

Prime Minister

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The situation is urgent. The oil price increase came on top of a series of other blows to the industry which are worse than that in itself. handling this difficult situation the several letters, issue?

Ref. A01621

Agree Despatch Armstrong's

PRIME MINISTER

Aid for the Fishing Industry

in the DESG (revisions) a modest sum. 13 is spent in not for me but I do know that the Government should be made very soon.

A —
B —
C —
D —

1. In his minute to you of 3 March the Secretary of State for Scotland makes a case for temporary financial assistance from the Government to the fishing industry. His case is supported by the Minister of Agriculture and the Secretary of State for Northern Ireland in their letters of 3 and 4 March and opposed by the Chief Secretary, Treasury, in his minute of 5 March.

2. The case rests on both economic and political grounds. As to the former it is argued that the total value of the United Kingdom catch was lower in 1979 than in 1978 (even in current price terms) while costs have been increasing, particularly fuel costs. The political argument set out in the fourth paragraph of the Minister of Agriculture's letter is that failure to act would cause the present leadership of the industry to be overturned by the militants, who would try to prevent a satisfactory outcome of the Common Fisheries Policy (CFP) negotiations. There is also the risk that Conservative backbenchers from the fishing constituencies would be alienated as these negotiations get closer to their crunch point.

3. The proposal advanced by the fisheries Ministers is that £3 million should be spent over the next six months or so, £2 million of which would be made available to producer organisations to spend at their discretion for a wide range of purposes. The remaining £1 million would be spent on a programme of exploratory voyages to investigate the viability of new fishing grounds and unfamiliar species. There is statutory cover for expenditure on exploratory voyages but aid paid to producer organisations is proposed to be covered only by the Appropriation Act. As to the source of these funds there is, as the Chief Secretary points out, £5 million in the Public Expenditure Survey for the Fisheries Departments but this sum was intended for restructuring when the CFP was settled.

Clear them very quickly and 4. Both types of expenditure would need to be cleared with the Commission under the procedure laid down in Article 93 of the Treaty of Rome. They would probably agree to expenditure on exploratory voyages, but aid to

producer organisations of the type envisaged might not conform to the Community's competition rules.

5. The Chief Secretary, Treasury, objects that the grounds on which the assistance is proposed to be given (high fuel costs, high interest rates, rising imports) apply to many other industries besides fisheries; that it is wrong to introduce, without proper Parliamentary authority, a novel type of aid to be administered by non-governmental bodies; that some of the purposes of the aid are inconsistent with aspects of Government policy towards sheepmeat and a possible Community scheme for restructuring the fishing industry; and that the proposal carries a serious risk of giving rise to pressure for further aid when the six months is up and the £3 million has been spent and of thus creating a charge on the Contingency Reserve.

6. It is clear that further work needs to be done before the issue is ripe for Ministerial decision. Since the Commission have the final say and rejection could be embarrassing to the Government, the Community implications need to be looked at carefully before even an informal approach is made to the Commission to see whether the scheme conforms to the competition rules of the treaty. We also need a fuller assessment of whether such a scheme would in fact be helpful in the context of re-negotiating the Common Fisheries Policy. Rather than buying time now, for example, it might be better (as the Chief Secretary's minute implies) to defer any Government aid until it can be used as a means of reconciling the industry to the less palatable aspects of a CFP settlement. And the financial and Parliamentary implications call for further study in the light of the Chief Secretary's objections.

7. In essence this is an application for industrial assistance and the right way to process it would be for it to go to E(EA). But for the reasons mentioned above I recommend that before then the financial and Community aspects of the proposal should be thoroughly explored by officials under Cabinet Office chairmanship with a remit to report to E(EA) within two weeks.



8. I attach a draft minute in this sense which your Private Secretary might send to the Private Secretary to the Secretary of State for Scotland.

R. Wright
P.P. ROBERT ARMSTRONG

6 March 1980



DRAFT MINUTE FROM MR ^{Lankestn} ~~ALEXANDER~~ TO MR ROBSON, PRIVATE SECRETARY TO
SECRETARY OF STATE FOR SCOTLAND

AID FOR THE FISHING INDUSTRY

The Prime Minister has considered your minute of 3 March proposing aid for the fishing industry, together with the Minister of Agriculture's letter of the same date, the letter of 4 March from the Secretary of State for Northern Ireland and the minute of 5 March from the Chief Secretary, Treasury.

2. She believes that the proposal, and in particular its financial and Community implications, needs to be further explored urgently by officials under Cabinet Office chairmanship, and that when their report is available the issue should go to E(EA) for early discussion. She has asked Sir Robert Armstrong to arrange accordingly.

3. I am sending copies of this minute to the Private Secretaries of the recipients of your Secretary of State's minute of 3 March, and to Ian Ellison.

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