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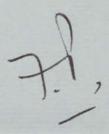
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PRIME MINISTER

Mr Cranley Onslow's Visit to the Falkland Islands: 3-8 October

- 1. You may be interested to see a copy of Cranley Onslow's report to me following his recent visit to the Falkland Islands. I mentioned this in Cabinet on 14 October.
 - 2. We still await the Islanders' own reaction to the Shackleton Report and, as Cranley himself stresses, it would be premature to take final decisions on the major issues until this is available. But I should say that I find his views convincing and sensible and believe that, coming as they do from recent first-hand knowledge, they should be given all due weight.
 - 3. I am copying this to the other members of OD(FAF) and to Sir R Armstrong.



(FRANCIS PYM)

Foreign and Commonwealth Office

18 October, 1982

Secretary of State

SHACKLETON REPORT : COMMENTS ON RECOMMENDATIONS

Falkland Islands Development Agency (FIDA) (2.9)

- 1. I am in principle in favour of setting up a FIDA. But I have considerable reservations about the paternalistic role that Shackleton assumes it should play. I nope that it would be possible to rely rather more on individual initiative and private enterprise to bring change to the Islands: I would not, for instance, wish to see FIDA regarded as an exclusive source of advice or funding, to the exclusion of the Standard Chartered Bank (which will shortly be opening in Stanley). We must be clear what we want it to do, and for this reason I strongly endorse Shackleton's caveat (2.9.5) that a careful study be prepared of the optimum capital structure and financing of the FIDA before we move ahead.
- 2. I see no need for a FIDA office in London. The Falkland Islands Government Office shortly to be established here can perfectly well take care of any FIDA responsibilities on a repayment basis.

Transfer of Farm Ownership (2.10)

- 3. I doubt whether the takeover and splitting up of absentee-owned farms would have the effects that Shackleton envisages. This is an emotive issue in the Islands. Clearly there is room for improvement in the pattern of farm ownership. Equally clearly, some of the younger and more talented farm managers, who form the backbone of the community, must be given a chance to own their own land: otherwise, many of them will leave and the Islands will lose men on whom the future critically depends. But Shackleton appears to have confused two objectives: preventing the remittances of profits out of the Islands by absentee landlords; and encouraging the growth of population on the land. And, in doing so, he has recommended a way forward which is likely to create problems of its own without necessarily fulfilling either purpose satisfactorily.
- 4. The problem of overseas remittances could more easily and equitably be dealt with by imposing a tax which would make the exercise unprofitable. This would hit the absentee landlords who have been soaking the Islands for years, while leaving the better absentee landlords (among whom I would include the FIC) who have been ploughing profits back relatively unscathed. This is a matter for the Islanders themselves to pursue, but I have left this thought with them.

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- 5. On the second objective, having discussed the matter extensively with the Islanders, I am clear that breaking up the big farms will not lead to an increase of population on the land. Rather, the reverse. Those farms which have already been split up now provide employment for less people than they did before, and this pattern seems bound to continue, with owners dispensing with farm labour and running the show single-handed themselves.
- 6. It follows that any population increase will have to be sought outside the farming sector, eg through the setting up of service and other small industries in the main population centres. (On which see paras 11-14 below.)
- 7. These fundamental objectives apart, there are practical problems associated with the implementation of Shackleton's recommendations. The legal basis for compulsory purchasing of farms would have to be carefully looked into; and we would need to be sure that there were in fact enough takers for the plots that would become available. Putting the land into FIDA's hands for an indefinite period would solve nothing.
- In sum, there is scope for restructuring the farming sector, albeit for reasons other than those advanced by Shackleton. But it should be approached piecemeal and on a pragmatic basis, bearing in mind the limited extent of likely Islander demand. It should be possible on this basis to proceed by mutual agreement, buying up farms (or assisting individuals to do so) as they become available, without resort to compulsory purchase. As part of this process, some thought should be given to the possibility of the Falkland Islands Government retaining suitable sites for the setting up of population centres outside Stanley, for preference co-located with and catering for the needs of the garrison, and to splitting up land near Stanley into much smaller plots than envisaged by Shackleton (eg 50 acres) which would be suitable for market gardening (see also paras 26-27 below). It follows that we should not proceed with Shackleton's recommendation (2.10.3) to purchase all farms owned by absentee landlords as soon as is practically feasible.

Development (2.11)

- 9. Agriculture (2.11.1). The recommendations in this sector all seem sensible, and I would support them. In particular, I hope the introduction of a farm subsidy scheme can go ahead at an early date.
- 10. Fisheries (2.11.2). I am in favour of implementing the recommendations relating to coastal fisheries with all speed. I see no reason why we should not move ahead with

/the salmon

the salmon ranching pilot scheme straight away. The recommendations on offshore fisheries on the Patagonian shelf on the other hand are all dependant on the introduction of a 200-mile economic zone around the Falklands. Apart from the political considerations, it is not clear to me how we would enforce this. If, however, satisfactory ways can be found to get around this problem, I would be in favour of implementing them also. In the long term, I suspect that the main bonus to the Islands is likely to accrue from fishing for krill in the Southern Ocean. This should be looked at again, with further thought being given to the use of krill in processed form for animal feed rather than directly for human consumption.

- 11. Tourism (2.11.3). I am sure we should press ahead with encouraging tourism based on visits by tour ships. But I see no imminent prospect of an external air service being established which would be sufficiently attractive to persuade tourists to come to the Islands by this means, and it would be unrealistic to make firm plans on this assumption.
- 12. On hotel accommodation, it would be pointless, and could create much bad blood in the Islands, to spend large sums of money building a new hotel in Stanley to standards much higher than those already available (eg the Upland Goose). There may be a case for another hotel, but I cannot believe that it should cost anything like as much as fl million (2.11.3(b)).
- 13. Promotion of tourism is surely a job for the Falkland Islands Government Office, not the BTA (2.11.3(c)). The BTA may, however, be able to offer advice on promotional techniques from time to time.
- 14. Knitwear (2.11.4). There is already a move on the Islands to revitalise their cottage knitwear industry. It will at the outset have a ready market in the garrison and, provided that the labour can be found, should be viable. A small grant-in-aid (£20,000) may be worth considering: but Shackleton's figure of £0.2 million is much too high.
- 15. External Air Services (2.11.5). Provision of a new runway seems to me to be essentially a matter for MOD to decide (and finance). It is, I fear, also too soon to hope for the establishment of any regular air links with mainland countries. But we must obviously aim at setting up some services to and from Chile and/or Uruguay as soon as we can.
- 16. External Shipping Service (2.11.6). I agree that a more flexible shipping service is likely to be required in future; its frequency will depend to some extent on what

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arrangements can be made on the external air service, but I support the recommendation that detailed studies now be put in hand. We should also, as a matter of urgency, see what can be done to rationalise shipping movements via Ascension.

- Roads (2.11.7). The need for roads will depend very largely on the future pattern of life on the Falklands. As things stand, I am far from certain that we should concentrate on building up a network of roads which the Falkland Islands Government would then be committed to spending large amounts of money on in order to maintain them in a fit state. The terrain in the Falklands is such that roads are unlikely to become a principal means of internal communication. It is right that the Stanley-Darwin road should be completed. Thereafter we would do better to wait until it becomes clearer what roads the garrison will require for their own purposes and whether demand would justify any further civilian works. Meanwhile, I suggest that we should investigate in rather more detail what can be done to increase the use of internal air communications (see para 28 below).
- 18. Deep Water Jetty (2.11.8). All the jetties in Stanley are in a bad way. Indeed, two of the three main jetties are close to physical collapse. But the first step must be a feasibility study of the harbour as a whole, and I recommend that this be set in hand urgently.
- 19. Energy Supplies (2.11.9). I agree with 2.11.9(a) and understand that it is already being implemented. On 2.11.9(b), the installation of wind turbines or other generators using locally available sources of energy has much to commend it, provided that this would be economically justifiable. But no-one in the Islands was able even to hazard a guess as to whether this would be so, and further ground work is clearly necessary before a decision is taken.
- 20. The Garrison (2.12). As far as composition of the garrison is concerned, I support Shackleton's recommendation that as many servicemen as possible should be accompanied by their wives. The arrangement now followed in Belize (by which the Commanding Officer and other senior officers and NCOs are posted on 18 month accompanied tours) would seem to be the obvious model.
- 21. The question of how far the garrison should be self-sufficient is more difficult. Clearly there must be some physical separation from the main centres of Islander population, and the garrison will need to provide many of its own facilities if the servicemen are not to swamp Islander life. But at the

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same time it can play a central role in revitalising the Islands' economy and should be encouraged to do so. Garrison demand alone should keep a substantial souvenir industry going. The garrison could also usefully look to the Islanders to provide much of their essential food supplies. This would both save money and provide a major shot in the arm for the process of rural diversification. There are, I know, problems in guaranteeing supplies to the troops but I see no reason why these should not be overcome.

22. For the other recommendations on the garrison, I found liaison between the Civil and Military Commissioners to be good, and consider that the existing machinery is fully adequate to the task. It is too early to consider what use could be made of spare capacity in the Royal Engineers for general infrastructure development over and above those projects already identified (eg putting back in order those roads in Stanley which military vehicles have been largely responsible for destroying). But the limited capability of the Sappers to help should not in itself be allowed to hinder rehabilitation and development work. Other means should if necessary be found to implement important civil projects.

Government Structure (2.13)

- 23. The recommendations in this section are essentially for the Falkland Islanders themselves to carry forward. But it was quite clear to me that there is an urgent need for a development officer on the spot and I consider it most important that the man that the ODA have identified for this position should take up his post as soon as possible.
- 24. I also cannot let pass the implicit assumption (2.13.4) that it will fall to the public sector alone to provide the financial expertise that the Islanders now lack. We should not encourage the Islanders to think that the Government alone will provide. As I have indicated above, I would see the Manager of the local branch of the Standard Chartered Bank as another key source of advice and finance, and indeed encouraged the Islanders during my visit to talk their projects out with him when he arrives. Commercial advice and credit can and should be allowed to play a vital role in the future development of the Islands.

Finance

25. I have no specific comments on the financial aspects of the report other than those already subsumed above.

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IDEAS NOT CONSIDERED BY SHACKLETON

Population Centres outside Stanley

26. There is only one town as such in the Falkland Islands: Port Stanley. For the rest, there are settlements, each related to an individual estate and built on estate land. All housing is tied to employment. The result has been to prevent the formation of new villages/population centres and, incidentally, to oblige all retired people to live in Stanley, as the only place where small freehold plots are available.

27. Given the difficulties of communication in the Falklands, this has obvious drawbacks. West Falkland, being further away from Stanley, is most affected. The possibility of buying a suitable area of land on West Falkland and setting it aside for development as a nucleus of population with its own shops and service industries should therefore be urgently investigated. The Fox Bay East farm on West Falkland, which I visited, is currently for sale, and we should not overlook the possibility of separating off the settlement area from the farm and using it for this purpose. At a later stage, we might profitably consider doing the same at Darwin/Goose Green and possibly also at San Carlos.

Internal Air Transport

28. Internal air costs are high and, given the extent to which the Islanders have to rely on air transport to get around, a considerable barrier to communications. I would like the idea of increasing the subsidy to be examined. The cost of schemes such as offering each family in Camp a free return ticket once a year to Port Stanley should also be looked at; this would be a good way of pulling the Island families together, and creating a sense of greater cohesiveness in what is inevitably a very diffuse community.



Cranley Onslow

13 October 1982

Secretary of State

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FALKLAND ISLANDS VISIT

1. I visited the Falkland Islands from 3 to 8 October. I had useful talks with the Civil and Military Commissioners; held discussions with the Councillors, both informally, and formally at a joint meeting of the Councils; met many Islanders at a number of settlements in the Camp and addressed a public meeting in Port Stanley.

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- The process of reconstruction and rehabilitation is going ahead well and I am confident that the momentum can be maintained. Compensation to the value of £0.5 million has already been paid - most of the claims in Stanley have been met but the estimates of losses in the Camp are more difficult to establish. The mine fields have been marked and care is being taken to keep the people informed of what progress has been made and of future policy. By and large, there is a high degree of co-operation between the military and civil authorities at all levels. There are, of course, areas of potential friction over internal communication, accommodation for the Camp children attending school in Stanley, at the hospital which is very over-crowded, and about the state of the roads in Stanley which have been seriously damaged by military traffic. But both Commissioners are aware of the dangers and I am sure they are doing everything possible to keep things running smoothly.
- The Islanders' first reaction to the Shackleton Report is that it should be implemented lock, stock and barrel. But they are not unresponsive to the argument that the report is not holy writ and, with encouragement, are prepared to establish priorities within Shackleton's recommendations and even to add ideas of their own. The holding of land is an emotive issue but not everyone I met wanted to own land even if they could obtain the necessary capital. There is certainly not unanimity in the view that sub-division of the large outside-owned holdings would lead to more productive farming. And, more worrying, there is evidence to suggest that the sub-division of farms, far from increasing the number of people employed on the land, would actually reduce New enterprises outside the farming sector are therefore required which will assure new immigrants if Shackleton's target of a population of 2,500 is to be achieved.
- 4. A constant theme among the people to whom I talked was that the present situation offered a last chance to assure the Islands' economic development. I agree that it is a chance that will not recur. But, outside the farming sector, there does not seem to be much self-confidence or initiative

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to build on, and it may take some time before there is a general response to the new opportunities afforded by the post-occupation situation. And although I repeatedly stressed to them the necessity of commitment by the Islanders to the future of their Islands, I think we shall have to take prompt action to improve the level of enterprise and available skills in Port Stanley.

- 5. A good deal more work needs to be done on possible development projects and much more information is needed about Islander aspirations and the Islands' economic potential. I have encouraged the Civil Commissioner and the Island Councillors to undertake this work and, in particular, to study the likely implications of Lord Shackleton's proposals and to set them in priority with their own suggestions for the future.
- 6. I have two further comments on the Shackleton Report. I believe that his consideration of the effects of the garrison fails to recognise that the presence of a large number of troops offers the Islanders a new, substantial and consequently changing and comparatively affluent market. They should be encouraged to exploit that market's demand for local produce and souvenirs. I am also concerned that the much higher salaries of imported contract labour will cause widespread local discontent, even if steps are taken to prevent a movement of labour from the land.
- 7. I have drawn up a commentary on the Shackleton recommendations as I see them after my visit. This is attached as Annex A. I hope that an early decision can be taken to set in hand those that do not involve undue difficulty or expense, since I am anxious that we should be able to show the Islanders and Parliament that we are getting on with it.
- 8. As for the longer term, it is absolutely clear that the Islanders want no political truck with Buenos Aires, though the more thoughtful of them understand that economic co-existence must be a desirable objective. But they are not in any hurry to discuss any of this in depth, and are content to get on with putting their lives together again under the protection and with the active help of the garrison.

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Cranley Onslow

13 October 1982

cc: PUS
Mr Giffard
Mr Ure
FID

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Finance

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