



A.J.C. 15/10

Foreign and Commonwealth Office

London SW1A 2AH

18 October 1982

Dear John,

Falkland Islands: Rehabilitation

I enclose a further progress report on the programme of rehabilitation, which updates the report sent to you on 1 October.

I am sending copies of this letter to the Private Offices of all members of OD(FAF) and to the Private Secretary to Sir Robert Armstrong.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

FALKLANDS REHABILITATION: PROGRESS REPORT

Visit by Mr Onslow

1. Mr Onslow visited the Falkland Islands from 3-8 October. He held talks with the Civil and Military Commissioners and discussions with the Councillors, both informally, and formally at a joint meeting of the Councils.

He also met many Islanders at a number of settlements in the Camp and addressed a public meeting in Port Stanley. He found that the process of reconstruction and rehabilitation was going ahead well and maintaining momentum. There was a high degree of cooperation between the military and civil authorities at all levels and the numerous points of possible friction were being carefully managed. The visit enabled him to give attention to progress on a number of rehabilitation issues covered below.

Finance

2. The rehabilitation grant is close to being fully committed on housing, aircraft, building materials, fuel equipment and plant. Transport costs and bills for tasks undertaken by the Royal Engineers in support of FIG could well absorb the remaining sum. Financing of further rehabilitation work (see paragraph 10 below) will need to be considered in the near future.

Shipping of rehabilitation supplies

3. There continues to be no significant problem in securing shipping for all rehabilitation supplies. The inadequate unloading facilities at Port Stanley have caused some delays but these are now being overcome with the very active assistance of the military authorities. Future shipments will be carefully coordinated to reduce unloading difficulties to an absolute minimum.

Recruitment

4. The ODA's special programme of recruitment for new staff for the FIG is effectively complete and staff are being posted to the Islands.

/Housing

Housing

5. Materials for the first 27 of the planned 54 new housing units will reach Port Stanley on 2 ships early in November. It is planned that an advance party of the construction team should fly to the Islands in mid November followed by the remainder of the contractors' staff. One representative of the construction firm has flown to the Islands earlier this week to reconnoitre the project.

Mobile Homes

6. A ship carrying all 10 mobile homes sailed for the Islands on 15 October. Five of the homes will be initially used as accommodation for the contractors' staff for the housing project.

Replacement aircraft for Falkland Islands Government Air Service

7. One Beaver aircraft and 2 Islander aircraft have been ordered. The Beaver is due to arrive in UK from Canada on 21 October for onward shipment to the Falklands, and should arrive by late November. The Islanders will also need to be delivered by sea and should be available for shipping in about 6/8 weeks.

Hard and soft furnishings

8. Hard and soft furnishings for 24 existing government houses are required and tenders are presently being evaluated by the Crown Agents. Local labour will be available to fit the furnishings in due course.

Compensation

9. The Falkland Islands Company's claim is now being considered; an interim payment of £800,000 has been authorised by the Claims Officers, and full details are being sought from the Islands so that this payment can be carefully reviewed. The compensation scheme continues to function without significant problems. Over £500,000 has now been paid out. It is estimated that about £4.8 million will be paid in the current financial year, which will account for the majority of claims.

/Further

Further rehabilitation work

10. The Islanders will now be looking ahead to decisions on the future development programme. Their concerns cover both the ideas in the Shackleton study, and further renovation/improvement of existing services not considered by Shackleton. These include the inadequate power and water systems; the school hostel and the Stanley hospital where military needs have led to requisitioning of civilian facilities; and social/entertainment facilities now that all larger buildings are under military control as temporary accommodation.

General

11. No major problems affecting the rehabilitation programme have arisen in the period under review.

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FCS/82/156CHANCELLOR OF THE EXCHEQUER

N. B. P. R.

A. J. C. 14/10

f.a.

Falkland Islands Rehabilitation

1. Thank you for your minute of 2 September about the way in which we should finance Falklands rehabilitation expenditure in 1982-83.

2. I think that I can find savings on non-aid votes which can be used to cover the £4 million cost of the settlement with the Ilois people to compensate them for moving from Diego Garcia. This will release the £4 million we have been earmarking in the aid programme for this purpose; and (although the aid programme's contingency reserve for this year is now more or less exhausted) we can - with a number of other changes - finance allocations in such a way as to:

- i) cover the first £3 million of the Falklands rehabilitation expenditure as you propose;
- ii) cover between £4 million and £7 million of extra costs arising from changes beyond my control in the amount of European Community aid attributed to the aid programme; this is contrary to our previous expectation and I need no longer press (as in my minute of 16 July) for extra funds to cover these amounts;
- iii) cover the £2.7 million extra for the Tanzania road this year about which I minuted you recently.

There are also, of course, a number of other specific allocations from this contingency reserve which have been agreed between our officials. In total they now exhaust the funds available for allocation for this year. I will, of course, aim to resist any further claims for spending this year or, if they are inescapable, absorb them by savings elsewhere. But if any of these claims are

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sizeable I may need to approach you with a proposal to draw on the Central Contingency Reserve.

3. Indeed there is already one particular case, that of Jamaica, where I think we should provide more aid this year. This would need to be financed from Central Contingencies. I am minuting to you separately on the details.

4. Finally, I think it is useful that a separate subhead has been agreed within the aid vote for Falklands rehabilitation expenditure. It may be, however, that when we come to financing some of the proposals in the Shackleton Report and longer term development work in the Falklands there will be political advantage in using a separate vote. I would like to keep this option open.

5. I am copying this minute to other members of OD(FAF), and to Sir Robert Armstrong.

(FRANCIS PYM)

Foreign and Commonwealth Office
14 October 1982

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Argentina, Relations, P+25



Foreign and Commonwealth Office
London SW1A 2AH

MS.

1 October 1982

Prime Minister

To note.

Dear John,

MS 10.

Falkland Islands Rehabilitation

I enclose a further progress report on the programme of rehabilitation, which updates the report sent to you on 15 September.

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Yours ever

John Holmes

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Private Secretary

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10 Downing Street

FALKLANDS REHABILITATION: PROGRESS REPORT

Visit by Mr Onslow

1. Mr Onslow is to visit the Islands from 3-9 October. His programme will include a review of progress in rehabilitation work and will enable him to discuss points of detail and any difficulties with the civil administration. He intends to visit a number of smaller communities in the Islands and to review their rehabilitation problems.

Visit by ODA Engineering Adviser

2. The ODA Engineering Adviser visited the Islands from 15-23 September. He undertook a comprehensive review of rehabilitation problems in the Islands with particular attention to the ODA's housing project. He has prepared a report on longer-term requirements for the rehabilitation of power and water supplies, the sewerage system and roads. Preliminary studies and costings for these projects are under way.

Finance

3. With the extension of the housing project firm commitments to date will absorb £7.5million of the existing £10million rehabilitation grant. Financial requirements for further rehabilitation projects are being established and a provisional allocation for the next financial year has been requested.

Shipping of rehabilitation supplies

4. Several consignments of rehabilitation supplies have arrived or are about to arrive in the Falklands. No significant difficulties have been encountered in securing shipping space for all consignments and a number of shipping companies are eager to supply further vessels as required. There is some delay in unloading goods in Port Stanley, but the difficulties, and a range of possible solutions, are being urgently examined.

Recruitment

5. The ODA's special programme of recruitment for new staff for the FIG is effectively complete and the special unit established for this purpose has been disbanded. Officers are being transported to the Islands as rapidly as possible.

/Housing

Housing

6. The turnkey contract for 27 units of prefabricated housing has been increased, following discussions with the Civil Commissioner, to 54 units, and is being placed with James Brewster Associates Ltd. The contract will have a 75% UK content. The contractor will supply all accommodation and facilities for his staff. The buildings required will be left in the Islands and turned to other use. It is intended that the houses will be handed over, fully furnished in 5 different colour schemes, one by one by the end of May/early June 1983.

Mobile Homes

7. 10 mobile homes have been ordered. The first consignment of 5 will be shipped in early October. The remaining 5 are in production.

Replacement of aircraft for Falkland Islands Government Air Service (FIGAS)

8. One Beaver aircraft and 2 Islanders are being supplied. Firm orders have now been placed for all 3. The Beaver is due to be shipped from Canada to UK on 9 October for forwarding to the Islands, and should arrive by late November. It seems likely that the Islanders will also need to be delivered by sea once they have been manufactured. They should be available for shipping in about 8 weeks.

Furnishings

9. Hard and soft furnishings for 24 existing government houses are required. Tenders are being evaluated. The Falkland Islands Government are being asked to provide detailed specifications and a guarantee that labour will be available to fit the furnishings in due course.

Compensation

10. The team of MOD assessors in the Islands continues to make good progress with settling civilian claims. Over £250,000 has been paid out mainly for claims in Stanley. The assessors have been authorised to pay straightforward claims from the Falkland Islands Company though claims from commercial organisations relating to facilities of communal interest and claims for loss of trading or profit may prove more difficult and have to be referred to London. The bulk of remaining claims relates to areas outside Stanley. The MOD have been asked to advise on any additional expertise they may require to settle agricultural claims expeditiously.

/Coordination with the
military

Coordination with the military

11. The Royal Engineers are concentrating on work on Stanley Airport. It is hoped that an extension to 6,100 feet will be completed by mid-October and allow 2 daily flights by Hercules aircraft. A further extension of an additional 1,000 feet is planned thereafter. The joint Military/Civilian Planning Committee in the Islands is assisting liaison on all civil engineering projects to ensure that civil and military needs are carefully coordinated. Some part of the new civil power and water, sewerage and road systems may be amalgamated with facilities to serve military needs. A similar Whitehall group has been established to assist interdepartmental liaison on civil engineering projects, notably the new airport.

12. The new airport project is being managed on behalf of the MOD by PSA. They are making arrangements for representatives of 3 contractors to visit the Islands and it is intended that the contract should be concluded and work commenced before the end of the Falklands summer.

General

13. No major problems affecting the rehabilitation programme have arisen in the period under review. The limitations on unloading facilities at Port Stanley may become irksome and the need for additional lighterage and possibly new jetty facilities is being examined.

30 September 1982

Argentina, Relations, P427

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