office that it would wish to be able to give the company a Letter of Intent based on Clauses 1 - 8 of the draft Heads of Agreement which were circulated under cover of Exco. Memorandum No. 52/69, while expressing reservations, which it is nevertheless anticipated can be resolved, regarding Clauses 7 and 8.

2. A suggestion has now been made by the Foreign and Commonwealth Office in collaboration with the Ministry of Overseas Development that Clause 7 of the draft Heads of Agreement could usefully contain a clear statement of what the Colony Government wishes to be free to do if production does not meet the stated targets. The Ministries suggest that if it is not too late a stage in the negotiations to make such a proposal our interest could perhaps best be protected by providing that after the dates stated in Clause 7, royalties should be payable on the minimum tonnage there set out even if production falls short.

3. As regards royalties, the Foreign and Commonwealth Office holds the view that their amount should be arrived at by negotiation. Reminding us that the Valuation Office of the British Inland Revenue Department is experienced in this type of work, the Foreign and Commonwealth Office is enquiring into the possibility of the Valuation Office negotiating over royalties on behalf of the Colony Government. Such negotiations could take in outstanding differences, for example, those arising from Clause 7 of the Draft Heads of Agreement, as well as royalties; and the Department's services in this respect could possibly be provided for us under Technical Assistance arrangements.

4. The Ministries are unable to advise regarding estimated maximum sustained yield of seaweed but consider that the insertion in our proposed Kelp Control Legislation of provisions to ensure good husbandry would cover this aspect of the matter. This facet of the subject will be submitted to Council in a separate memorandum.

5. The Ministries concur in our proposal to send a Letter of Intent to the Company and will advise us on its form.

6. Members are aware that the question of royalties has been a particularly difficult one and the proposal to explore the possibility of making available to us the highly experienced negotiating expertise of the Valuation Office seems the best possible solution to this part of our problem, more particularly since there appears to be a reasonable prospect of this service being provided under Technical Assistance.

7. Council is invited to advise:

(1) whether an attempt should be made to protect the Colony Government's interest in connection with production targets in accordance with the formula suggested at para. 2 above or whether some other method is preferable;

(2) whether the provisional offer for the Valuation Office of the British Inland Revenue to negotiate on the Colony Government's behalf on the royalties question as well as on the matters connected with Clause 7 of the Heads of Agreement should be accepted and if so, whether a request should be made for the service to be provided under technical assistance arrangements.

0004/11  
+ 2438

578  
231

2nd January, 70

in 2438

Thank you for your telegram of the 11th December, last indicating your company's full agreement with our proposed legislation regarding kelp harvesting.

At the end of the second paragraph of my letter of the 1st December I informed you that our intention was that the further stages of the bill would not be taken until we had received your comments, together with those of other organisations concerned in this matter. Suggestions from other sources for improving the bill have now been made. These suggestions relate primarily to the question of control of royalties and the need for good husbandry of the crop.

I think you will agree with the suggested amendments improving the proposed piece of legislation. A copy of the bill, as proposed to be amended, is enclosed. Its clauses 6 and 7 are the new ones: clauses 8 and 9 are the former clauses 6 and 7 renumbered. Two minor additional amendments consist of the insertion of the words "subject to section 6" at the beginning of clause 5 and the insertion of the words "or implied" after the word "specified" in line 2 of the renumbered clause 8(2).

I hope that you will be able to let me have your comments on the revised bill, which is unlikely, so far as can be foreseen at present, to be taken in Legislative Council for some time, at your convenience.



J. A. Jones  
Colonial Secretary.

The Hon. M. H. C. Pery,  
120 George Street,  
OBAN,  
Argyleshire.

JML

c.c. Alginates File.



Box 214,  
Stanley.  
3.1.70

*J 12/11*

The Honourable The Colonial Secretary,  
Stanley.

Sir,

I beg to advise you that it is now the intention of Alginate Industries Limited for Mr. D. F. Gooch (Frigorifico Fray Bentos, Uruguay) to visit the Colony from March 4 till March 20 of this year, in the first instance and return again, depending upon when the kelp concession is granted, but some time after May 1970, in his eventual capacity as Engineer and Colonial Manager.

I have the honour to be,

Sir,

Your obedient Servant,

*Amirson*

for Alginate Industries Limited.

*For 0004/1074*

M.A. *For mention in Exco. of 10.2.70.*

DECODE.

233

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched: 17/1/70

Time:

Received:

Time

No. 11

RESTRICTED

Your telegram 169 Alginates. I agree that amount of royalties can best be arrived at by negotiation. Offer of assistance of Valuation Office to negotiate on Colony's behalf taking in outstanding differences e.g., paragraph 7 as well as royalties, under technical assistance arrangements, is most welcome. Your telegram expressed hope of sending by next mail letter giving more details <sup>and</sup> accordingly look forward to receiving this about 27th January. Feeling here is that letter of Intent, qualified in so far as paragraphs 7 and 8 of Heads of Agreement are concerned, should, after approximately twelve months of negotiations conducted responsibly on both sides, be issued as soon as possible in order to ensure commitment by company to pilot stage of project.

Cypher : SJS

CS

cu 19/1

S/C Fin 0004 & R.

Bu 28/1 1/23/1

1/19/1

23H

9/16 ? Was there anything from or about Alginate Industries Ltd in the morning mail of 27.1.70?

9/29/11

C.S.

no mail at.

5.2.70.

Pls. Please mention in ExCo  
The Falkland Islands Co. Ltd. <sup>LM</sup> 7/2/70

Stanley.

With the Manager's Compliments.

ALGINATE INDUSTRIES LIMITED

120 George Street  
OBAN  
Argyllshire

F.G. Mitchell, Esq.  
Manager  
The Falkland Islands Company Ltd.  
120 Pall Mall  
London, SW1

Dear Mr. Mitchell,

Mr. Stewart has passed on to me your letter FGM/VAL of 21st November concerning our possible requirements for shipping to and from the Falkland Islands over the next few years. I must confess I find this extremely hard to assess and the reason for my delay in replying was that I hoped to have some more concrete facts from which to work.

Our plans as they stand at present are as follows:

1970

Ship Pilot Plant and building to Stanley via your "A. E. S." - sometime between July and October to suit your sailings schedule.

1971

We shall probably require to ship materials for the foundations of the main plant and for the fresh water pumping project towards the end of this year.

1972

Ship major portion of plant for the main factory on the Lamber Site.

1973

Possibly 4,000 tons Dried Milled kelp to be shipped from Stanley to U.K. Eventually we intend all the dried milled Kelp to be handled

/pneumatically

pneumatically and carried loose in bulk. However, it is possible that during 1973 we shall ship in conventional heasion or woven polypropelene bags in say 1,000 ton shipments.

1973 and Thereafter

We hope to handle all dried milled kelp in bulk in shipments of approx. 4,000 tons.

Although the timing is largely in the lap of the Gods, our long range forecast suggests that we shall be expanding the Kelp plant in the Falkland Islands to produce approx. an additional 4,000 tons each year. Each ton of dried milled kelp requires approx. 1 ton fuel oil, so our requirements for fuel oil will increase directly in relation to our production.

We envisage employing a total of approx. 25 people for the 4,000 ton per year level of production rising to some 90 people at a level of production of 24,000 tons per year.

You will appreciate, that at this early stage, there are a large number of factors outside our control which could fundamentally affect the timing of our projected plans and there subsequent expansion. However, on the basis that some figures are better than none at all, I hope that these may be of some use to your Committee.

Yours sincerely,

(Sgd) M.H.C. Perry

235(-)

Extract from the minutes of meeting No. 2/70 held on 10th and 11th February, 1970.

0004/III 25. ALGINATE INDUSTRIES LIMITED

The Colonial Secretary explained that information had been received that the draft letter of intent had been prepared by the Foreign and Commonwealth Office and was expected to arrive by the next inward mail.

(H. J. Bound)  
CLERK OF COUNCILS.

235(6)

Extract from the minutes of meeting No. 2/70 held on 10th and 11th February, 1970.

004/III 15. VISIT OF MR. D. F. GOOCH

Council noted that Mr. D. F. Gooch, who it is expected will be appointed Resident Engineer and Colonial Manager of Alginates Industries Limited in the Falkland Islands, is expected to visit the Colony from 4th to 20th March, 1970.

(R. L. Bond)  
CLERK OF COUNCILS.

DECODE.

11/2  
TELEGRAM SENT.

236

From SECRETARY OF STATE to GOVERNOR

Despatched: 10/2/70

Time:

Received: 11/2/70 Time:

No. 27.

RESTRICTED

From Sugg.

Your telegram 22. Alginates.

Sending draft Letter of Intent and letter about negotiations in next mail. Have told Altinates something of the position and they seem content.

Cypher : SJS

A.C.S. Alginates file will be with you from Exco  
Please have this telegram, which was mentioned in  
Exco, filed in 17.

11/2/70



Stanley,  
17.2.70.-

The Honourable the Colonial Secretary,  
Stanley.

Sir,

Herewith I beg to quote a paragraph of a letter from Alginate Industries Limited about myself and the Company's likely movements in the immediate future:-

"Barring any unforeseen complications over the seaweed concessions, we think the most sensible plan would be for you to join A.I.L. full time on or about 1st. August (depending on Darwin sailings). This would give you a few weeks to get things organized before the pilot plant arrives on the A.E.S."

The object of this letter is merely to keep you informed.

I have the honour to be,

Sir,

Your obedient Servant,

for Alginate Industries Limited.

*S/C Fr & in Alginate the J 17/2*

Aes *File for Exco. on 2/3 - for mention J 18/2*

DECODE.

TELEGRAM SENT.

From SECRETARY OF STATE to GOVERNOR

Despatched: 18/2/70

Time:

Received: 18/2/70

Time:

No. 31.

IMMEDIATE

Parliamentary question.

Michael Clark-Mitchison to ask the Secretary of State

- (a) What assistance is being given by H.M.C. or the Government of the Falkland Islands towards pilot schemes for the extracting and processing of seaweed in the Islands.

For oral reply on 23rd February.

- (b) When the report on the feasibility of establishing an airstrip on the Falkland Islands will be published.

For written reply on 23rd February.

Grateful for any information to enable us to frame replies by noon 19th February.

DECODE.

TELEGRAM SENT.

239

From GOVERNOR to SECRETARY OF STATE

Despatched: 18/2/70 Time: Received: Time

No. 39.

IMMEDIATE

Yourtel 31 parliamentary questions.

- (a) Background contained in Jones' letter 0004/III of 6th November to Sugg. Government vessel and aircraft have assisted sample collection over past two years. Once decision is taken to start pilot project Falklands Government will provide water free and electricity on repayment. All above refers to Alginate Industries no negotiations with other companies.
- (b) Six copies of report received here. No facilities for local reproduction. No objection to publication.

P/L : SJS



HGF 7/1

10 February, 1970

*Dear John*

I am writing to you about Alginates and the "Letter of Intent" mentioned in your telegram number 11 and your letter to me of 28 November.

2. I am advised that there is no particular form for a Letter of Intent. It is simply a letter which sets out the terms or principal terms on which the party writing it will be willing to negotiate a contract. In the present case, we would suggest that it should be in the form of telling the Company of the decision of the Governor and Council. It is important that the Letter should be so phrased as not to constitute an offer, because if it did so and the Company on the faith of this set up a pilot scheme, that would constitute an acceptance and so result in a legally enforceable contract. In view of your reference in your telegram to ensuring commitment by the Company and in your letter to inducing it to go ahead, it is particularly important that this is understood. The Company will not be committed in a legal sense. If they were, then so would the Government of the Falkland Islands be. As the Letter is drafted, if the Company proceed, you will have to offer at least the terms contained in the Letter and its Annexure, but a contract need not necessarily be concluded. In view of the statement by the Company in Pery's letter to you of 8 October, last year that they would not make a move unless the terms of an exclusive concession and its conditions are first agreed, I wonder whether this Letter of Intent will have the effect anticipated by you or whether the Company will not in fact wait the result of the negotiations with the Valuation Department?

3. I attach a draft Letter of Intent and I am taking the liberty of sending a copy, with a copy of this letter, to Sir H. Flaxman for any comments he may wish to make.

4. You do not specifically answer the question in paragraph (a) of our telegram number 169 as to what is intended by the right to review the exclusivity of the licence. This in itself means nothing and we presume that at least there should be a right to review the exclusiveness of the licence. But is this enough? Should not you have the right to revoke the licence altogether? Otherwise no other operator could be given an exclusive licence. The Letter is drafted on this basis.

5. I did expect to have got something off to you last mail about the negotiations, but there have unfortunately been changes of staff and illness  
/at

J. A. Jones Esq., O.B.E.,  
Colonial Secretary,  
STANLEY,  
Falkland Islands.



at the Valuation Office which has delayed things, but I hope that it will go in this mail. Possibly you could telegraph your comments on the draft letter so that we could, if necessary, issue the Letter of Intent from here, or possibly ask Sir Hubert to do so?

6. In the meantime, I have been in touch with Alginates, who are, of course, anxious to get things settled, and told them that a Letter of Intent is being drawn up and should be with them before very long. They appeared to be content with the position.

A handwritten signature in dark ink, appearing to be 'A. St. J. Sugg', written in a cursive style.

(A. St. J. Sugg)

272

Registry

DRAFT LETTER OF INTENT

Type 1 +

SECURITY CLASSIFICATION

Top Secret.  
Secret.  
Confidential.  
Restricted.  
Unclassified.

To:—

From

Telephone No. & Ext.

Department

PRIVACY MARKING

.....In Confidence

FROM: THE GOVERNMENT OF THE FALKLAND ISLANDS

TO: ALGINATE INDUSTRIES LIMITED

Dear

With reference to the investigations which your Company have been making about setting up a kelp harvesting industry in the Falkland Islands, and the discussions and correspondence which have taken place between your Company and the Government of the Falkland Islands, I write to inform you that the Governor and Council has now considered the Heads of Agreement put forward by your Company and has approved the principal terms on which the Government of the Falkland Islands would be willing to negotiate a contract between itself and your Company. These terms are set out in the annexure attached.

It must be clearly understood that this letter and annexure do not constitute an offer to your Company and that the details of the Heads of Agreement and the other terms of the proposed contract, including the important clause dealing with royalties <sup>Remain to be negotiated.</sup> whether your Company decides to go ahead on a preliminary pilot project on the basis of the information contained in this letter and before a contract is concluded is a matter entirely for the decision of your Company, and the Government of the Falkland Islands could not accept any financial responsibility in any circumstances

/for any

NOTHING TO BE WRITTEN IN THIS MARGIN

for any loss, liability or expense which your Company might incur as a result of doing so.

274

Registry  
No.

DRAFT ANNEXURE

Type 1 +

SECURITY CLASSIFICATION

Top Secret.  
Secret.  
Confidential.  
Restricted.  
Unclassified.

To:—

From

Telephone No. & Ext.

Department

PRIVACY MARKING

.....In Confidence

DRAFT HEADS OF AGREEMENT

GOVERNMENT OF THE FALKLAND ISLANDS AND  
ALGINATE INDUSTRIES LIMITED (referred to as  
"the Company")

1. Until the Company is able fully to exploit all the waters of the Colony, it is accepted that an initial exclusive concession for fifty years to harvest kelp would be granted by the Government but would be limited to the coast line of the East Falkland and adjoining Islands. This would not exclude the right of the Company to harvest kelp elsewhere around the Falkland Islands.
2. Should the Company eventually wish to apply for a larger exclusive concession, the Falkland Islands Government would be prepared to negotiate. In the event of any other person applying for concessions in the uncommitted area with a view to harvesting kelp for export on a commercial scale, the Company would be given the opportunity of first refusal.
3. The Company would take into account the fact that, in certain instances, kelp beds are an aid to navigation and play an important part in the preservation of wild life.
4. It is understood by the Company that kelp could be harvested by any individual, or group of individuals, resident in the Falkland Islands for use only within the Islands.

NOTHING TO BE WRITTEN IN THIS MARGIN

5. The Company would pay a licence fee for the exclusive right to harvest kelp over the concession area. The licence fee would be £1,000 a year, payable on 1st January of each year, for the first five years starting at the beginning of the year following that in which it produces more than 1,000 tons of dried milled kelp, or on 1st January, 1975, whichever is the earlier. Thereafter the licence fee would be subject to review after each period of five years on the basis of the percentage change in the United Kingdom Wholesale Price Index numbers (Chemical and Allied Industries Section) for the previous year, as related to the Price Index for the first year for which the licence fee was paid.

6. The Government of the Falkland Islands would have the right to revoke the licence should the Company fail to produce the annual minimum quantities of dried milled kelp specified below:-

An average of 4,000 tons a year over two years as from the end of three years after the first licence fee is payable.

An average of 8,000 tons a year over two years as from the end of ten years after the first licence fee is payable.

7. The Company would pay a royalty to the Government of the Falkland Islands on a basis to be negotiated between the Company and the Valuation Department in the United Kingdom.

8. The Company would be required to carry on all its harvesting operations in a safe, orderly, skilful, efficient and workmanlike manner and not to cause danger or damage to persons lawfully using or being on or in the foreshore or the territorial waters of the Colony.

9. The Company would be required to take due and proper precautions for the safety of all persons employed by it in harvesting operations.

276



Foreign and Commonwealth Office  
London S.W.1

FGA 7/1

20 February, 1970

*Dear Sir,*

Further to my letter of 10 February about Alginates, I have now received a letter from West of Chief Valuers Office and enclose a copy of this together with a copy of my reply to him.

2. These letters are, I think, self-explanatory and I think it might save time if you replied direct to West, letting us and ODM have copies, but if it is easier for you to send it to us we will of course do the distribution.

*A. St. J. Sugg*

(A. St. J. Sugg)

J. A. Jones Esq., OBE,  
Colonial Secretary,  
Stanley,  
Falkland Islands.

*See 256*



277

Valuation Office, Inland Revenue  
CHIEF VALUER  
Finsbury Square House,  
Finsbury Square, London, E.C.2.  
Telephone: 01-638 6020 ext. 334

Mr A St J Sugg Esq CMG  
Foreign & Commonwealth Office  
LONDON SW1

see 256

Copy to  
D M Braun Esq  
Caribbean & Latin American Department  
ODM Eland House  
LONDON SW1

REF 7/5  
Your reference: CIA 278/60/01  
In any reply please quote: CV/CD/1

Date: 18 February 1970

Dear Sugg

As promised I am letting you know the points on which we need clarification from the Falkland Islands Government.

We should like to have as free a hand as possible in negotiating the amount of consideration to be paid by AIL and the way in which it should be calculated. Please see for example the suggestions at b. and d. of Hope's letter to Braun dated 27 October. Any provisional agreement reached will of course be subject to the Government's formal approval. However it may be that the Government will wish to say initially that there are some terms the inclusion of which is considered essential. One matter which occurs to me is whether AIL are to be granted a monopoly and if so whether this is to last for the proposed 50 year term of the agreement or if it is to be limited in any way or avoided in certain circumstances.

Presumably the wording of Clause 5 in the Colonies' proposed Bill would not restrict our negotiations. If this Bill has been enacted and regulations prescribed under the provisions of the corresponding section which may affect the way in which the consideration can be calculated we shall of course have to be told.

These are some points on which we should like guidance but there may be others that the Government may wish to raise.

It is also necessary to know on what items agreement has already been reached between the Government and AIL or in regard to which the Government consider themselves bound. For example, in the third paragraph of his letter to you dated 6 November Mr Jones suggests sending a letter of intent to the Company. If such a letter was sent we should of course need to know what points it covered.

In Fry's letter of 28 January to Stewart-Jones (I presume you have a copy) he writes "I can say that we have now received an official request from the Governor for your assistance in conducting negotiations on the Colonies' behalf in respect of both outstanding differences with the Company and royalties ....." May we please be told what the outstanding differences are and the Government's views on them. If the differences do not rest on valuation which we feel competent to advise upon we should of course like to have as much information as it is practically possible to give in order to be able adequately to represent the Government's views. It appears

to me that probably the Governor will wish to carry out himself negotiations on certain matters. If so, and if these matters could possibly affect the amount of consideration, no doubt he will let us have details.

Can you, or could the Governor, please confirm that AIL have been told that we have been asked to negotiate.

There may be other aspects of this matter which have not occurred to me but which the Governor, being on the spot and knowing that we are remote, considers we ought to know. Naturally we should welcome whatever information he can give which he thinks would help us in negotiating on the Government's behalf.

I am copying this to Braun.

Yours sincerely

F. J. WEST

2+9

HCF 7/5  
Your Ref: CLA 278/60/01  
CV/OD/1

20 February, 1970

Thank you very much for your letter of 18 February about the Falkland Islands seaweed negotiations which arrived as you promised in time to catch the next mail to the Falklands.

I am sending a copy of your letter to Jones, the Colonial Secretary and am suggesting to him that he replies direct to you letting me have a copy. In the meanwhile, I am enclosing a copy of my letter to Jones of 10 February, together with the enclosures referred to, so that you will know of the position reached so far. We will of course send you a copy of the actual letter of intent when it finally issues.

I did in the course of a conversation with Stewart, the Secretary of Alginate Industries, tell him that you were going to negotiate on behalf of the Governor but we will of course have to confirm this in writing.

Incidentally the Sir Hubert Flaxman mentioned in my letter is the Legal Adviser to the Governor (he is actually a retired Colonial Judge and lives in England). The Governor may wish to ask Sir Hubert to look after the legal aspects.

(A. St. J. Sugg)

F. J. West, Esq.,  
Chief Valuer,  
Finsbury Square House,  
LONDON E.C.2.

250

# CONFIDENTIAL EXECUTIVE COUNCIL

INF 7/70

Alginate Industries Limited

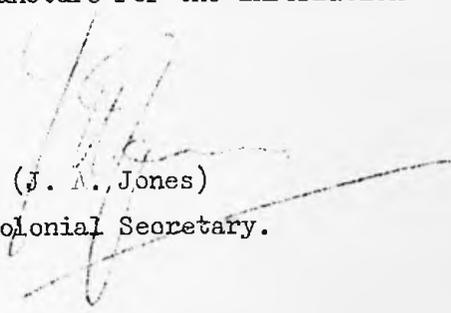
Memorandum by the Colonial Secretary

Previous Reference: Executive Council Meeting 1/70, Minute 5.

251-255

Attached hereto as annexures 1 - 4 are two letters and their enclosures from Mr. Sugg of the Foreign and Commonwealth Office which were received in the incoming mail of Wednesday the 4th March.

These are circulated at the present juncture for the information of members and for study.

  
(J. A. Jones)  
Colonial Secretary.

File Ref: 0004/III

5th March, 1970

JML

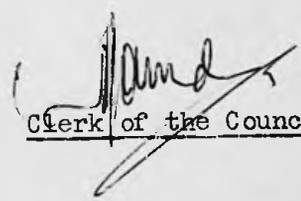
255 (a)

EXTRACT FROM MINUTES OF MEETING NO. 3/70 OF EXECUTIVE COUNCIL

HELD ON THE 2nd and 3rd MARCH 1970

0004/III 17. ALGINATE INDUSTRIES LTD.

Council noted that Mr. F. Jones would be taking on full time employment with Alginate Industries Limited on 1st August next.

  
Clerk of the Council

255 (b)

EXTRACT FROM MINUTES OF MEETING NO. 470 OF EXECUTIVE COUNCIL

HELD ON THURSDAY 5TH MARCH AND CONTINUED ON MONDAY 16th MARCH 1970

0004/III 2. ALGINATE INDUSTRIES LTD.

(INF 7/70)

Council studied the draft Letter of Intent with Heads of Agreement drafted by the Foreign and Commonwealth office and advised that it should be approved for issue to Alginate Industries Ltd. subject to precise definition by means of map references of the area of concession.

Council also advised that the Valuation Office should be given a free hand to negotiate the question of royalties on the colony's behalf subject to the proviso that any provisional agreement reached would be subject to the Colony Government's formal approval.

Clerk of the Council

18th March, 70

Your Ref: CV/OD/1

Alginate Industries Limited

246 Please refer to your <sup>247</sup> letter dated 18th February to Sugg and to his reply of the 20th February.

I telegraphed Sugg today to convey approval, with one amendment relating to the delineation of the geographical area of the exclusive concession, for the Letter of Intent. You will be receiving a copy of the final document from Sugg and this will answer some of the questions raised in your letter under reference.

In the same telegram Sugg has been asked to inform you that the colony government gives you a free hand in negotiating with Alginate Industries Limited the consideration to be paid by way of royalty and the way in which it should be calculated subject only to the proviso that any agreement reached will be subject to this government's final approval. The telegram adds that I would endeavour to reply to you direct by our mail of 18th March about the queries raised in your letter to Sugg of 18th February.

In fact there is not a great deal that I can add to the information that Sugg will already have passed to you as a result of receiving my telegram. The terms of the Letter of Intent will answer the queries contained in the second half of your second paragraph and those raised in your fifth paragraph. Sugg will have told you that our Help Control legislation will not be passed by the Legislature until May (the latter half of May) and that regulations under it will not then be immediately promulgated.

As regards the mention of outstanding differences between ourselves and the company in your sixth paragraph, the only difference now existing is that regarding royalties. It is, I suppose, possible that Alginate Industries Limited might come back in connection with the revocation clause 6 of the Heads of Agreement in the Letter of Intent, but I would think it unlikely that they would do so since it is clearly nothing more than common sense commercial prudence for us to protect ourselves in that manner.

I assume that the Foreign and Commonwealth Office will inform or have informed Alginate Industries Limited that you will be negotiating in our behalf. In view of the arrangements under which we are receiving your assistance that would seem to be the proper procedure.

My telegram to Sugg states that we shall be happy for Sir Hubert Maxman, our Legal Adviser, to take care of any legal points which may arise.

Braun is in Stanley at the moment and I have taken the opportunity of showing him these papers.

I ask you to excuse any shortcomings in this letter which has been written in the greatest hurry in order to catch this mail.

(J. A. Jones)  
Colonial Secretary.

F. J. West, Esq.,  
Chief Valuer,  
Finsbury Square House,  
Finsbury Square,  
LONDON E.C.2.

DECODE.

TELEGRAM SENT.

257  
258

From GOVERNOR to SECRETARY OF STATE

Despatched : 20/3/70      Time :      Received :      Time :

No. 57.

RESTRICTED

Your letter HGF 7/71 of 10th February. Alginates. <sup>-240</sup>

Thank you for draft letter of intent which is acceptable except for an amendment which needs to be made to clause one of Draft Heads of Agreement. <sup>-242</sup>

2. In earlier correspondence due to an oversight you were not informed that Alginate Industries had agreed that the area covered by exclusive licence would be area surveyed during 1947 and designated in 1947 negotiations, i.e. the South East coast of the East Falklands defined as

"A 51° 32' South      57° 41' West  
B 52° 06' South      60° 11' West"

See 262

3. It is suggested that best course would be for you to issue letter of intent on our behalf.

4. With regard to points raised in West's letter reference CV/OD/1 of 18th February to you this Government would wish valuation office to have free hand in negotiating the question of royalties subject to following proviso: any provisional agreement reached would be subject to this Government's formal approval.

5. The majority of queries contained in West's letter are either answered by the terms of letter of intent or clarified in other documentation which you already have, e.g. proposed kelp harvesting control legislation. The only outstanding difference between this Government and the company now is on the question of royalties. Every endeavour will be made to send a reply to West by outgoing mail of 18th March but in case this cannot be achieved grateful you inform West on our behalf of basic conditions upon which he is authorised to negotiate and let him see letter of intent. At the same time he should be told kelp control legislation will not be taken in Legislative Council before late May and regulations under it will not then be immediately promulgated.

6. We shall be happy for Flaxman to look after any legal questions which may arise.

7. Please pass to Fry OIM from Braun. Developing arrangements with Valuation Office regarding Alginates noted but perturbed no evidence here confirmation our approval to meet VO costs under technical assistance arrangements. Have you approved or perhaps Valuation Office are waiving charge.

Cypher : SJS

C.T. To see & return file to me for Txco. Conclusion to be initiated i.d.c.

1 L.H.  
20/3/70

J  
24/3

Bu H JH

THE FALKLAND ISLANDS AT WESTMINSTER

The following written Questions and Answers appeared in the Journal of the British Parliament, Hansard, for the 23rd of February:

Mr Clark Hutchinson, Conservative Member of Parliament for Edinburgh South asked the Minister of Overseas Development what assistance is being given by Her Majesty's Government or the Government of the Falkland Islands towards pilot schemes for the extracting and processing of seaweed in the islands.

Replying, Mr Whitaker said: Her Majesty's Government are advising the Falkland Islands' Government in their negotiations over royalties with Alginate Industries Ltd. The Falkland Islands' Government have offered to provide free water and electricity on repayment once it has been decided to start a pilot project.

Mr Clark Hutchinson asked the Secretary of State for Foreign and Commonwealth Affairs when and where the next round of talks between Her Majesty's Government and the Government of the Argentine Republic is to be held concerning the Falkland Islands.

For the Government Mr Luard answered: As my hon. Friend the Joint Parliamentary Under Secretary said in his written Answer on 2nd February, there have been no new developments of significance since my right hon. Friend's statement to the House on 24th November, 1969. We are in continuing touch with the Argentine Government and the Governor of the Falkland Islands. The talks on communications are still in preparatory stages, and the time and place of a special meeting on this question have not yet been fixed.

Mr Clark Hutchinson also asked the Secretary of State when the report on the feasibility of establishing an airstrip on the Falkland Islands will be published, and Mr Luard replied: This report is still under consideration in the Falkland Islands. I am in touch with the Governor and will keep the hon. Member informed.

31st March 1970

FA

*S/K* Like this copy in current volume of 0004.

*J*  
3/13

BU 4/11

File Note:

In discussion on Wednesday, 18th March, Mr Gooch of AIL made the following points:

- (1) in his view the Mink Farm site was unsuitable for the pilot project and he was negotiating for a piece of FIG land near the company warehouse and the harbour;
- (2) if negotiations between the FIG progressed satisfactorily he would expect to return here in July/August as the pilot plant was expected to be shipped in the "A.E.S." in August;
- (3) Meanwhile he was going to Europe where, among other things, he would visit Norway to familiarise himself with the pilot plant which was being built there;
- (4) he did not think the residue of macro, after AIL processing, could be used as a fertiliser but he believed further processing might turn it into useful fertiliser;
- (5) AIL's bulk carriers should be able to carry inward bulk cargoes (?grain ?fertiliser).

2. CT informs me Mr Gooch wishes to borrow money from FIG to purchase a house in Stanley.

  
2.4.70

FA

*S/K* There was a letter for ? this file / ? the leaved file from H/K in the latest mail. Primarily the letter was, I believe, for the leaved file in which I should like to see it submitted. But a copy of it is also needed for this file as it contained matter relevant to this file. ? Perhaps H/K could photocopy it for us.



See  
261  
+ 262  
(+ 37 in  
2438)

*FR in current volume of 0004.*

# ALGINATE INDUSTRIES

LIMITED

*261*  
*26/3*

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.



*26/3*

17th February, 1970.

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
Governor of the Falkland Islands,  
Government House,  
Stanley, Falkland Islands.



Dear Sir Cosmo,

In the absence of Mr. Merton, who is away on business in the Far East, this is just a brief note to keep you posted with our plans for the Falkland Islands as they stand at present.

Despite repeated enquiries, we have so far failed to extract from the Foreign Office the Letter of Intent to which you referred in your letter to Mr. Merton of 6th November. However, on the assurance of the Good Faith of the Falkland Islands Government to which you referred, we have pressed on with our plans for the Pilot plant and have provisionally arranged to ship the plant on the A.E.S. sailing from the U.K. in August.

*NR received.*

Mr. Gooch, our Factory Manager/Engineer will be making a short visit to Stanley on the "Darwin", departing Montevideo 26th February in order to make the preliminary arrangements necessary for building the Pilot Plant on the site of the F.I.C. Mink Farm. The quantities of kelp required for the Pilot Plant will be very small (a drier output of only a few lbs. per hr.) so there is no fear of the beauties of the landward approaches to Stanley being defiled by some evil smelling Industrial Complex! Mr. Gooch returns to the U.K. on the March "Darwin" and I have written to the Colonial Secretary if he would be kind enough to allow Mr. Gooch the same access to his Officials which I found so invaluable during my visit.

Robin Henriksen will start his laboratory training at our Girvan Factory on his arrival in the U.K. in April. He will be returning to Stanley in September and we hope to have the Pilot Plant in/



THE QUEEN'S ARMS TO INDUSTRY

in operation sometime in September or October.

After a spell at our Factories, Mr. Gooch will be returning to Stanley in July or August at which time we have arranged with the F.I.C. that Freddie Jones should be released to work full time with Alginate Industries.

With belated good wishes for 1970 to Lady Haskard and yourself.

Your sincerely  
Richard Perry

M.H.C. Perry.

MR Received after departure of Gooch from Stanley.

7/26/3

ALGINATE INDUSTRIES LIMITED  
22 Henrietta Street,  
London, W.C.2.

17th February, 1970.

The Colonial Secretary,  
Stanley,  
Falkland Islands.

Dear Mr Jones,

Many thanks for your letter No. 2438 enclosing your re-drafted Bill for controlling the harvesting and exportation of Kelp. We are entirely in agreement with the suggested amendments but there is one point on which I should be grateful for clarification. Your Paragraph 4 reads:-

"The granting or withholding of any Licence shall be in the absolute discretion of the Governor ....."

Am I correct in assuming that a Licence may only be withheld at the Original application or when the time comes for renewal? i.e. provided that the Licensee does not break the Agreement or break the implied conditions referred to in Paragraph 7, the Licence is valid until the date of renewal and cannot be "withheld" at any instant according to the whim of a particular Governor.

Mr Gooch, who has just been appointed our Factory Manager/Engineer will be sailing on the "Darwin" leaving Montevideo 26th February and returning in March. He will then visit our Factories in the U.K. during April, May and June and return to Stanley probably in July or August to supervise the building of the Pilot Plant which we hope to ship on the A.E.S. in August.

I should be most grateful if your various Officials could help him with any information that he may require in the same way as they so kindly helped me during my visit.

Despite repeated approaches to the Foreign and Commonwealth Office, we have not succeeded in extracting from them the letter of intent to which the Governor referred in his letter of 6th November to Mr Werton. However, in order to ensure that we have a Pilot Plant this year as planned, we have gone ahead on the strength of the Governor's assertion that there is nothing in the letter of intent to which we are likely to take grave exception.

I shall keep you informed of our plans for the Pilot Plant when we have prepared them in greater detail.

Yours sincerely,

M.H.C. PERY.

*See*

ARA.

DECODE.

~~26~~  
263.

TELEGRAM SENT.

From SECRETARY OF STATE to GOVERNOR

Despatched: 25/3/70

Time :

Received : 26/3/70

Time :

No. MODEV 23.

RESTRICTED

*258. actually 57 to S/S.*

Your telegram MODEV 57 Alginates paragraph 7. We confirm that Valuation Office charges to be met from TA funds.

Cypher : SJS

*S/L*

*for Alginates file 0004 latest v.D.*

*J/26/3*



EXTRACT FROM THE MINUTES OF MEETING NO 5/70

HELD ON 17th, 18th, 20th and 22nd to 30th APRIL 1970.

0004/III 17. ALGINATE INDUSTRIES LTD.

Council noted that the Letter of Intent addressed to Alginate Industries Ltd had been received by the company and that material and equipment required for the erection of a pilot plant was expected to arrive in the Colony by n.v. A.E.S. in September next.

CLERK OF COUNCIL.

DECODE.

26th  
26th

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched: 15/4/70

Time:

Received: 16/4/70

Time:

No. 70.

PRIORITY CONFIDENTIAL

258

Your telegram 57.

Letter and Heads of Agreement issued to Alginate Industries on  
6th April.

Cypher : SJS

S/C for f. 0004

J/16/7

CS

10

16/4

265

2438

Our Ref: ~~0004/III~~

22nd April, 1970

262

Thank you for your letter of the 17th of February advising me that your company is in agreement with the draft legislation for controlling the harvesting of kelp.

Your interpretation of the situation regarding conditions under which a licence could be withheld is correct. The provisions of clause 4 of the Bill are qualified, as you imply, by later clauses.

Your letter reached me after Scoch had left. However he received full co-operation and we look forward to seeing him again later in the year.

Meanwhile I hope that by now some further progress has been made with the letter of intent. I do not think you need have any qualms about the letter's contents.

(J. A. Jones)  
Colonial Secretary

The Hon. Michael Pery,  
120 George Street,  
OBAN,  
Argyleshire.

JB

Copy to: 0004/III

A.C.S. P. have this file ready for mention  
of p. 264 at current Exco.  
J 27/1+

266

5/6

News have telegram at 6.07. (from Perry to Gutteridge)  
typed in the usual way with an extra copy for passing to W  
Gutteridge himself. W.G. should be asked to provide information as at X  
of 1/10 1970 letter.

done  
6  
5.4.70.

J/1/5

Re W.G.

W Gutteridge spoke to a member (not W Perry) of A.I.C.  
staff by phone at Wilson House at 11.20 am on 1.5.70. W  
X) Gutteridge will be asked to provide a brief write on his conversation.

2 In view of the implications of the telegram at p. 267 I took  
the opportunity of speaking telephonically to W Gutteridge's interconnector  
& asking him to bring to the attention of W Perry

(a) the fact that the choice of the beach area on the opposite  
the West Shore will entail difficulties of water supply, &

(b) all drainage channels with the Health Authorities (from  
the point of view of noxious smells, effluent, etc.)

While at the same time saying that I assumed W Perry would be  
writing to me about the company's choice of a site for the pilot project.  
I was given to understand that A.I.C. hoped to reach these conclusions  
by the end of next week, after which he could expect to hear from them.

Appendix. Ref to Mt. William water supply being free of charge  
to the company is at p. 125 (para. 15), in vol. 2

J/1/5

LY CO GBLB 025  
LONDONLB TF 25 30 0930

for mention in Exco.

GUTTERIDGE SUPERINTENDENT POWER  
PORTSTANLEY

WILL TELEPHONE FRIDAY TO CONFIRM 100  
KILOWATTS POWER AVAILABLE AT FIG BOATHOUSE  
OPPOSITE WEST STORES 440 VOLT 3 PHASE  
PERRY ALGINATE

Note Tell Gutteridge to be present in office  
tomorrow to take call.  
2 Sp. Poggio re PCL's views, TL, water, etc.

CCL 100 440 3

11-12 AM.

C.S.

Have you anything you wish  
to be said please?

*Gutteridge*

30-4.

Water will have to be  
paid for, incl. costs of  
additional pumping.

to Perry

SP+E. Electricity - wire, no comment. It would be worth mentioning that it  
is assumed that he has cleared his lines with PCL & through them the  
Town Council. Also that the water supply position is covered.  
No paper appears made to us as yet. J. Bell

GOVERNMENT TELEGRAPH SERVICE  
FALKLAND ISLANDS

GOVERNMENT TELEGRAPH SERVICE  
FALKLAND ISLANDS

268 Perry.

Power. 100 Kw.

Water. 200 gals. per hour of untreated water. Free water fr.  
Mount William or Thirwell Pouses.

? Lines covered with

- (a) T.C. hygiene work (Bye-laws under Public Health Ordinance,  
vol. 2 of laws, p. 253, bye-law 67 (c))  
(b) F.C.

(These appeared to be notes, but have heard nothing of final choice.  
Boothman is one of these).

(c) MLO who is R.O.H. will be going on leave on 10 May

X || From 31.5 - 28.8.70 his phone will be Hellingly (Hantsham) 419  
Address: Woodpeckers, Upper Bicker, Hantsham

Maybe something in his mail.

Ashmore's leave address:

Woodpeckers, Upper Bicker, Hantsham

Phone no: HELLINGLY (Hantsham) 419

will be ready in final proposals. I have asked for him to be told there  
the problems of water supply & health if he goes for the boat house site.

269

**POWER & ELECTRICAL DEPARTMENT,  
STANLEY,**

**FALKLAND ISLANDS.**

For Alginates file please.

6th May .....1970.

TELEGRAM.

From: Pery Alginate Industries.

To: Catteridge Superintendent Power Stanley

Despatched. 30th April 1970.

Received. 30th April 1970.

Will telephone Friday to confirm 400 kilowatts power available at NIC boathouse opposite West Stores 440 volt 3 phase.

Pery Alginate.

Telephone call was taken at 11.20. hrs. at Sullivan House, Mr Jones the Colonial Secretary was also present. The following is the gist of conversation:-

SPED. Who am I talking to please.

Alginates. Name given but not understood.

SPED. With reference to your telegram of yesterday a single phase supply at 230 volts 50 cycles only is at present available at the boathed. A 3phase supply at 400 volts 50 cycles can be connected but advance notification would need to be given in order that cabling can be obtained and the connections made. 400 Kw. would most likely be available but no guarantee can be given that it would be available all of the time, it is likely that it would be but I cannot guarantee that. When your Mr Gooch was here in March he told me that you would only require power for one 15 HP and two 2 HP motors plus sundry small power and lighting, has this now been altered please.

Alginates. I have Mr Gooch here with me. Can you say that 50 Kw. will be available.

SPED. Yes, but in any event I shall need notice that you will require the power connected. Have you decided that you are going to be established in the boathed.

Alginates. It will be decided sometime next week. This is all we wanted to know.

SPED. Mr Jones the Colonial Secretary is here and wishes to speak. Mr Jones took the phone.

  
Supt. Power & Electrical  
Department.

A.C.S.

For the record, as I shall be absent from the Colony from mid-June to end July, the current position regarding Alginat Industries Ltd. is:

- (1) they have received the Letter of Intent from the F.C.O.
- (2) on the basis of that Letter they are going ahead with the pilot project and Mr. Gooch should return to Stanley in that connection in August.
- (3) There may be snags ahead over the pilot plant site. ~~ATL~~ favour the site at the F.I.C. boathouse. From a health point of view this is the site M.O.H. favours least. S.P.W. is also doubtful whether the water supply could provide the 300 galls per hour needed: in any case, our agreement to supply free water did not refer to the town supply which is treated water.
- (4) S.W.O. who is on leave in Britain, whose home address and telephone no. are recorded at X,p.268, could discuss ~~matters~~ <sup>health aspects</sup> in London with A.I.L. if it became necessary.
- (5) S.P.W. has been asked by me to produce a report on the mechanics and costs (including additional staff costs) of providing A.I.L. with 300 galls p.h. of treated town water.

*Rec 276 -  
no state to be 300 galls per day.*

~~\_\_\_\_\_~~

*health aspects*

2. Pp 247 and 256 (with p.264 sorting out the financial aspect - the cost of the British Valuation Office's services to us in sorting out on our behalf the royalties issue with A.I.L.) give the current position regarding royalties.

3. I have taken such action as I could, vide File Note at p.266, to warn A.I.L. that there may be difficulties ahead if they want a town site for the pilot plant.

4. You will see from p. 269 that there are power difficulties also with the F.I.C. boathouse site. S.P. & E. will of course not take any action unilaterally to supply power to a town site for A.I.L.

5. A.I.L. expected to finalise during the week 3rd - 9th May their ideas and proposals for the pilot project. Their proposals could be in the mail of 22nd May. If not, they should either be in the mail of 27th June or A.I.L. will use some other method to get them to us. Meanwhile this File Note provides you with a brief summary of the current position.

  
(J. A. Jones)  
Colonial Secretary

14th May, 1970  
JB

No. PWD 040

MEMORANDUM

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

13th. May, 19 70.

To: Colonial Secretary,

From: Superintendent of Works

*JH/15*

STANLEY.

Stanley, Falkland Islands.

SUBJECT :- Alginate Water Supply.

For the purpose of estimating I have based their requirements at an average of 280 G.P.H.

By drawing this amount constantly it will have a slight effect on the pressure of the town supply, it will however not be noticable for 75% of the consumers but possibly 25% will notice a slight fall in pressure. Total water being consumed by Alginate at 280 g.p.h. will be something like 5%., our production being 5,600 g.p.h.

It is normal practise for P.W.D. to water ships only in off peak hours due to the drop in pressure on town supply, but watering ships is done at a flow of 1,800 g.p.h., 280 g.p.h. will not have the same effect.

The following expenditure and revenue are based on the prevailing Stanley commercial rates.

REVENUE:

Average consumption of 280 g.p.h. = 2,240 gallons per 8 hour day = 10 tons @ 2/6d.

EXPENDITURE:

As it would not be economical to compensate the loss of half an hour pumping daily, it would be reasonable to assume that the extra 2,240 used daily would affect reservoir levels over even a short period of time and may involve extra pumping which would work out out approximately at say £2 per week.

COMMENT:

It would be essential for their own protection to install a meter - equally as much in the interests of Government; once they have the service laid on for commercial use it would be impossible to say they had consumed 200 or 2,000 we could find ourselves up the proverbial 'creek' looking for more water to replenish the town supply reservoir.

*J.W. Lyons*

Superintendent of Works.

*S/C* for book account v/d, monthly metered to A/S by me.  
*JH/15*

272

Accs.

P. 270 addressed to you. SPW's report on town  
water supply position shows ATK want a town site for the  
p. 271 plant is at p. 271. N. of a. unit? we receive  
ATK's proposals (maybe by 'Dinner' of 22/5).

2 P. mark file after studying p 270.

J  
12/5

*As to discuss on Monday please LW 23/5 - 272*

*J. 0004*

# ALGINATE INDUSTRIES

L I M I T E D

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

DIRECTORS:  
W. R. MERTON, Chairman  
R. R. MERTON  
R. CAMPBELL-PRESTON, *OBE, M.C.* } Managing Directors  
A. C. W. NORMAN, OBE  
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



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

RPM/ad

27th April, 1970.

*Dear Sir Cosmo,*

*Reply at 29.*

I am sending you copies of the letter which I received from the Foreign and Commonwealth Office, together with my reply, although I feel certain you will already have received copies from official sources.

I am afraid that we have not yet taken any steps to get in touch with the Valuation Department, but we propose to do so in the near future, so as to get the question of royalties settled if at all possible during your tenure of office.

I hope you would also like to get the matter settled before you leave, but from our point of view it would be a great shame "to let you go" before the matter is fianlised, bearing in mind the fact that you are fully familiar with the whole question of our plans for the Falklands, and what they involve.

I hope very much that you will come and see us when you do return, and we might even persuade you to come and see one of our factories in Scotland. You could then report back that they really do exist, and are expanding visibly.

*Yours sincerely  
Ralph Merton*

Sir Cosmo Haskard, K.C.M.G., M.B.E.,  
Governor of the Falkland Islands,  
Government House,  
Port Stanley,  
Falkland Islands,  
South Atlantic.

*1/1/70 f. 0004.  
They be best to take  
copy in legs. of 3 June,  
2nd ready. All August meeting.*



*this to end of 2nd ready  
reserving number page*





Gibraltar and South Atlantic Department,  
Foreign and Commonwealth Office,  
London, S.W.1.

6 April, 1970.

Dear Mr Merton,

The Governor has asked me by telegram to write to you with reference to the investigations which your Company have been making about setting up a kelp harvesting industry in the Falkland Islands, and the discussions and correspondence which have taken place between your Company and the Government of the Falkland Islands, to inform you that the Governor and Council has now considered the Heads of Agreement put forward by your Company and has approved the principal terms on which the Government of the Falkland Islands would be willing to negotiate a contract between itself and your Company. These terms are set out in the annexure attached.

It must be clearly understood that this letter and annexure do not constitute an offer to your Company and that the details of the Heads of Agreement and the other terms of the proposed contract, including the important clause dealing with royalties remain to be negotiated. Whether your Company decides to go ahead on a preliminary pilot project on the basis of the information contained in this letter and before a contract is concluded is a matter entirely for the decision of your Company, and the Government of the Falkland Islands could not accept any financial responsibility in any circumstances for any loss, liability or expense which your Company might incur as a result of doing so.

Yours sincerely,  
*Anthony Lee*  
(A.C.W. Lee)

R.R. Merton, Esq.,  
Managing Director,  
Alginat Industries Ltd.,  
22, Henrietta Street,  
London, W.C.2.

cc. MP 9.4.70

Annexure

HEADS OF AGREEMENT

GOVERNMENT OF THE FALKLAND ISLANDS  
AND ALGINATE INDUSTRIES LIMITED  
(referred to as "the Company")

1. Until the Company is able fully to exploit all the waters of the Colony, it is accepted that an initial exclusive concession for fifty years to harvest kelp would be granted by the Government but would be limited to an area South of a line between points (A) 51 degrees 32 minutes South 57 degrees 41 minutes West and (B) 52 degrees 06 minutes South 60 degrees 11 minutes West. This would not exclude the right of the Company to harvest kelp elsewhere round the Falkland Islands.
2. Should the Company eventually wish to apply for a larger exclusive concession, the Falkland Islands Government would be prepared to negotiate. In the event of any other person applying for concessions in the uncommitted area with a view to harvesting kelp for export on a commercial scale, the Company would be given the opportunity of first refusal.
3. The Company would take into account the fact that, in certain instances, kelp beds are an aid to navigation, and play an important part in the preservation of wild life.
4. It is understood by the Company that kelp could be harvested by any individual, or group of individuals, resident in the Falkland Islands for use only within the Islands.
5. The Company would pay a licence fee for the exclusive right to harvest kelp over the concession area. The

/licence

licence fee would be £1,000 a year, payable on 1st January of each year, for the first five years starting at the beginning of the year following that in which it produces more than 1,000 tons of dried milled kelp, or on 1st January, 1975, whichever is the earlier. Thereafter the licence fee would be subject to review after each period of five years on the basis of the percentage change in the United Kingdom Wholesale Price Index numbers (Chemical and Allied Industries Section) for the previous year, as related to the Price Index for the first year for which the licence fee was paid.

6. The Government of the Falkland Islands would have the right to revoke the licence should the Company fail to produce the annual minimum quantities of dried milled kelp specified below:-

An average of 4,000 tons a year over two years as from the end of three years after the first licence fee is payable.

An average of 8,000 tons a year over two years as from the end of ten years after the first licence fee is payable.

7. The Company would pay a royalty to the Government of the Falkland Islands on a basis to be negotiated between the Company and the Valuation Department in the United Kingdom.

8. The Company would be required to carry on all its harvesting operations in a safe, orderly, skilful, efficient and workmanlike manner and not to cause danger or damage to persons lawfully using or being on or in the foreshore or the territorial waters of the Colony.

9. The Company would be required to take due and proper

precautions for the safety of all persons employed by it  
in harvesting operations.

CONFIDENTIAL



WAL/ad

17th April, 1970.

I write to thank you for your letter of the 6th April containing an annexure setting forth the principal terms upon which the Government of the Falkland Islands would be willing to negotiate a contract between itself and this Company.

I must confess to being somewhat disappointed that after the very considerable lapse of time which has taken place since we last communicated with the Governor on this subject, so little has been settled.

Acting upon the Governor's assurance of the good faith of the Falkland Islands Government, we have already taken a decision to go ahead with our plans for a pilot plant, as indicated in our letter of the 17th February to the Governor.

I understand that the Valuation Department referred to in Clause 7 of the Heads of Agreement refers to the Valuation Department of the Inland Revenue, and that although marked confidential neither your letter nor the Heads of Agreement need be treated as confidential by us.

A.C.W. Lee Esq.,  
Gibraltar and South Atlantic Department,  
Foreign and Commonwealth Office,  
London S.W.1.

276

# ALGINATE INDUSTRIES

L I M I T E D

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

DIRECTORS  
 W. R. MERTON, Chairman  
 R. R. MERTON  
 R. CAMPBELL-PRESTON, } Managing  
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 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.



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.

MHCP/ad

12th May, 1970.

The Colonial Secretary,  
 Stanley,  
Falkland Islands.

Dear Mr. Jones,

Many thanks for your letter of the 22nd April confirming the interpretation of Clause 4 of your draft legislation for controlling the harvesting of kelp.

We did in fact receive a letter from the Gibraltar and South Atlantic Department of the Foreign Office in April. Mr. Merton wrote to the Governor on this subject on the 27th April. *(272) to (275)*

*Reply at (291)*

I see that the main point to be settled is the question of royalties, and that this now lies in the hands of the U.K. Valuation Department. Obviously this question will have to be settled before we build the main plant, but in the meantime, we have pressed on with our plans for the pilot plant.

We are at present negotiating with the Falkland Islands Company for the lease of the boat shed on the West Side of the slip. The capacity of the pilot plant has been scaled down considerably as we no longer require any large quantity of dried kelp for pilot tests at our extraction plants in Scotland.

Our power requirements will not exceed 50 kilowatts at 440 Volt 3-phase, and we are unlikely to require more than 300 gallons of fresh water per day. This water requirement would not be a steady load every day, as we do not envisage running the pilot plant continuously. Drainage will present no problems with the small quantities that we shall be handling, and likewise there should be no fear of any unpleasant smells!

/I should be.....



THE QUEEN'S AWARD TO INDUSTRY

*reply 201*

The Colonial Secretary.

12th May, 1970.

I should be most grateful if Mr. Gutteridge could plan the power arrangements accordingly, and if you foresee any difficulties with this plan, could you please let me know as soon as possible.

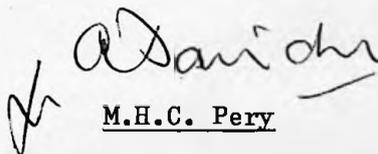
We shall also be using a small steam boiler for which we shall require an analysis of the feed water. If there is no reliable analysis available, could you please arrange for a sample to be sent to Mr. J. F. Drew, Chief Chemist, Alginate Industries Limited, Ladyburn Works, Girvan, Ayrshire.

The pilot plant and laboratory equipment are being shipped out on the "A.E.S." departing September, and Mr. Gooch will be returning on the August "Darwin". Freddie Jones joins the Company full-time at the beginning of August, so that we plan to start the pilot plant and some experimental harvesting in November.

We have held an official meeting with the M.O.D. (Navy) concerning the Camber Site, and there appears to be no major difficulty.

I shall keep you informed of any developments over the royalty question.

Yours sincerely,

  
M.H.C. Pery



27

Alginate Industries Ltd.,  
Box 214, Stanley,  
22.5.70.-

*[Handwritten signature]*

The Officer Commanding  
The Royal Marines Detachment,  
Falkland Islands.-

Dear Sir,

GAMBER HARBOUR ROCK.

On April 7th Alginate Industries Ltd., London, received the following letter from Messrs. Bland Payne (U.K.) Ltd.

"Confirming our telephone conversation this morning, we have forwarded the full copy of the indemnity you have been requested to complete to the Royal Star Insurance Company Limited, who insist on studying this closely before confirming that they will be prepared to grant cover in principle.

However so that we can negotiate the best possible cover on your behalf, it is necessary to have some information concerning what is involved in the destruction of the rock which we understand hinders the approach to and general use of the internal harbour and I understand that you can let us have a plan of the harbour area showing the proximity of the rock to surrounding property and/or vessels. It will also be helpful to have some idea of the nature of the work which has to be undertaken, e.g. its approximate cost and the amount of explosives which it is estimated will be used and the amount of the rock, e.g. dimensions and/or depth from its peak, which it is contemplated should be destroyed.

Last, is it possible to give us any idea how the sum to be insured of £175,000 has been arrived at? Is it based on the value of Navy property and/or vessels in the vicinity or has it been literally plucked out of the air? If it in any way related to the value of the Navy property and/or personnel in the area it may be necessary to arrange additional cover in respect of damage and/or injury to Third Party property or persons unconnected with the Navy.

However, you may be able to confirm that the sum of £175,000 is intended to be adequate to cover your liabilities not only for Navy property and/or injury to Navy personnel but also for any claims which may be made upon it or by general members of the public arising out of the proposed operations.

I feel sure you will appreciate that the more information you are able to supply the more successful we are likely to be in negotiating a fair premium for the risk involved."

In a covering letter from Alginate Industries Limited, London, they advise us that M.O.B. (Navy) indicate that the cost of blowing up the rock is likely to be in the region of £35. London Office is in touch with the M.O.B. to try to find out how they arrive at their figure of £175,000.

Will you please be kind enough to give me some idea of the nature of the work which we may request you to undertake, the amount of explosives, the amount of rock which you may be requested to contemplate destroying and the other questions brought up in Messrs. Bland Payne's letter; together with any other information which might be relevant.

Yours faithfully,

*[Handwritten signature]*

c.c. Colonial Manager, F.I.C.  
The Hon. The Col. Sec.-

*[Handwritten note:]* Plc To be in the *[Handwritten signature]*

# The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.



*Stanley,*

26th May

1970

*J 28/5*

A/7

The Colonial Secretary  
STANLEY

Dear Sir,

We have been advised by Alginate Industries Limited that they wish to lease the Boat Shed to the west of our slipway as from September this year. We understand that they wish to utilise this property to house a pilot plant.

Yours faithfully,

*Alagge*

COLONIAL MANAGER

*See 279*

*Re F & R in 0004, amount vtd. J 28/5*

*c.s. mail from 273 pl. J 29.5.70.*

EXTRACT FROM MINUTES OF EXECUTIVE COUNCIL MEETING

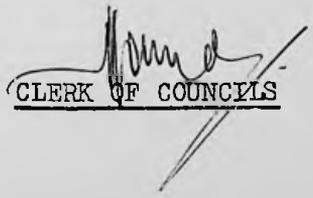
HELD ON 2nd, 5th & 8th JUNE 1970

0004/III

2. ALGINATE INDUSTRIES LIMITED

Council noted that the Falkland Islands Company Limited had received a letter from Alginate Industries Limited indicating that they wished to lease the boatshed near the West Jetty for the installation of a pilot plant.

It was recalled that in earlier negotiations, when Alginate Industries proposed to instal the pilot plant at the mink farm, agreement had been reached for water from the Mount William source to be provided by Government free of charge. It was felt that the siting of the plant in the town would produce water supply problems and it was emphasized that Government had no obligation to provide a free supply of water other than from the Mount William source to a site near the mink farm. The Colonial Secretary undertook to bring the problem to the notice of Alginate Industries. Other aspects which required study were the possibility of unpleasant smells or effluent.

  
CLERK OF COUNCILS

3rd June

70

F.I.C. ref: A/7

Dear Sir,

278

With reference to your letter of the 26th of May I suggest that it might be advisable if your company did not finalise yet any agreement with Alginate Industries Limited about the site in question since there are certain difficulties in connection with its use for the purpose for which Alginate Industries needs it which have yet to be resolved.

Yours faithfully,



(J. A. Jones)  
Colonial Secretary

The Colonial Manager,  
The Falkland Islands Company, Limited,  
Stanley.

JB

Take with ALS for Exco.

Reply 281

S/C This file should be B/L to HE after meeting next of

260

27 June as it can be expected that that man  
will buy an official request from Algrivater to be  
permitted to set up the power plant as the  
bootshe site mentioned at p. 278. F.I.G.'s  
agreement to supply of free water to Alh  
referred to the Munk Farm site + Mt. William  
water. There are also health  
considerations to be taken into account i.e. the  
bootshe site. And S.P.E. would have to  
make arrangements to supply electricity power  
(which I have told him he must do with  
or H.K., give him a specific authorization).

By 29. 6. 70.

J/8/6

# The Falkland Islands Company, Limited.

(INCORPORATED BY ROYAL CHARTER 1851.)

REGISTERED 1902.

AGENTS FOR LLOYDS.

TELEGRAMS "FLEETWING PORTSTANLEY" VIA RADIO.

*Stanley,*

8th June 1970

A/7

The Colonial Secretary  
STANLEY

Dear Sir,

We acknowledge receipt of your letter No. 0004/III dated 3rd June 1970, the contents of which have been noted. 279

Yours faithfully,

*[Handwritten Signature]*

COLONIAL MANAGER

Rec. 29. 6. 70.

GOVERNMENT TELEGRAPH SERVICE

281/A

FALKLAND ISLANDS

SENT

WAP 151/821 584578/790938 500 pds 12/68 Grp.782

Number	Office of Origin	Words	Handed in at	Date
	STANLEY			16.6.70
To	ETAT JONES RMS DARWIN			HOA/C

Gutteridge writes if power station project shown to be firm at ODM  
 you may wish to ask Pery if he would require option on 850 KW used  
 but good plant available about 1972/73 and suitable for final stage  
 his project

Gleadell

W  
 23/7/70

Time ARA.

DECODE.

282

TELEGRAM.

From PERY OBAN

To ACTING COLONIAL SECRETARY STANLEY

---

Despatched :      25th June                      19 70      Time :    1115

Received :        25th June,                      19              Time :

Please cable immediate reply to telegram requesting whether import license required for pilot plant machinery and laboratory chemical shipping September AES. If required please cable instructions for application

Pery

P/L : ARA

See 283.

283

GOVERNMENT TELEGRAPH SERVICE

FALKLAND ISLANDS

SENT

W/ 48-821 585968/704663 500 pds 9/69 Grp.782

Number	Office of Origin	Words	Handed in at	Date
	STANLEY			25.6.70
To				
	LEF ALGINATES LONDON WC2			HDA/C

Following for Mary no import licences required  
Colsee

282 4/3

Time ARA.

C.S.

Alginat Industries

I called for this file in order to answer Merton's letter at folio 272 and I now see that on 25th May we received a letter dated 12th May from Pery to the C.S. I think that probably Mr Jones was going to deal with this personally when he reached London but meanwhile I note that the capacity of the pilot plant has been scaled down considerably.

- x 2. If Mr Gutteridge has not already been told I should like him to be informed that the power requirements of Alginat Industries for the pilot scheme will not exceed 50 kilowatts at 440 volt 3-phase. I should like to have Mr Gutteridge's comments recorded on this file please.
- 3. As far as water is concerned it seems that Alginat would not require more than 300 gallons load every day. I do not exactly know what is meant by the word "load" in this connection. No doubt it is a technical one with which Mr Royans will be familiar. I should like to have his comment on the possibility of supplying 300 gallons a day at the site of the F.I.C. boat shed below the West Store.
- 2 4. One of the objections to the use of the boat shed is that the work of the pilot plant might result in an objectionable smell which would affect houses along Ross Road, and there might also be an unpleasant effluent which I remember in discussion in Exco we thought might form a film on the water and lie alongside the public and east jetties.
- ) 5. If there is in fact likely to be an effluent of this sort it may be that alternative accommodation for the pilot plant could be found on the eastern side of the east jetty, so that any discharge from the pilot plant is taken down by the wind to the east end of the harbour.
- 4 6. I should like Mr Royans to record on this file his views concerning the possibility of bringing water to (a) the boat shed and (b) to some alternative site east of the east jetty. We have often heard that water pressure is poor in the houses along Ross Road adjoining Philomel Hill. It may be that an alternative line of supply exists.
- 5 7. It is important that Alginat Industries should be under no misapprehension regarding the fact that water supplied to a pilot plant situated in the town will not be the Mount William water which we offered them free when they talked of having their pilot plant in the milk farm area. Water which has come through the filtration plant will have to be paid for by Alginat Industries in the same way as anyone else.
- t 8. Could you please confirm whether the sample asked for on page 2 of Alginates' letter dated 12th May has been sent to Scotland. If not, it should be sent by DARWIN leaving here this week.
- 9. I set considerable store by the advent of Alginat Industries and I think it is important that while adequately safeguarding the Government's position we should not make any unnecessary difficulties about the establishment of the pilot plant.
- 9. One final point: "The Town Council will no doubt be involved to a certain extent in giving permission for a pilot plant to operate in the town. I have not studied the Ordinance but let us make certain that we comply with our own regulations."

CA

14th July, 1970.

14th July

70.

To: The Superintendent Power &amp; Electric

From: The Colonial Secretary,

STANLEY.Alginate Industries.

The following is an extract from a minute received from the Governor this morning.

"If Mr Gutteredge has not already been told I should like him to be informed that the power requirements of Alginate Industries for the pilot scheme will not exceed 50 kilowatts at 440 volt 3-phase. I should like to have Mr Gutteridge's comments recorded on this file please."

Would you please let me have your early comments.

(H. L. Bound)  
for COLONIAL SECRETARY.

No. C.S. File 0004/III

MEMORANDUM

287

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



15th July 1970

Colonial Secretary,

Secretariat,

STANLEY.

Supt. Power & Electrical Dept.

Stanley, Falkland Islands.

SUBJECT :-

Alginate Industries.

I refer to your Memorandum of the 14th July 1970.

I was aware of Alginate's requirements, these were telephoned to me from London in April, they were stated at that time to be 100 Kw. but were reduced during the conversation to 50 Kw. when I expressed some doubt at maintaining the higher figure. This conversation is on file.

I doubt if Alginate's will require more than 15Kw. I base this figure on discussions I had with Alginate's Engineer Mr Gooch who visited here earlier this year. He seemed to know exactly what the pilot plant would consist of in machinery and what power would be required. He did not like the Mink Farm site at all but that is where the water is and also power supply would be no problem there. I am anxious to know as soon as information is on hand of the final site and when the plant is expected to be operational in order that I may make power available.

CH  
24/7/70

Supt. Power & Electrical Dept.

17th July

70.

Dear Sir,

276

As requested in your letter of the 12th May 1970, I am forwarding to Mr. J. P. Drew of Girvan Ayrshire a sample of water taken from the Stanley water supply.

Yours faithfully,

(sgd) H. C. Bound.

COLONIAL SECRETARY.

Mr. Michael Pery,  
Alginate Industries Ltd.,  
22, Henrietta Street,  
LONDON W.C.2.,  
England.

Copy to Mr. S. F. Drew.

## MEMORANDUM

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

14th July 1970.

To: The Superintendent Public Works,

From: The Colonial Secretary.

STANLEY.

Stanley, Falkland Islands.

SUBJECT:- Alginate Industries.

The following is an extract from a minute received from the Governor this morning.

1. "As far as water is concerned it seems that Alginates would not require more than 300 gallons load every day. I do not exactly know what is meant by the word "load" in this connection. No doubt it is a technical one with which Mr Royans will be familiar. I should like to have his comment on the possibility of supplying 300 gallons a day at the site of the F.I.C. boat shed below the West Store.
2. One of the objections to the use of the boat shed is that the work of the pilot plant might result in an objectionable smell which would affect houses along Ross Road, and there might also be an unpleasant effluent which I remember in discussion in Exco we thought might form a film on the water and lie alongside the public and east jetties.
3. If there is in fact likely to be an effluent of this sort it may be that alternative accommodation for the pilot plant could be found on the eastern side of the east jetty, so that any discharge from the pilot plant is taken down by the wind to the east end of the harbour.
4. I should like Mr Royans to record on this file his views concerning the possibility of bringing water to (a) the boat shed and (b) to some alternative site east of the east jetty. We have often heard that water pressure is poor in the houses along Ross Road adjoining Philomel Hill. It may be that an alternative line of supply exists.
5. It is important that Alginate Industries should be under no misapprehension regarding the fact that water supplied to a pilot plant situated in the town will not be the Mount William water which we offered them free when they talked of having their pilot plant in the mink farm area. Water which has come through the filtration plant will have to be paid for by Alginate Industries in the same way as anyone else.
6. Could you please confirm whether the sample asked for on page 2 of Alginates' letter dated 12th May has been sent to Scotland. If not, it should be sent by DARWIN leaving here this week."

Could you please let me have your comments on paragraphs 1 - 5 and advise me if any action has been taken in your department regarding the water sample mentioned in paragraph 6.

If no action, please arrange for a suitable sample to be collected and forwarded to this office for onward conveyance to the United Kingdom. It is essential that arrangements are completed in time to forward the sample by "Darwin" on Friday the 17th July.

A further paragraph from the same minute reads:-

"The Town Council will no doubt be involved to a certain extent in giving permission for a pilot plant to operate in the town. I have not studied the Ordinance but let us make certain that we comply with our own regulations."

copy  
290

Can you advise please?

*[Handwritten Signature]*  
(H. J. Bound)  
for COLONIAL SECRETARY.



*p. 276 says G.P.D. not G.P.H.*

AC.  
COL. SEC.

*p. 271*

- (1) I believe Alginates term their requirements as G.P.H. not as G.P.D. as stated in item (1) I hope so. The term 'load' in this particular case *means* 'more pump demand, and extra conveyance' but for full data see my Memo to you under the heading 'Alginates Water Supply' PWD.040 13th.May.70.

For items 2 and 3 I would not know what the chemical reaction would be perhaps Mr. F. Jones might help here.

- (4) Para.(a) answered memo mentioned above. (b) if an alternative site is offered east of the last house adjacent to the cemetery the main water supply pipes will need to be extended, and the question of pressure is in full detail in the above mentioned Memo.
- (5) Water charges also mentioned in previous Memo.
- (6) Water sample en-route to Scotland.

Comment.

As I see it Town Council will be involved if Alginates wish to build, alter, or extend etc. and of course to collect dues, but the proposals set out to establish a pilot plant in a residential and food storage area would almost certainly come under scrutiny of the Board of Health, more than that would be difficult to say, because no-one is quite sure who the Board of Health really are, or the appointed Inspector for the Board is, the Town Council should appoint a sanitary Inspector (constable) but that is a separate body, to the Board of Health, I may be wrong but it needs to be made clear, in order to comply with our own regulations.

*Send to comment please*

*NFATV no fun*

*[Handwritten Signature]*  
SPM. 16/7/70

*Ch 24/7/70*

14 July, 1970

272

I am sorry that I did not reply to your very kind letter of 27 April by the last outward mail which left here on 14th June. Your letter arrived here on 23rd May when we were just getting ready for the budget meeting of Legislative Council. This was followed by meetings in connection with the departure of our representatives for the London talks on communications and it was not until after DARWIN had sailed that I realised I had never written to you.

It is not often that we have to wait quite so long between incoming and outgoing vessels. Certainly to reply in mid-June to a letter written in April does look somewhat dilatory.

Like you I hope that the question of royalties will be settled before my time here ends on 27th September. Meanwhile I am particularly glad that you are going ahead with your pilot scheme and that Mr Gooch will be coming to live here before long. I have great hopes that the activities of your Company will be exactly the sort of shot in the arm which the Falkland Islands' economy needs.

Many thanks for your invitation to come to see you when I return to England. I should enjoy doing this and will get in touch with you after my arrival, which will not be before mid-November as we are planning to spend a few weeks in South America on our way home.

W

R. R. Merton, Esq.,  
Alginite Industries Ltd.,  
22 Henrietta Street,  
W.C. 2.

CJ for filing please.

BV f.i. Mr Jones on his return please

W  
14/7

DECODE.

291A

W  
14/7

TELEGRAM SENT.

From SECRETARY OF STATE to GOVERNOR

Despatched:

Time:

Received: 13/7/70

Time:

No. 134

CONFIDENTIAL  
PRIORITY

For Haskard from Jones.

Alginate Industries.

Have made day long visit to Alginate Girvan plant. As result am satisfied that if company is to maintain previous growth rate of doubling production every five years without which it will not be able to maintain its worldwide position it has imperative need for significant quantities Falkland Islands kelp to be coming forward by mid 1970s. Our bargaining position therefore strong.

2. Interesting production statistics are that Girvan plant uses 60,000 gallons of water per hour and that 200,000 gallons are used to produce one ton of finished product.

3. Contents of this telegram for your information only.

DOUGLAS-HOME.

Cypher:

C.S.

Spc  
In the in 0004/103  
772/5

L.C.G. informed 18/7/70  
I did not file 4/7-5. W 5/8/70

0004/111  
292  
#2

*CS. This is his same letter as  
has already on his file re which I have  
asked for  
certain action*

# 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.

*LN 16/7/70*

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.



11th May, 1970.

The Colonial Secretary,  
Stanley,  
Falkland Islands.

Dear Mr. Jones,

*38 in 2438*

Many thanks for your letter of 22nd April confirming the interpretation of Clause 4 of your draft legislation for controlling the harvesting of Kelp. We did in fact receive a letter from the Gibraltar and South Atlantic Dept. of the Foreign Office in April. Mr. Merton wrote to the Governor on this subject on 27th April. I see that the main point to be settled is the question of Royalties and that this now lies in the hands of the U.K. Valuation Dept. Obviously this question will have to be settled before we build the main plant, but, in the meantime, we have pressed on with our plans for the Pilot Plant.

272

We are at present negotiating with the Falklands Islands Company for the Lease of the Boat Shed on the West Side of the slip. The capacity of the Pilot Plant has been scaled down considerably as we no longer require any large quantity of dried Kelp for Pilot tests at our extraction Plant in Scotland.

Our Power requirements will not exceed 50 kilowatts at 440 volt 3 phase and we are unlikely to require more than 300 gallons of fresh water per day. This water requirement would not be a steady load every day as we do not envisage running the Pilot Plant continuously. Drainage will present no problems with the small quantities that we shall be handling and likewise there should be no fear of any unpleasant smells ! I should be most grateful if Mr. Gutteridge could plan the Power arrangements accordingly and if you foresee any difficulties with this plan could you please let me know as soon as possible. We shall also be using a small steam boiler for which we shall require an analysis of the feed water. If there is no reliable analysis available, could you please arrange for a sample to be sent to Mr. J. F. Drew, Chief Chemist, Alginate Industries Ltd., Ladyburn Works, Girvan, Ayrshire.



THE GOVERNMENT OF THE FALKLAND ISLANDS

*Reply at 306*

The Pilot Plant and Laboratory equipment are being shipped out on the A.E.S. departing September and Mr. Gooch will be returning on the August "Darwin". Freddie Jones joins the Company full time at the beginning of August so that we plan to start the Pilot Plant and some experimental harvesting in November.

We have held an initial meeting with the M.O.D. (Navy) concerning the Camber Site and there appears to be no major difficulty.

I shall keep you informed of any developments over the Royalty question.

Yours sincerely,

*Michael Pery*

M.H.C. Pery.

LS

Alginate Industries.

Having looked back in WTS file for other papers I have come across (270), in existence of which was unknown to me. A good deal of (284) could have remained unwritten had I seen (270) earlier.

2. The trouble being now is to await return of Mr Jones. He has seen Alginates in U.K. and will be more up to date than we are.

3. Meanwhile please arrange for Malone to see WTS file from his health aspect and Mr Gubridge to see + initial (295) and (296).

4. BU file to Mr Jones soon after his return please.

LS  
24/7/70

Ag SMO

as at x/ above.

25.7.70

Y.S. Owing to lack of information on what the process involved in the alginate plant consists of, with particular reference to storage of the pulp and waste products to be disposed of at the plant I find myself unable to give any opinion on any health regards. This matter should be taken up with Alginates Industry as quickly as possible

CMM.

Ag. S.M.O.

Cl: For Mr Jones please. LS 24/7/70 by 4.8.70.

Done

Y.S.

299

1 SMO on leave is to take the matter up with  
Atk.

See also (276)  
- we heard the  
same letter  
twice.

2 Final notification officially of Atk's desire to site  
the pilot plant at the boatshed is at p. 292, received  
only on 16th July.

3 Next step is to reply to p. 292, by way of 20/8,  
pointing out difficulties; & copying it to Ashmore  
who should be asked to get in touch with Atk on  
the health aspects involved.

4 Meanwhile the notes & papers at b.o.f. are of  
interest.

J.F.  
20/8

J.F.

To see. Atk is one of the subjects we need to  
discuss later this week. Meanwhile please see above  
note & papers at b.o.f.

J.F.

Papers read in ones

1/2  
6/8/70

# ALGINATE INDUSTRIES

299A

L I M I T E D  
G I R V A N · A Y R S H I R E

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

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

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



SGD/JM

12th June, 1970.

The Colonial Secretary,  
STANLEY,  
Falkland Islands.

Dear Sir,

Seaweed Pilot Plant - Power Requirements

In Mr. Pery's letter to yourself of 11th May, 1970 the prior requirements of our Pilot Plant for Seaweed processing were stated to be less than 50Kw at 440 volts 3 phase, we now confirm this by enclosing our list of the electrical circuits in the Pilot Plant building. We would be pleased if you would forward these to Mr. Gutteridge.

The total installed load is 32 Kw and being a Pilot Plant it is difficult to estimate the average running load. However this should not exceed 18 Kw. The Plant will also be operated for most part on a day basis.

Mr. Pery also referred in his letter to the water supply available at the boat shed and we would be most pleased if you could arrange for an analysis or sample to be sent immediately.

Yours faithfully,  
for and on behalf of,  
ALGINATE INDUSTRIES LIMITED

*S. G. Donn*

S. G. Donn

Company Chemical Engineer



Enc. Macrocyctis Pilot Plant - Electrical Circuit Location Plan for Electrical Distribution.

*5/c. To SPE (who should be asked to go to me about it.)  
Min file at G.H. Jg 6/8*

Macrocystis Pilot Plant - Electrical Circuits

<u>Item</u>	<u>Quantity</u>	<u>Total Load (Horse Power)</u>	<u>Remarks</u>
Pre-cutter	1 @ 10	10	
Hammer Mill	1 @ 10	10	
Screw Conveyor	1 @ 1	1	
Agitator	2 @ 1	2	
Mono Pump	1 @ 3	3	
Screw Press	1 @ 2	2	
Screw Conveyor	1 @ 1	1	
Dryer Drum	1 @ 1	1	
Fan	1 @ 1	1	
Kalle Controllers	2 @ $\frac{1}{2}$	1	
Water Pumps	2 @ 1	4	
Boiler		5	
Lighting		2	Single Phase
Heating	1 @ $\frac{1}{2}$	$\frac{1}{2}$	Single Phase
Laboratory		7	Single Phase

Note: All motors except otherwise stated are 3 phase 420/440 volts at 50 cycles.

3  
F.I.C. FACTORY

F.I.C. CABLE REQUIRED HERE  
TO A.I.L. INCOMING SWITCH

20'

ELECTRICAL DISTRIBUTION  
PANEL FOR PILOT PLANT

16'

ROAD  
BOAT SHED

SLIPWAY

ALGINATE INDUSTRIES LTD

SGD 12/6/70

DECODE.

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched : 10.8.70      Time :      Received :      Time :

PRIORITY

NO 191 For Lee from Jones. Alginate Industries Ltd Pilot Plant Project. Grateful you arrange for Dr Ashmore Senior Medical Officer on leave at Woodpeckers Upper Dicker Hailsham telephone number HELINGLY 419 to see Pery of Alginate Industries 22 Henrietta Street WC2 to clear health aspects of companys proposal to utilise Stanley town site for pilot plant.

2. Grateful you cable report to me after Ashmore has had consultations with Alginates and such other consultations as may be necessary and as you and I discussed.

3. Would also be useful if when in Scotland Ashmore could visit Alginates Girvan plant which company will be glad to arrange

Haskard

P/L : ARA

See 319

See 313

301

RADIOTELEGRAM

PRONEX	Number	OFFICE OF ORIGIN	WORDS	DATE	TIME
	18	PORTSTANLEY	46/45	16	1455
ETAT JONES ZDLC VFC					

GUTTERIDGE WRITES IF POWER STATION PROJECT SHOWN TO BE FIRM AT ODM YOU MAY WISH TO ASK PERY IF HE WOULD REQUIRE OPTION ON 850 KW USED BUT GOOD PLANT AVAILABLE ABOUT 1972/3 AND SUITABLE FOR FINAL STAGE HIS PROJECT

GLEADELL

RECEIVED FROM	DATE	TIME
VPC 4mHz	17.6.70	0100 GMT

Whe mentioned to Pery who says will be in mind.  
 J 30/6

Visit to Alginat Industries, Girvan Factory on 7 July

The firms success is clearly founded on outstanding leadership at the top coupled with intense personal loyalty of staff considerable expenditure of product application and research and the high quality salesmanship; All salesmen being qualified chemists cable of demonstrating the properties of products on the factory floor of intending purchases.

I was shown round the factory between 11.0 a.m. and 4.30 p.m. by Mr. *McCulloch*. The Factory employs a total of some 300 staff and its products are exported everywhere in the world except Communist China and North America. Propably also excluding Australia and New Zealand. The Plant has been considerably enlarged and extended in recent years, the original building being a war time factory which was taken over by Alginat at the end of the war which they had operated during the war as agents. Currently it occupies some  $5\frac{1}{2}$  acres and a further  $5\frac{1}{2}$  acres of land adjoining the present site has recently been acquired to allow for further extension. Production has doubled in every five year period since the war and it will be essential for suppliers of Falkland seaweed to be available by the mid-1970's if this rate of growth is to continue. In current circumstances in Europe unless growth rates of this kind are maintained factories and commercial organisations go to the wall. It is clear that Alginat badly need our seaweed. Being a commercial organisation they will try the hardest bargain they can but in my view we have the whip hand because ~~they~~ without our supplies they will be unable to maintain the necessary growth rate for survival. It seems probable that Alginat Industries have got the world market tied up; until a few years ago ~~the~~ an American kelp company had five times as much business as Alginat Industries, but the gap has narrowed and they have hopes that within the next few years they will at least be equal to the American company and perhaps bigger.

NOTHING TO BE WRITTEN IN THIS MARGIN

Looking further to the future it seems unlikely that any successful rival will appear since Alginate have cornered the know how and would be able to under cut any serious competitor. However there is I would think the possibility that at some right moment a takeover bid could be made by a firm such as for example I.C.I. Probably the statistic of the greatest importance from our point of view is that Alginate Girvan Factory uses six thousand gallons of water an hour. Three shifts work round the clock, two hundred thousand gallons of water is needed to produce a ton of the finished product. But the most significant factory already stated is the imperative need of Alginate Industries to have significant supplies of Falkland Island kelp coming forward by the mid-1970's.

NOTHING TO BE WRITTEN IN THIS MARGIN



Valuation Office, Inland Revenue  
CHIEF VALUER  
Finsbury Square House  
Finsbury Square, London, E.C.2  
Telephone: 01-638 6020 ext.334

Your reference:

In any reply please quote: CV/OD/1

Date: 17 July 1970

J A Jones Esq  
c/o A C W Lee Esq  
Gibraltar & South Atlantic  
Department  
Foreign & Commonwealth Office  
London SW1

Dear Mr. Jones,

ALGINATE INDUSTRIES LTD

I have now been able to obtain from CIBA Clayton Ltd at Manchester a copy of their review on Alginates. I am therefore returning yours with many thanks.

It was a pleasure meeting you and Mr Lee and may I take this opportunity of wishing you a happy return journey to the Falkland Islands.

Yours ever,  
Yulest

13th August, 70.

Dear Member,

The attached literature was obtained by the Colonial Secretary from Messrs Alginates Industries Ltd during his recent visit to their plant in Scotland. Members are asked to circulate the pamphlets and return them to this office for retention.

CLERK OF COUNCILS

The Honourable, The Colonial Treasurer,  
Major The Honourable, R.V. Goss, O.B.E., E.D.,  
The Honourable, S. Miller, J.P.,  
The Honourable, Mrs N. King,  
The Honourable, W.H. Clement, J.P.

ARA.

305  
306

18th August

70

292

I found awaiting my attention on my return here from my recent duty visit to London papers stating that your company hopes to establish its pilot plant at the F.I.C. boatyard site at Ross Road in Stanley. No previous firm proposal regarding this site appears to have been made and I have accordingly asked Lee, of the Foreign and Commonwealth Office, by cable, to arrange for Dr J.H. Ashmore, Senior Medical Officer who is on leave in Britain, to consult with you and with any other authorities in the relevant field whom the Foreign and Commonwealth Office and Dr Ashmore may consider necessary, regarding the health (including pollution) aspects of the use of this site. 300

In all our negotiations hitherto regarding the site for your pilot plant here we have had in view the Mink Farm site; and our undertaking to provide you with free supplies of water for the pilot plant was in that context and referred to the Mount William water supply. However, it should prove possible to provide the modest supplies, at a daily rate of 280 gallons, which you require without difficulty at the boatyard site. Similarly the provision of electricity (on repayment) at the Mink Farm site presented no difficulty while provision of this facility at the boatyard site, not originally envisaged, will take time simply because it was not originally envisaged.

However, our principal concern is over the health aspect and I would not anticipate any great difficulty in being able to give you the go ahead for use of the boatyard site once that aspect has been settled.

I will write to you again about these matters, or otherwise communicate with you about them as soon as I am in a position to do so.

(J.A. Jones)

The Hon. Michale Pery,  
Alginat Industries, Ltd.,  
22, Henrietta Street,  
LONDON, W.C.2.

FA

See 329

c.c. SMC  
SPE  
SPW

307

# CONFIDENTIAL

## EXECUTIVE COUNCIL

NO 61/70

Alginate Industries Ltd: Pilot Plant Site

Memorandum by the Colonial Secretary

Information was received just before the Colonial Secretary left for the Communications Talks that Alginate Industries Limited wished to use the F.I.C. boatyard site on the west side of the slip for their pilot plant. Due to preoccupations with Legislative Council work and work in preparation for the Communications Talks it was not possible to present this matter to Council at that time and it has had to await the present meeting. As Mr. Gooch is due to travel to Stanley by this month's 'Darwin' and as the pilot plant and laboratory equipment are being shipped out on the 'A.E.S.' in September a decision on this matter has become one of urgency.

2. The considerations are primarily three: health and environmental (pollution); water supply; and electricity supply;

3. The Foreign and Commonwealth Office has been asked to arrange for Dr. Ashmore to hold consultations with Alginate Industries Ltd. and with such other organisations (perhaps the Medical Research Council of Great Britain, or the National Environmental Research Council) to enable him to advise us ~~whether~~ there is any health or environmental hazard in siting the plant as proposed.

4. Members are aware that hitherto the Falkland Islands Government in agreeing to provide water, and electricity on repayment, had in mind, as had the company, the provision of these facilities at the Mink Farm site, which presented no difficulties: and it was in this context that agreement to provide these facilities was given. The provision of water, at a daily average rate of 300 gallons, to the boatyard site will, however, present no problems. Existing piping to the site is expected to be adequate to supply the quantities needed by the company; but if it is not, its improvement will present no problem and the cost of so doing can be met from PWD recurrent votes.

5. The provision of electricity to the boatyard site does not present the same difficulties as it can be achieved as part of the general improvements to electricity supply being carried out by the Department, under Distribution, financial provision for which exists in the estimates.

6. In those circumstances a decision to permit the pilot plant to be sited at the Falkland Islands Company boatyard depends primarily on the health and environmental aspects involved being cleared. Members are invited to advise that, provided there are no objections from a health point of view (as to which the Senior Medical Officer will advise through the Foreign and Commonwealth Office), Alginate Industries should be informed that the site in question maybe used for their pilot plant.

20th August 1970,  
Ref: 0004/III

COLONIAL SECRETARY

CLA

No. PWD 050

MEMORANDUM

XXX 308

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



21st. August, 19 70.

To: Colonial Secretary,

STANLEY.

From; Superintendent of Works, P.W.D.

Stanley, Falkland Islands.

SUBJECT :- Alginates Proposal.

By consent of the Falkland Islands Company Manager, I visited the shed proposed for use as a pilot plant. I see no difficulty in Alginates themselves connecting a service water line from the existing one in the building already. It would be adequate for their requirements of 300 gallons per day.

I was however informed by the jetty foreman (who was with me at the time) that an inspection had already been made by the S.M.O. and that he did not consider the building suitable from the health point of view, although it appears suitable in every other aspect.

*SK* Ensure this is in file for Texco.

*J.W. Royans.*

Superintendent of Works.

*J 22/8*

309.

No. FWD 050

MEMORANDUM

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

29th. August, 19 70.

To; Colonial Secretary,

From; Superintendent of Works P.W.D.

STANLEY.

Stanley, Falkland Islands.

SUBJECT:- Alginate Industries.

Alginate Industries Pilot Plant. Your Ref: 0004/III.

Installation of Meter:

For the amount of 300 gallons per day taken from the present existing supply, would not be sufficient in quantity to justify a meter, but if it were insisted upon it would have to be installed in the building itself, as the water to the mineral plant is no doubt already being charged rates (the service line in the boatshed comes from the mineral plant shed) recently discovered.

Charge per Gallon:

I suggest therefore that as we are down to 300 gallons per day that it should not be classed as commercial purposes supplied by meter but be classed as non-domestic at a fixed rate equivalent to that as the mineral plant £5. p.a. See Ordinance Page 575, Cap. 67 para (3).

Comment:

If at a later date it is considered they are using much more in excess of 300 gallons per day we could provide a seperate service line complete with meter and charge accordingly at a rate equivalent to other meter fed consumers (2/6d. per 224 gallons)

See ~~313~~.  
314

*Stanley*

Supt. of Works.

31st August

70

Superintendent, Public Works

Colonial Secretary

Alginate Industries

309

I fear that it is not possible to adopt the proposal made in your memorandum of the 29th August. The Colony Government has given an undertaking to Alginate Industries to provide water free for the pilot plant. This undertaking in fact applied to the Mink Farm site and water from the Murrey Heights. Now that the company wishes to use a different site for its pilot plant we are still to some extent bound by our promise to provide free water, but only to the extent of the fixed amount which the company states it will utilise daily. In these circumstances there appears to be no alternative but to instal a meter and for the company to pay for all amounts of water of more than 300 gallons daily that they use.

2. Standing Finance Committee meets in the Secretariat Conference room this afternoon and I propose to have this matter brought up at the meeting. I shall be glad if you will hold yourself available to attend the meeting when called upon to do so.



(J. A. Jones)  
Colonial Secretary

JB

Reply at 309 A

DECODE.

~~30~~

310

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched : 1.9.70

Time :

Received :

Time :

PRIORITY

NO. 202

300

My telegram 191. Alginates Pilot Plant. Grateful early report upon Ashmore's consultations. Alginates wish begin preliminary engineering works at plant site.

Haskard

GTC:ARA

See 313. 1320

310  
311

# ALGINATE INDUSTRIES

LIMITED

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

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.

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.



4th August, 1970.

The Colonial Secretary,  
Colonial Secretary's Office,  
Stanley,  
Falkland Islands.



Dear Mr. Jones,

I am sorry that I was away on holiday when you visited Girvan but I gather that you had the opportunity to have a good look round.

This is just to thank you for arranging for the sample of water from Stanley water supply. Unfortunately this arrived as a rather damp parcel containing broken glass! We have, however, arranged for Mr. Gooch to send us further samples on his arrival at Stanley and we are sending out a wide range of brickets for treating the water for the boiler.

Yours sincerely,

*Michael Pery*

M.H.C. Pery.

*Gooch informed on 3/9.*

*3/9*

*Per. 11.9.70 (M.H.C.P.)*



THE QUEEN'S AWARD FOR INDUSTRY

File

Information received by me by mail of the 31st August, dated 17th August, from Dr. Ashmore saying that he will be contacting Alginate Industries in London in connection with the health aspects of the Company's proposal to establish its pilot plant in Stanley at the F.I.C. boatyard site.

It is probable also that Dr. Ashmore will arrange to visit A.I.L's plant at Girvan.



(J. A. Jones)  
Colonial Secretary

KIV - Mail at 310.

BU p. 309 279  
J/3/4

DECODE.

LS

~~319~~  
64 5/9 3

TELEGRAM SENT.

From SECRETARY OF STATE to GOVERNOR

Despatched: 4/9/70 Time: Received: 4/9/70 Time:

No. 163

RESTRICTED

300 310

Your telegrams nos 191 and 202.

Alginates Pilot Plant.

Unable to contact Doctor Ashmore who is believed to be on Continent. Assume that he will report to you on his return to Stanley later this month.

2. We understand from Pery that Doctor Ashmore visited Girvan this week and that he was informed there would be no effluent or health problems as no chemicals or solid matters are to be discharged.

DOUGLAS-HOME

SP

Fv R ready

in 0004/III

See 346  
317 & 320

J 7/9

~~313~~  
314  
70.

8th September,

To: Superintendent Public Works,

From: The Colonial Secretary.

Stanley.

Alginate Industries

309

Please refer to your memorandum of the 29th of August, There is this difficulty about your proposed solution: this is that the first 300 gallons per day are to be supplied free, but anything over that amount should be paid for. However, at 2/6d per 224 gallons they would need to be using a great deal more than 300 gallons per day for the excess to bring us significant revenue.

2. Please contact me by telephone about this.

(J.A. JONES)  
COLONIAL SECRETARY

ARA.

315

No. \_\_\_\_\_

**MEMORANDUM**

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

4th September 1970.



To: The Colonial Secretary,

Secretariat,

Stanley.

From: The Registrar,  
The Supreme Court,  
Stanley, Falkland Islands.

SUBJECT :- Preparation of Lease for F.I.Co. Ltd.

The Colonial Manager of the Falkland Islands Company Limited has asked me to prepare a lease in respect of land and a building, in the vicinity of the West Jetty/West Store, which his Company proposes to lease to Alginate Industries Limited.

2. It would at first appear to be quite a simple matter, but as both companies, more than likely, retain their own firm of solicitors, I consider it prudent that I should seek your direction in this matter.

*J.P. Bennett*

Registrar.

*J/c F+K J.P.*

*see 318*

Woodpeckers,

316

Upper Dicker,

Hastham,

Sussex.

22<sup>nd</sup> August, 1970.

Dear John,

Just a last-minute note - the hope of catching the "Darwin" next week.

I went up to London this week to Alginate and saw Stewart, the Secretary whom you know, and Merton the Managing Director. I will be seeing Peery in Scotland on 1<sup>st</sup> September and going with him to the factory in Guirvan. From what I have gathered up to the present, I am satisfied that the "old boat shed" will be alright for the pilot plant. However, I will leave it until after seeing Peery + the Chief Chemist at Guirvan before completely committing myself. If, as they say, there only processing is washing & drying, there cannot be any "effluent" or "pollution" of the harbour. They will not be using any chemicals. I have been in touch with Lee again and will be writing to him after my visit to Guirvan on the 1<sup>st</sup>. No doubt he will cable you if I say anything adverse.

When I was up in London, I heard in the "Grape vine" that

O.D.M. had cancelled the provisioned passage I had made for Pat Pe  
the Motion. If she has not been appointed, I have not yet been told  
- my opinion of Miss Schofield has not improved!!

Yours,  


← First fold here →

Sender's name and address:

*J.A. Jones*  
*1500 Lakeside*  
*Albany, N.Y.*  
*Albany, N.Y.*

AN AIR LETTER SHOULD NOT CONTAIN ANY  
ENCLOSURE; IF IT DOES IT WILL BE SURCHARGED  
OR SENT BY ORDINARY MAIL.

← Second fold here →



No. 2.

*J.A. Jones Esq, BSE.*  
*Suburban Home,*

*Par Stanley,*

*FALMOUTH ISLAND*

VIA MONTGOMERY CO.

DECODE.

316.  
317

TELEGRAM SENT.

From GOVERNOR to SECRETARY OF STATE

Despatched : ~~XX(XX)~~ 10.9.70 Time

Received :

Time :

NO. 211

313

316

Your telegram 163. Alginate Industries. Have received letter dated 22nd August from Ashmore indicating he would write you after his visit to Alginates Girvan plant on 1st September and stating that you would cable me if he had anything adverse to say on health aspects proposed siting Stanley pilot plant. Request confirm Ashmore did not have anything adverse to say

Haskard

ETC : ARA

Reply 320

14th September 70

From: The Colonial Secretary,

To: The Registrar,  
Supreme Court,

STANLEY

Preparation of lease for F.I.Co.Ltd

315

With reference to your memorandum of 4th September 1970, I consider, in all the circumstances, that it would be inadvisable for you to accede to the Colonial Manager's request. I suggest you decline - gracefully.

(J.A. Jones)  
COLONIAL SECRETARY

## GOVERNMENT TELEGRAPH SERVICE

FALKLAND ISLANDSSENT

319

WAP 13 821 584578/790938 500 pds 12/68 Grp.782

Number	Office of Origin	Words	Handed in at	Date
	STANLEY			14.9.70
To	LIEF HAGSTAPLE MONTEVIDEO			HO A/C

NO 26 GRATEFUL CONVEY FOLLOWING TO ASHMORE IMMEDIATELY  
 ON ARRIVAL BEGINS REQUEST YOU CABLE IMMEDIATELY HEALTH ASPECTS  
 ESTABLISHMENT ALLOCATED PILOT PLANT WEST JETTY ENDS

COLONIAL SECRETARY

Time

AC

DECODE.

17/9/70

CS

320

TELEGRAM SENT.

LA 19/9

From SECRETARY OF STATE to GOVERNOR

Despatched:

Time:

Received:

Time:

15/9/70

No. 169

Restricted

310 317

313

Your telegram nos 202 and 211 and my telegram no. 163: Alginates.

Have not heard from Ashmore since his visit to Girvan. Lee spoke to him prior to visit and understood Ashmore would report on return Stanley or by letter.

Attempts to contact Ashmore on telephone unsuccessful. Regret therefore unable confirm that he did not have anything adverse to say.

LJC : Cypher

S/C

In 6034/III  
F&A.

19/9

321  
~~320~~

*JM/17/9*



NNNNOM

ZCZC ATS647 C GWZ796 PF181

FKLY CO GBGW 044

OBAN 44/43 17 1314

THE GOVERNOR

PORTSTANLEY

MOST DISTURBED CONCERNING REPORTS OF GOVERNMENT  
WITHHOLDING AUTHORITY TO BUILD PILOT PLANT STOP SOME  
MISUNDERSTANDING OVER POLLUTION STOP NO POSSIBLE RISK AS  
CONFIRMED BY DOCTOR ASHMORE STOP GRATEFUL FOR YOUR  
AUTHORITY TO ALLOW WORK TO PROCEED WITHOUT DELAY

PERY ALGINATES

*Reply 323*

DECODE.

~~321~~  
322

TELEGRAM.

From Macstaple, Montevideo.

To The Colonial Secretary, Stanley.

Despatched :	17th September	19 70	Time : 1733
Received :	18th September	19 70	Time : 0930

From Ashmore begins Lee Commonwealth Office advised subsequent to my London and Girvan visits no pollution envisaged Alginates Pilot Plant West Jetty. For Governor Embassy message received contacting British Hospital. } X

2476 - Cholera

Macstaple.

PL : AC.

Noted This is not what p. 313 says. (X above). J 19/9

Noted Good advice go ahead reviewed J 21/9

GOVERNMENT TELEGRAPH SERVICE

FALKLAND ISLANDS

SENT

323

WAP 15142—B21 584578/790938 500 pds 12/68 Grp.782

Number	Office of Origin	Words	Handed in at	Date
	STANLEY			21.9.70

To ALGINATES LONDON WC2 H.O. A/C

321

~~CO~~ FOR PERY FROM JENRE STO YNTEL OF 17TH ~~CO~~ PILOT  
 PLANT SITE STOP COMPIRE PROJ OF CAR PROCEED S OF GOUGH  
 INFORMED

COLSEC

Time AC

See 331

21st September 1970

7  
10Alginate Industries Ltd. Pilot Plant.

As you know, your company's original plan envisaged establishing its pilot plant at the Sink Farm site and only comparatively recently did this government become aware of your intention to site the pilot plant in Stanley itself. Since learning this, this government has been considering the implications of the change of site.

2. The conclusion has been reached that there will be no difficulty in providing electricity, for supplies of which your company will pay, to the P.L.C. backyard site. It is also understood that water is available at the site. Originally it was envisaged that water would be supplied free to the Sink Farm site from St. William and it was on this basis that it was agreed that water would be supplied free for the pilot plant. Now that the intention is to use the town water supply this government, in the interests of getting the pilot project going, is prepared to supply water free up to the amount of 100 gallons daily which you state is what you need. Amounts in excess of 100 gallons daily would have to be paid for. For this purpose it will be necessary for your company to install a meter. It will be appreciated if you will consult the Superintendent of Public Works about this. The installation should be made as soon as conveniently possible.

3. You are also aware that we have been carefully clearing up of the health aspects of the use of the backyard site, I am happy to say that these have now been cleared and there is no objection from a health point of view to the pilot plant project going forward.

(S. . . . .)

Mr. D. P. Cooch,  
Alginate Industries Ltd.,  
STANLEY

Copies to:

AC.

See 336

DECODE.

TELEGRAM SENT.

From SECRETARY OF STATE to GOVERNOR

Despatched: 22.9.70

Time: 1540

Received: 22.9.70

Time: 1600

Etatpriorite Governor Falkland Islands.

17422 Unclassified 221115Z

Yourtelno 211

Alginates Ashmore confirm nothing adverse.

Douglas Home.

Me 1 AH! AT best. (See also 1, p. 322.)

PL / AC.

Me 2 Sp. SPW telephonically 23/9. He will contact Gooch  
re installation of water meter in 2 days time if Gooch has not previously contacted  
him. Meanwhile SPW will check on the amount LHD is charged for water with  
view to charging Hk at same rate for consumption over 300 gals. p.d. JF

326

A.C.S.

He should be Bk to me on 16/10 to enable me to send an enquiry to Lee, FCO, about progress on the question of royalties. Meanwhile a new volume should be opened (this volume already contains nearly 200 pages) & the new volume, with this vol. 3, should be submitted to me on 16/10.

Lang:

24.9.70

2 If SPW gets in touch with you on page 2, p. 324 (with Note 2, p. 325), please deal. (In this connection the relevant Exco. decision still needs to be extracted into the file. It could be p. 1 of the new volume.)

SPC Please Kiv for action on x | above

28/9

J.P. 2/3/9

Ministry of Defence Meeting of 22nd June 1970

Alginate Industries Limited. Camber Site (proposed rent from Navy)

1. Alginate Industries Requirements
  1. Site and buildings North of jetty (NOT oil tanks)
  2. Clearway for launch (staff to and from Stanley)
  3. Navy needs 3,000 sq. ft. for oil drum storage.
  4. East shed (with fire fighting equipment) not available from Navy.
  
2. Planning Permission
  1. Navy approval development/building plans necessary.
  2. Falkland Islands will also wish to be kept informed.
  
3. Lease Term
  1. 50 years in negotiation.
  2. Subject of royalties negotiation and re-negotiation at 5 year intervals.
  3. M.O.D. has no objection 50 year lease subject to review.
  
4. Electricity/Water
  1. Alginate Industries Limited put in own electrical gear and water.
  2. Murrell River available as source.
  3. No pollution. Drainage. Clear with M.O.H.
  4. If water pumped via Moody Brook, we may find Falkland Islands Government involved in cost sharing.
  
5. Maintenance
  1. A.I.L. would prefer to maintain wharf through F.I.C. and cost reflected through rent paid to M.O.D.
  2. F.I.C. retain responsibility for maintaining oil jetty, pipelines, etc.
  
6. Firefighting; emergency water supply; reservoirs
  1. Is present provision sufficient if A.I.L.'s plans come off?
  2. Clapp's view.
  3. The danger is only to drum oil etc. in coalshed area.
  
7. A.I.L. Fuel Offtake
  1. Their eventual offtake '77-8' could be over 12,000 tons.
  2. M.O.D. won't be able to continue to supply FIG/BAS except at ( uneconomic ) commercial prices.

22/6/70

8. Fuel Price

1. With 8 ? A.I.L. S. American oil ex Punta.
2. M.O.D. supplied oil about £20 per ton (1/8d per gall)

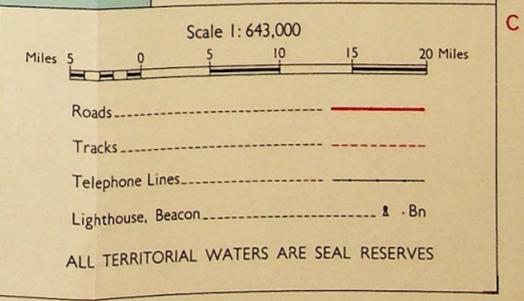
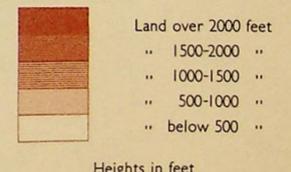
9. Resumed Rights

10. Restrictions

1. Indemnities (3rd party)
2. M.O.D. ability to refuel ships: and 5,000 gal. reserve.
3. 16 'labouring' staff. A.I.L. wished to know if any objection importing from S. America. Immigration legislation etc.

Next step. Royalties.

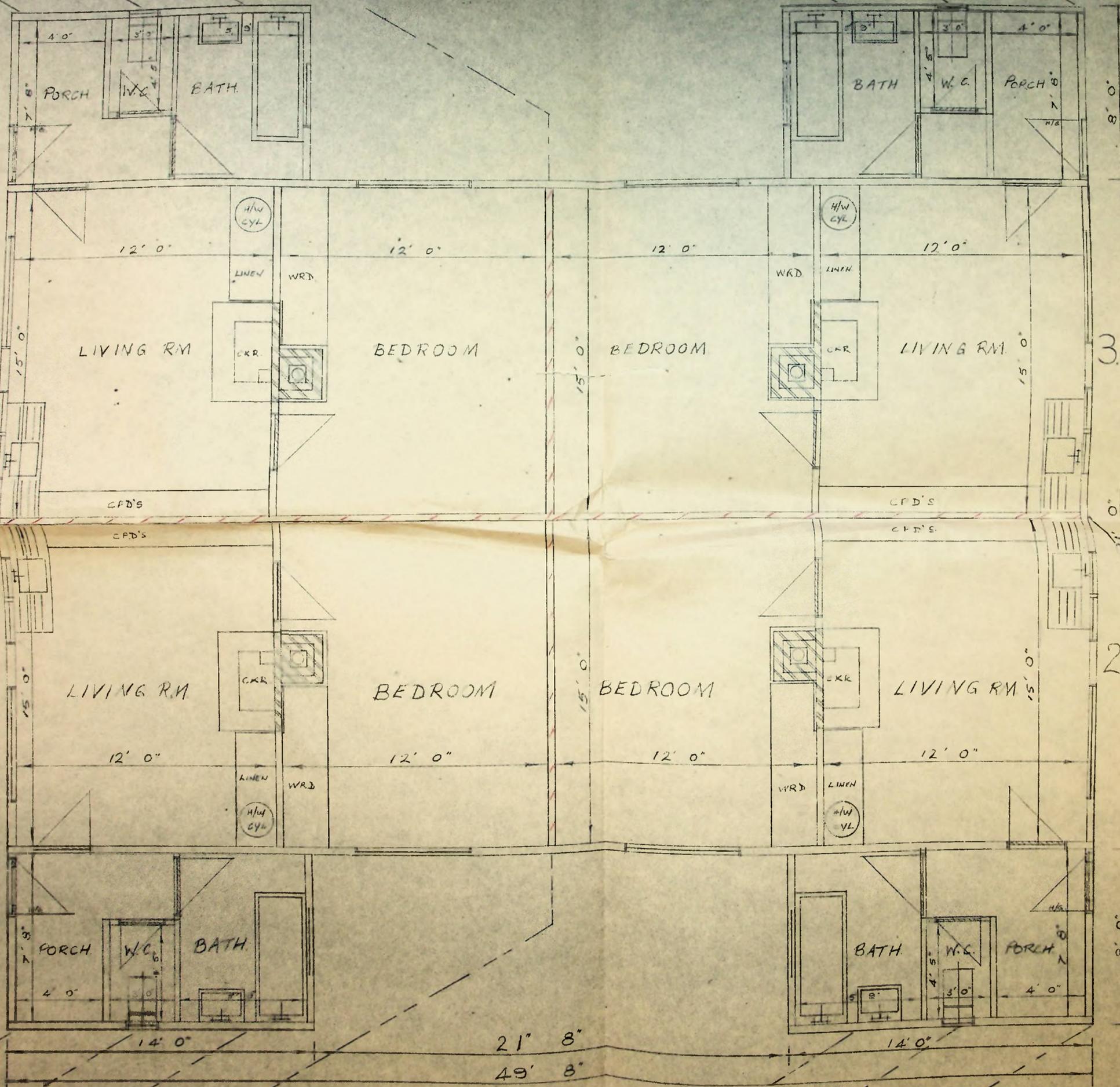
# FALKLAND ISLANDS



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PROPOSED  
BLOCK OF  
4 FLATS.

