



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

MS
cc Mr Hoskyns
Mr White

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

Prime Minister

I am sure we need
a proper paper for E
Committee before decisions
can be taken on
// July 1980 these proposals.

Shall I commission?

R. B. ...

PROBLEMS OF THE FISHING INDUSTRY

George Younger and I are deeply concerned about the deterioration in the economic situation of the fishing industry and its implications for our future relations with this industry. The economic and political picture is very bleak.

Since 1 January 63 out of the 225 largest vessels fishing out of our major ports are known to have been laid up.

Gross earnings from fishing in the first four months of the year were about £62 million. This is 5% less than in the same period in 1979. In part this reflects our decision to control mackerel fishing for conservation purposes. But the main factor was prices which were and are still very depressed. For example, cod prices in May were 13% down on 1979 levels.

At the same time all costs have risen sharply. At today's prices the industry's fuel bill is running at just over £1 million a week. Last June the same amount of fuel cost about £600,000. Interest charges are running at the rate of some £14-15 million a year, about 40% more than in 1979. Fuel costs and interest charges constitute a particularly high proportion of this industry's costs. The effects of the current cost/price squeeze were brought out starkly in papers which the industry recently prepared at our request. The BFF, for example, estimate that their members, who operate the larger vessels in our fleet, are, on average, currently losing money at the rate of over £5000 a week for every vessel, without taking into account interest charges on capital employed.

Representative figures provided to us by the smaller enterprises in the industry show clearly that they too are very hard pressed. Although the recorded losses may be only of the order of a few hundred pounds a week, these are very large sums for what are essentially small family businesses to bear. Every new loss means a new burden of debt and interest.

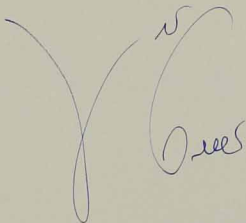
The £3 million aid programme we introduced in April has helped. But it has not been enough to hold a sharply deteriorating position.

The pressure from the industry for new assistance is both strong and well supported on both sides of the House. Our main concern is with the political effect of failing to act quickly to relieve these pressures.

The industry have stayed in sympathy with us in spite of all the difficulties, but we must recognise that they are now at the end of their tether. We are in danger of losing their backing and this could have wide repercussions. We cannot hope to carry through the very delicate negotiations on the Common Fisheries Policy which are due in the next few months against the background of a disaffected industry. In wider political terms, we cannot afford to lose sympathy on this issue, not only in the North-East of Scotland, where the Nationalists are ready and eager to capitalise on any weakness, but also more generally, since the fishing issue has received very wide and sympathetic attention in the House and in the national media.

The industry claim publicly that they have made a case for aid in the order of £35 million for the second half of this year. We do not recommend meeting this figure. But we do believe that it would be right to provide some £15 million of further aid over the next 5-6 months. It would be necessary to call on the contingency reserve for this sum and to increase Departments' cash limits by the same amount. In our judgement, expenditure of this order would be sufficient to sustain the industry until the CFP negotiations have been completed when some, at least, of the uncertainties which at present make it impossible for the industry sensibly to plan its future have been removed and finance for restructuring should be available.

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

A large, stylized handwritten signature in blue ink, consisting of a large loop on the left and a more complex, scribbled shape on the right.

PETER WALKER