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Prime Minister

You may like to raise in OD (FAF) on Tuesday. Subject to agreement there you could make an announcement at Question-Time on Thursday.

A.J.C. 19/7



PM/82/60
PRIME MINISTER

Falkland Islands: Compensation for Civilian Losses

1. I have been considering the question of compensating civilians and civil bodies for damage to property and possessions caused by the Argentine invasion and occupation. We now have the first assessment by the Civil Commissioner that damage has been extensive; and that the Islanders will expect full and early compensation to be paid by HMG. I am sure that he is correct on this last point and that public opinion here will take the same view. You will recall that you confirmed in the House on 15 June that "It is our intention to be generous in these matters".
2. Officials of the Departments concerned are already working out the details of a compensation scheme and the results will be reported to OD(FAF). But it will take some time to finalise what will be complex arrangements. I think that we need to announce our decision in principle very shortly. You might like to do this during an exchange at Question Time; if so, officials can provide an agreed text.
3. We should do what we can to avoid creating a new bureaucracy to handle this matter. So far as is possible, I believe we should utilise existing expertise, particularly that which the MOD will have in the Falklands. Officials will be working on details as part of the arrangements at paragraph 2 above.
4. It is impossible to give any realistic estimate of the likely cost at this stage. The Civil Commissioner's best estimate is that private individuals might be in a position to claim at least

/£12m.

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£12m. Whilst this seems high, we are in no position to question the estimate at this stage. And much will, of course, depend on the exact terms of the scheme. There is no provision for compensation in the programmes under my control and I am unable to identify offsetting savings elsewhere. If, therefore, we agree now that civil compensation is to be paid, it must be clearly understood that I shall have no alternative but to approach the Treasury in due course to seek new money.

5. Since payments will not begin in the near future, the question arises whether some relief operation may be needed in the meantime. We have had no request from the Civil Commissioner on this but it is clear from letters from the Islanders to their families here that there is some financial distress. Fortunately, the Falklands Appeal is anxious to operate soon in this area. Their funds stand at only about £50,000 and I believe that we should consider augmenting them by transferring a small part - perhaps £½m - of the generous £5m donation that Jersey has offered to HMG to assist with the costs of recovering and re-establishment of the Islands. The Civil Commissioner is, of course, a Trustee of the Appeal and I have no doubt that any activity in the relief area would be properly managed.

6. I am copying this minute to OD(FAF) colleagues and to Sir Robert Armstrong.

(FRANCIS PYM)

Foreign and Commonwealth Office
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