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PRIME MINISTER

Aid for the Fishing Industry
(E(81) 35)

BACKGROUND

At their meeting on 5th February the Cabinet invited the Minister of Agriculture and the Secretary of State for Scotland to review the financial state of the fishing industry and to report to E Committee on the case for further Government assistance (CC(81) 5th Conclusions, Minute 3). All four of the Agriculture Ministers have joined in putting forward the present proposals in E(81) 35.

2. In summing up the discussion on 5th February, you said that the Cabinet agreed that it was necessary to give some immediate indication of the Government's concern over the plight of the fishing industry. As a result the Minister of Agriculture announced that day that:-

"When the Government last provided aid to the industry it undertook to review the financial position of the industry at the end of March. In view, however, of recent developments affecting the returns of the fishing industry, I have decided to bring this review forward and have asked the leaders of the industry to enter discussions with me to analyse the current situation."

The substance of this statement, which took the form of a Press Notice, was repeated in a statement in the House on 12th February. It follows that, while the Government is not committed to any specific assistance, there is a presumption that something will be offered.

3. The present paper reports the outcome of the discussions with the industry. Although the figures are highly uncertain, it seems that the industry's cash outflow, net of subsidies, was around £30 million in 1980 (paragraph 3 of E(81) 35) and that the net figure in the first six months of 1981 will be around £26 million (paragraph 4).

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4. The Agriculture Ministers accordingly recommend subsidies totalling £25 million in cash, coming entirely from the Contingency Reserve. These would be made up of £20 million for a Fishing Vessel Support Scheme on the lines of that introduced last August and £5 million as a fuel subsidy.

5. These subsidies would be additional to the proposed community-funded restructuring programme which might be worth around £20 million to the United Kingdom in 1981. This programme would apply to only a small part of the present fishing fleet and would be directed to a different purpose from the general operating subsidy now in mind.

HANDLING

6. After the Minister of Agriculture has introduced the paper, you will wish to give the Secretaries of State for Scotland and Northern Ireland and Mr. Wynn Roberts, who is representing the Secretary of State for Wales, an opportunity to comment. You might then invite the Chancellor of the Exchequer to comment on the financial implications and the Foreign and Commonwealth Secretary on any Community implications and, in particular, on the relevance to the current discussions on Common Fisheries Policy.

7. The main questions for discussion seem to be:-

- (i) Should the subsidy be as much as £25 million?
- (ii) To what extent should this, or any lesser sum, be accepted as claim on the Contingency Reserve?

The Chancellor of the Exchequer may well argue for some offsetting saving.

- (iii) Should some of whatever total assistance is agreed take the form of a fuel subsidy?

The Chancellor of the Exchequer may prefer the whole of it to be paid under the Fishing Vessel Support Scheme in order to avoid encouraging other industries to put in similar claims (he is currently in correspondence with the Minister of Agriculture on a proposal for a fuel subsidy for the glasshouse sector of the horticulture industry).

Chancellor's
negative reply
in this folder

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- (iv) Can the Minister of Agriculture confirm that he intends to notify the Commission of the proposed aids?

Last time he cleared them informally with the then

Commissioner and formally notified the Commission just before his public announcement.

- (v) When will the announcement of the new aids be made?

The European Council has now decided that a further attempt should be made to settle a CFP package at a resumed Fisheries Council on Friday, 27th March. It might be wise to defer any announcement of the proposed aids until the outcome of that Council is known and then, if a settlement is reached, to use the aids as part of the sweetening process that will be necessary to gain acceptance for the package in the United Kingdom. If, however, the Council breaks down without agreement, the case for national aids will be stronger and an early announcement could be appropriate.

CONCLUSIONS

8. In the light of the discussion you will wish to record conclusions on:-

- (a) the total of the cash subsidy to be given to the industry and the extent to which this sum will be found from the Contingency Reserve rather than from offsetting savings;
- (b) what part, if any, of the total should take the form of a fuel subsidy;
- (c) the timing of the announcement, with reference to the further discussions of the Common Fisheries Policy;
- (d) any points on informing the Commission of the proposed aids.

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(Robert Armstrong)

25th March 1981