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MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

AID FOR THE FISHING INDUSTRY

Joint Memorandum by the Minister of Agriculture, Fisheries
and Food and the Secretary of State for Scotland

1. Information supplied by the fishing industry to us and to the other Fisheries Ministers over recent weeks illustrates quite clearly that all sectors of the catching industry are in serious financial difficulties. The immediate causes are high operating costs, depressed prices for fish reflecting competition from imports attracted by the strong Pound, and restraint on fishing as a consequence of our strict conservation policies.

2. The political pressure for action is very strong. The industry's well publicised case for aid has won sympathy on all sides of the House and in the media. We will lose the support of the industry if we do not respond adequately and quickly to their requests. We cannot hope to carry through the very delicate negotiations on the Common Fisheries Policy which are due over the next few months against the background of a disaffected industry. How close we are to this situation was shown by the recent serious unrest at Peterhead which led to a significant part of the Scottish fleet being tied up in protest.

3. The organisations representing the industry - with whom we must continue to be able to work and whose responsible attitude played a large part in getting the Scottish inshore fleet back to sea - have made a case for aid amounting to £35 million over the six months ending in December. With the support of the other Fisheries Ministers we have suggested that we should provide £15 million for that period.

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4. Discussion between officials has produced agreement that the economic and political case for aid is sound. The Chief Secretary has, however, said that he believes that we should pay only £10 million and that this should cover the remaining nine months of this financial year. We understand his concern but reaffirm our judgement that £15 million is the minimum needed.

5. As to the form which the aid might take, our main aim has been to find a simple way of getting money to the industry quickly, both to ease its cash flow problems and to reduce the political temperature. We believe that these aims could best be achieved by making payments to vessel owners, at a flat rate graduated by vessel size, where it can be shown that the vessel had fished up to a minimum level over a period and was, at the time the claim was made, available for fishing.

6. Although the details of this scheme need further work by officials we believe that we must make a statement of intent to aid the industry at the earliest possible moment. Further meetings of fishermen have been called for 8 and 9 August to consider action such as blockading the ports. There is to be a debate on the CFP before the recess. The debate on the Consolidated Fund provides another opportunity to probe our attitude. We must be able to make adequate response.

7. An operating subsidy of the kind we have in mind should be welcomed by our industry. But it is incompatible with the Community's rules on state aids. We have considered all the alternatives but were unable to find one which was compatible and met our domestic political needs. We might have been able to secure formal Commission agreement to a fuel subsidy or to interest relief grants, which the industry have asked for. But these had to be ruled out as inconsistent with our general economic policies. Other schemes which the Commission could

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readily endorse and which no other Member State could criticise such as grants for scrapping or laying up boats are inappropriate to our immediate problem. These must be put on one side until they can be introduced as part of a structural policy for the Community as a whole which will be part funded from the Community budget.

8. Because we were conscious of the risk of criticism from the Commission and perhaps from other Member States which could result in legal action against us, Peter Walker has spoken to Gundelach, explained our political problem and outlined the course of action we are recommending. Gundelach said that he understood the position and that there would be no problem from the Commission side.

9. CONCLUSION

We therefore seek agreement that

- (i) we should allocate £15 million for new temporary aid for the fishing industry from the contingency reserve and increase Fisheries Departments' cash limits by the same amount;
- (ii) this decision should be announced on Tuesday 5 August; and
- (iii) we should follow up Peter Walker's conversation with Gundelach by notifying the Commission formally of our intentions on the day before the detailed scheme is published.

P W

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Ministry of Agriculture, Fisheries and Food
31 July 1980

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