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Finance Dept  
Office of

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Lord Carrington PC KCMG MC  
Secretary of State  
Foreign & Commonwealth Office  
Downing Street  
London SW1A 2AL

29 March 1982

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FALKLAND ISLANDS

I have seen your undated minute (ref.PM/82/23) to the Prime Minister drawing attention to the possibility that the Argentines may cut off some or all of the essential services which they now provide for the Islands.

I have no objection to contingency planning for a sea service being carried forward on an urgent basis. However, I cannot agree that, in the event of the plans having to be implemented, such financial provision as may prove necessary should be found from the Contingency Reserve. I am conscious that the programmes for which you are responsible will total some £1.6 billion in the new financial year, and I find it hard to accept that the cost of a sea service for the Falklands (even if it were to exceed the £1.5 million annual cost of the service to St Helena as your officials expect) could not be accommodated within these programmes. Before 1982-83 has even begun, I should have thought there must be sufficient flexibility in your programmes to absorb relatively small claims of this kind.

If extra costs were incurred in order to keep Endurance in the Falklands (as proposed in your letter of 24 March to John Nott) these costs should be met without recourse to the Contingency Reserve.

I am copying this letter to the Prime Minister and other members of OD, to the Secretary of State for Energy, the Attorney-General and Sir Robert Armstrong.

LEON BRITTAN