

CONFIDENTIAL

29

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(80) 13th Meeting

COPY NO 56

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
WEDNESDAY 16 APRIL 1980 at 3.45 pm

PRESENT

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Peter Walker MP
Minister of Agriculture,
Fisheries and Food

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon John Biffen MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Ian Gilmour MP
Lord Privy Seal

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Humphrey Atkins MP
Secretary of State for
Northern Ireland

Earl of Mansfield
Minister of State
Scottish Office

Mr J R Ibbs
Central Policy
Review Staff

SECRETARIAT

Mr P Le Cheminant
Mr D J L Moore

SUBJECT

ENERGY PRICING SUBSIDIES: HORTICULTURE AND FISHING INDUSTRIES

CONFIDENTIAL

68

CONFIDENTIAL

CONFIDENTIAL

ENERGY PRICING SUBSIDIES: HORTICULTURE AND FISHING INDUSTRIES

The Committee considered memoranda by the Minister of Agriculture, Fisheries and Food (attached to his letter of 21 March to the Prime Minister) and by the Central Policy Review Staff (CPRS) (E(80) 35) on the case for new fuel subsidies for the horticulture and fishing industries.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the future of our horticultural and fishing industries was threatened by unfair competition from abroad. The Dutch provided natural gas at relatively low prices to their horticultural industry and the German Government, with the European Commission's approval, had introduced a temporary subsidy for fuel used in glasshouses to enable its growers to meet Dutch competition. The German Government was known to be considering a similar aid for its fishing industry. The French Government provided fuel-related subsidies to both horticulture and fishing and the Italians paid an operating subsidy based on fuel costs to Sicilian fishermen. Our industries were placed under a further competitive disadvantage by our national policy of charging full OPEC prices for North Sea oil and by the current strength of sterling. Both industries were suffering severely from foreign imports and both were made up of many small firms which could not easily diversify. There was a clear need, therefore, for short-term additional subsidies to them. The need was particularly pressing in the case of the fishing industry which might well collapse before a European common fisheries policy could be brought into effect.

MR IBBS said that the proposals had to be judged against the Government's general policies of refusing new industrial subsidies and of moving to full economic energy pricing. While the horticultural and fishing industries undoubtedly faced stiff competition, the CPRS were not persuaded that their problem was sufficiently severe to justify an exception to the general approach. In any case subsidies to fuel costs could be the thin end of the wedge: other industries, like textiles, could mount a very strong case for assistance with fuel costs and would seek to exploit any concessions given to the horticulture and fishing. In the circumstances the best course appeared to be to seek to reduce or eliminate the subsidies given by other countries rather than to match them by further subsidies of our own.

CONFIDENTIAL

29

31

33

35

37

39

4

4

15

17

19

21

23

25

27

69
80

CONFIDENTIAL

In discussion the following main points were made -

- a. It was unrealistic to suppose that the problems could be met either by import quotas or by seeking to persuade our European partners to reduce the level of subsidy they gave. We could not impose quotas on imports from our European partners and the new German subsidies for horticulture, been introduced with the express approval of the European Commission.
- b. If any new assistance were to be given it would be very important to avoid describing it as a subsidy to fuel costs. A concession in principle here could prove very expensive as well as be inconsistent with the attitude we had adopted in discussions of energy prices both within the European Community and with the United States of America.
- c. Both the horticulture and fishing industries already received substantial quantities of Government aid. It was by no means clear that further subsidies could be justified on their merits. The case for further help to the fishing industry was however probably stronger than that for further assistance to horticulture.
- d. If new subsidies were granted, on an ostensibly temporary basis, there would be a tendency for them to become institutionalised. It would be much harder to get rid of a subsidy, once conceded, than to refuse it in the first place.

THE PRIME MINISTER, summing up the discussion, said that the Committee were not persuaded of the case for further subsidies for the horticulture industry. They were more sympathetic to the problems which the fishing industry faced pending agreement on a common fisheries policy within the European Community. But Ministers had only very recently approved additional subsidies for fishing and there was no case for providing money for the purpose from the Contingencies Reserve. If however the Fisheries Ministers were able to find additional sums from within their existing Public Expenditure allocations and to devise means of passing these on to the fishing industry in ways which did not relate them specifically to fuel costs, the Committee would be prepared to endorse such action.

CONFIDENTIAL

CONFIDENTIAL

The Committee -

Invited the Minister of Agriculture, Fisheries and Food, and the Secretaries of State for Scotland, Wales and Northern Ireland, to consider whether they could make additional sums of money available to the fishing industry from within their present Public Expenditure allocations, and if so to agree with the Chief Secretary, Treasury the method by which such money could be made available to the fishing industry.

Cabinet Office

17 April 1980

CONFIDENTIAL