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PRIME MINISTERAID FOR THE FISHING INDUSTRY

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PURPOSE OF MEETING

To decide whether further interim aid should be given to the United Kingdom fishing industry; if so, how much and for how long; and how to tackle the problem of compatibility with our Community obligations.

BACKGROUND

2. The Council of Ministers of the European Community has committed itself to reach agreement on the Common Fisheries Policy (CFP) by the end of the year. In April, the fishing industry was given £5m in Government aid, but are now pressing for substantial further help (£55m). The Minister of Agriculture and the Secretary of State for Scotland suggest £15m. The Treasury would prefer £10m and want the aid to last for the rest of the financial year (ie until end March 1981 rather than end December 1980). The argument would be that, even if agreement on the CFP is reached before the end of the year, Community finance for buying-out redundant deep-sea vessels is unlikely to come through immediately.

3. Under Article 93 of the Treaty of Rome, Member States are required to notify the Commission of any plan to grant or alter aid in sufficient time to enable the Commission to comment before it is implemented. If the Commission finds the aid incompatible with the common market, it may decide that the aid should be altered or abolished. If the member state does not comply with such a decision, the Commission may refer the matter to the European Court of Justice. If the case were treated as urgent, a ruling might be given within 4 weeks of the commencement of proceedings in the Court. Since Article 93 is directly applicable in the United Kingdom, an aggrieved party could also conceivably seek a declaration in our own courts that an aid was unlawful and void. An adverse ruling from either the European Court or our own courts might require that the aid be abolished and any sums already paid be recovered.

4. Fisheries Ministers admit (paragraph 7 of the paper) that the aid proposed would be incompatible with Community rules, but are relying on an assurance given to the Minister of Agriculture by Commissioner Gundelach that he would not make trouble over the proposed aid (record of conversation attached). Commissioner Gundelach hints that as a quid pro quo he would expect us to be helpful to the Germans over the fisheries negotiations with Canada which would allow more Canadian fish imports into our market in return for fishing opportunities mainly of benefit to the Germans in Canadian waters. Whether Gundelach can be relied upon remains to be seen. He will almost certainly not be able to prevent the Commission taking proceedings against us (they have already done so in respect of part of the aid we gave in April to support withdrawal prices for fish) but he may be able to slow the process down. We shall also look for help from the British Commissioners.

HANDLING

5. You will wish to invite the Minister of Agriculture to introduce the joint memorandum. Has the Secretary of State for Scotland anything to add?

Principal of Aid

6. There will probably be general agreement that for economic and political reasons the fishing industry should be given a quick cash injection to tide it over the crucial phase of the CFP negotiations provided it can be done in a way which distinguishes fishing from other industries in trouble which the Government does not intend to help. The combination of factors described in paragraph 1 of the paper produce a special case; but (as already agreed by E Committee) the subsidy should not be described as compensation for high energy costs, nor take the form of interest relief grant for which other industries have made an equally good case.

Quantity and Duration of Aid

7. Neither £10 nor £15m has any precise justification: it should be possible to find a compromise. The Chancellor might accept the higher figure if it is clearly understood that it covers the remainder of the financial year and the Fisheries Ministers agree to meet part of it (say £2-5m) out of their cash limits,

including a disputed £0.9m for the cost of a fisheries protection vessel. The situation should be reviewed in November if by then it looks at all likely that the CFP will not be settled by the end of the year.

Form of Aid and Compatibility with Community Rules

8. The Lord Privy Seal may wish to argue that we should not embark on a course so exposed to challenge under Community law and that we cannot rely on Commissioner Gundelach's assurances. The Attorney-General will no doubt confirm the legal risk. The Lord Privy Seal may suggest that an employment premium would be less vulnerable to challenge, but could it be confined to the fishing industry? The Fisheries Ministers may argue that it would be more complicated than payment by boat. If necessary, officials could examine urgently.

9. The Chancellor of the Exchequer may argue that payments should be adjusted to vessel age as well as vessel size, on the grounds that it is in the industry's long-term interests to give more help to the newer and more efficient vessels which also carry a heavier interest burden. This form of differentiation might also make it easier for the Commission and should therefore be supported.

Procedure

10. The Secretary of State for Scotland will emphasise the importance of an early announcement in view of the unrest in the Scottish fishing fleet. A Commons debate on the CFP has now been fixed for after 10 pm on Tuesday, 5 August, but the Commission should be given advance warning of any announcement. They must be properly notified of the details as soon as they have been settled.

CONCLUSION

11. You may be able to sum up that the Committee agrees that -

i. In spite of the risk of legal challenge, a cash injection of £15m to the fishing industry should be granted. But it must last them for the rest of the financial year and Fisheries Ministers should make some contribution (say £2-3m) from within their existing cash limits. If by November it is clear that a CFP will not be agreed by the end-year dealing, contingency planning for the future of the fishing fleet should be put in hand.



ii. An outline announcement about the aid should be made on 5 August, after prior warning to the Commission.

iii. Notification of the details of the scheme should be made to the Commission as soon as officials have worked them out, including any suggestions to reduce the legal risk of challenge under Community law.

ROBERT ARMSTRONG

1 August 1980