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MR. LANKESTER

Yes not

Prime Minister

Agree that this matter
be processed through
the Official Committee on
European Fisheries Questions
and then through E ?
TL 22/7

Problems of the Fishing Industry (see last page)

Your letter of 16th July records the Prime Minister's agreement that in the first instance officials of the Treasury and of the Fisheries Departments should discuss the Minister of Agriculture's proposal to give the fishing industry a further £15 million of temporary financial assistance. When E Committee discussed fuel subsidies to horticulture and fisheries on 16th April, it was agreed that the Minister of Agriculture could present proposals for aid to the fishing industry going beyond the £3 million originally agreed, provided the aid was not related to the price of fuel and that it was met from within his public expenditure allocation.

2. As with the original £3 million agreed last March, the Minister's case rests on both economic and political grounds. The economic case is that gross earnings from fishing have so far this year been lower than in 1979, that fish prices are depressed and that fuel costs and interest charges in particular have risen sharply. The political argument is that, without extra aid, the industry may withdraw its backing for the Government's approach to the forthcoming negotiations on the Common Fisheries Policy and the Government may lose ground to the Scottish Nationalists and the Opposition parties. The Chief Secretary does not contest the political case, but implies that the Minister's proposal and its financial implications, have not been fully worked out.

3. It is clearly essential that officials should get together urgently to examine the economic case for further financial help and how any such aid would be best deployed in order to achieve the Government's objectives. It will also be necessary to ensure that it would be compatible with our Community obligations. As the Prime Minister knows (Mr. Alexander's letter of 1st July to Mr. Waters) the Fisheries Ministers also have in mind that the deep sea fleet will need financial help from the Community for restructuring as part of the eventual settlement on the Common Fisheries Policy. The Commission are expected to make new proposals shortly and these will have to be evaluated. It will be some

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time before we shall know exactly what to go for and what may prove in the end to be negotiable. Decisions on possible short term aid will therefore probably have to be taken without knowing precisely what the public expenditure implications of any eventual Community settlement might be. At the meeting on 1st July, the Prime Minister took the view that any help for the deep sea fleet should be paid for by the Community, even if that proved to be negotiable it would still have some public expenditure implications through the effect on our net contribution to the Budget under the risk sharing formula. Ministers should at least be able to see how any further temporary assistance would fit into future plans for Community restructuring.

4. Your letter to Mr. Waters says that, after Treasury and Fisheries Departments' officials have met, it can then be decided how the matter should be taken further. I would propose that the Official Committee on European Fisheries Questions (EQF) should urgently prepare a report. The initial £3 million aid was decided by E(EA) Committee, although (as I have mentioned) there was a subsequent discussion in E. Given that the political arguments are now so closely bound up with continuing to carry the industry with us in the difficult CFP negotiations, the Prime Minister may feel that it should come to E Committee under her chairmanship and with the Foreign and Commonwealth Secretary attending.

Amend

REA

(Robert Armstrong)

21st July, 1980