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PRIME MINISTER

AID FOR THE FISHING INDUSTRY

As you will know, the fishing industry is passing through a period of great difficulty. It is having to adjust to reduced fishing opportunities and it is apprehensive about the future because of our continuing difficulties in the CFP negotiations. More immediately, however, it is suffering from a very severe squeeze on its profitability, which is threatening the ability of many boats to remain in business.

I believe strongly - and Peter Walker shares my view - that if we are to retain their confidence, the industry must be given some Government aid over the coming months. You will remember that this view was also expressed very forcefully from all sides of the House in the fisheries debate on 14 February.

The arguments are both economic and political. As the attached paper by officials shows, the total value of the UK catch in 1979 is estimated at £253m compared with £255m in 1978. In real terms this represented a significant reduction. At the same time as gross earnings have been declining, costs have been increasing. The rise in fuel costs, which constitute some 25% of a boat's operating costs, has hit the fishing industry especially hard. They have also suffered more seriously than their EEC competitors from high inflation rates generally and from high interest rates. This latter factor is particularly relevant since many fishermen have taken on heavy commitments on new or improved boats in recent years. Some owners are suspending operations meantime in the hope that the situation will improve: others are being forced out of the industry altogether. Our fishermen also complain, and our enquiries tend to bear them out, that their competitors in other EEC countries and elsewhere are being subsidised to a considerable extent. We know, for example, that the French and Italians are paying a fuel subsidy and the Germans last week obtained the approval of the Commission to do the same.

The political arguments for making some temporary aid available to the industry seem to me even stronger. Scottish fishermen

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in particular are in militant mood. The more responsible of their leaders have so far been able to hold off any precipitate action by the militants by telling them that the Government are urgently considering the case they have made for aid. But time is running out. A second mass meeting of fishermen similar to that held recently at Peterhead is being arranged for 15 March to consider what action they should take.

A further complication is that the SNP who are strongly represented among the rank and file, are stirring the situation up and are gunning for the present leadership as well as for the Government.

There is a very real danger that if we do nothing to help the industry in its difficulties, the responsible leaders will lose out to the extremists. This would increase the risk of some serious action being taken such as a blockade of the ports against imports. Even more importantly, it would destroy the close collaboration which we have always enjoyed with the present leaders of the industry in seeking to negotiate realistic solutions to our CFP difficulties. We are as you know at a particularly delicate stage in the negotiations and it would be highly damaging if we were now to lose the confidence of the fishing industry which we have all along been so careful to nurture.

Both the Chief Whip and the Scottish Whip have reported to me that our backbenchers in the North-East of Scotland are deeply disturbed. Whilst most fishermen acknowledge our efforts in relation to the renegotiation of the Common Fisheries Policy, many fear that we may abandon them to financial disaster in the meantime. Some of these views have been put to you directly.

For all of these reasons, Peter Walker and I consider that some money should be injected quickly into the industry to help it through the next 6 months or so. We hope that by the end of that period, we may have achieved a breakthrough in the CFP negotiations and also that the current marketing difficulties might have lessened. As you will see from the attached paper we have in mind a relatively small amount of up to £3m. Out of this we envisage that about £2m should be made available to the producer organisations to spend at their discretion for a range of purposes. This would aim to give maximum scope for local variation in the way in which the money is spent. A further £1m would be used to fund exploratory voyages. We will, of course, have to ensure that the EEC Commission do not object to our taking such action on a strictly temporary basis but, given their own desire for a settlement of the Common Fisheries Policy, we would hope that they would not raise difficulties. The funding of the measures we are suggesting will, of course, have to be considered further but I am hopeful that ways can be found round this difficulty.

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I hope that you agree with us on the need to make a political gesture to the fishing industry at this particularly difficult time and on the suitability of the measures we are proposing. We would, of course, be ready to discuss this further with you or with colleagues if you wish.

I am copying this letter to Peter Walker, Peter Carrington, Nicholas Edwards, Humphrey Atkins, John Biffen and Robert Armstrong.

G.Y.

3 MARCH 1980

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AID FOR THE FISHING INDUSTRY

NOTE BY OFFICIALS OF THE MINISTRY OF AGRICULTURE, FISHERIES
AND FOOD AND THE DEPARTMENT OF AGRICULTURE AND FISHERIES FOR
SCOTLAND

Economic Position of Industry

- compared with
1. The total value of the UK catch in 1979 is estimated to have been £253m/£255m in 1978, a sharp fall in real terms. The position has deteriorated rapidly and markedly in the last month or two. For example, in January, first-hand prices in the six major ports in England and Wales for both cod and haddock were about £100 a tonne (16%) below 1979 levels while plaice prices were no higher than in the previous year. Prices have fallen even lower in February.
 2. Meantime costs have been increasing. The industry's main costs, other than labour, are fuel and interest charges. Increases in fuel costs, some 25% of a boat's operating costs, have hit the fishing industry especially hard. We also have the highest interest rates in Europe. This is particularly significant to the many inshore fishermen who have taken on heavy commitments in recent years. The UK fishing industry has also suffered more seriously than its EEC competitors from high inflation rates generally. As a result some owners are suspending operations: others have been forced out of the industry altogether.
 3. At the same time imports have been rising. Between 1977 and 1979 imports of the main demersal species increased by 130,000 tonnes (45%). The present strength of sterling only serves to increase the attractiveness of our market, enabling overseas suppliers to take lower prices than they otherwise might have done, whilst preserving the value of their returns in their own currencies. Within the total, imports from other EEC countries have virtually doubled over the last two years. This is a particular cause for concern since, as our fishermen point out, their competitors in other EEC countries, and elsewhere, are benefiting from operating subsidies - for example the French, Italians and Germans are all paying substantial fuel subsidies. Moreover, it is maintained that we are applying conservation policies much more stringently than most other EEC countries, again putting our fishermen at a competitive disadvantage.
 4. The political arguments for making some temporary aid available to the industry are very strong. At the present particularly delicate stage in the CFP negotiations, the UK cannot afford to lose the confidence of the UK fishing industry by failing to respond to the pressure which has come from the industry, supported by all sides of Parliament, for a short-run scheme of aid to help them through their immediate difficulties. What is needed is an aid programme over the next few months while the CFP negotiations are at a critical stage.
 5. If nothing is done for the industry, there is a real risk that the present relatively responsible leaders will lose out to the extremists. This would increase the likelihood of direct action (the possibility of a blockade of the ports against imports has been suggested). The ousting of

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the present leaders could more importantly destroy the basis on which we have been working with the industry towards an acceptable settlement of the CFP negotiations.

Proposed Measures

6. It is therefore proposed to give financial aid, totalling £3 million over a period of six months or so, to the UK fishing industry. Of this sum £1 million would be made available for exploratory voyages and £2 million in the form of financial support to Producer Organisations (FPOs).

(a) Exploratory Voyages

7. A programme of exploratory voyages is being designed with the special needs of the deep-water fleets (principally based on Grimsby and Fleetwood) and of the middle-water fleet (principally based in Aberdeen) in mind. In addition to providing aid for these hard-pressed sectors of the industry, it would also produce scientific evidence which should prove useful in the longer term. This money would be spent in such a way as to help to secure that the package as a whole achieves equitable coverage on geographical grounds and between different sectors of the fleet. Exploratory voyages are a well-precedented means of injecting money into the industry and should be acceptable to the EEC Commission.

(b) Aid to Producer Organisations

8. It is proposed that the sum of up to £2 million be made available to FPOs over the period 1 April to 30 September 1980 in the form of non-recurring grants for a range of eligible purposes. Grants would be made to FPOs in proportion to their share of the fishing effort. It would be open to each FPO to allocate these funds at its own discretion to any or all of the eligible forms of expenditure, which would include a proportion of the cost of supporting market prices through the withdrawal price system, payment of dock, harbour and landing dues, temporary laying up premiums and programmes to improve the grading and handling of fish.

9. It must be acknowledged that there would be problems in this approach.

Full and direct coverage of the industry would not necessarily be complete if those fishermen who are not presently members of FPOs chose, for whatever reason, to stay outside. But even they should benefit indirectly from any sensible action taken by FPOs to firm up the market. It could pose a strain on the administrative resources of some of the FPOs. And control over expenditure might not be quite as complete as it would be with an aid scheme administered directly by Departments. But these objections have to be set against the need to act quickly. We see no alternative to using the FPO structure if quick action is to be taken.

10. The course proposed could indeed have significant advantages. The aid would be channelled through organisations which were set up under the Community's Marketing Regulations and their status would be enhanced. This could help in the task of persuading the Commission to accept the aid programme. It would also avoid any need to increase Departments' staffs. Most importantly it would recognise that the industry's current problems vary from one sector to another and from one region to another. This was

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reflected in the wide range of proposals for giving aid which have been put to Fisheries Ministers in recent weeks. By allowing the Producer Organisations to choose between specified alternatives, the Government would ensure flexibility of approach and would permit those involved in the day-to-day working of the industry to decide what is right in their own local circumstances.

11. There is no specific statutory authority for the proposed producer aid scheme. If it is agreed, the expenditure would rest on the authority of the Appropriation Act. The proposed exploratory voyages can be funded using existing powers.



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