



PM/82/101

PRIME MINISTER

Falkland Islands: Civilian Rehabilitation

1. OD(FAF) meeting on 6 July ^{pt 27} agreed to make available an initial allocation of up to £10 million for rehabilitation in the Falklands. At the forthcoming OD(FAF) meeting on 25 November we shall be considering an economic development programme for the Islands against the background of decisions on our military commitment and its costs. At this stage, colleagues may find it helpful to have a brief report of the use made of the £10 million rehabilitation grant. It may be convenient to consider potential further rehabilitation requirements in the course of that meeting.

Existing Rehabilitation Programme

2. The £10 million grant is now committed to the first round of rehabilitation requirements. The main categories of commitment are as follows:

Housing £6.0m
 (includes supply and erection of 54 prefabricated furnished houses, with necessary plant, etc; 10 mobile homes; replacement furnishing kits for 24 damaged houses; connection of local services to new housing).

Three new aircraft for Falkland Islands Government Air Service £0.6m

Replacement supplies of fuel, building materials, plant equipment and tools £2.2m

Reimbursement for work undertaken by Royal Engineers £0.2m

/Estimate



<u>Estimate for freight plus agents' charges</u>	£1.0m
TOTAL	£10.0 m

Payments totalling £2.42 million had been made as at 15 November. Payments of the order of £3 million are expected during December. Spending on the items listed above is forecast to reach £8.6 million in the current financial year, leaving a balance of about £1.4 million in 1983/84.

3. The individual departments of the Falkland Islands Government are just completing the preparation of inventories of lost equipment and stores. Present indications are that claims for replacement will total about £0.5 million.

4. The major proposed further expenditure on rehabilitation will relate to repair work which has yet to be undertaken on a number of major utilities (this is separate from proposed expenditure on further infrastructural development, covered in OD(FAF)(82)22). Present best estimates of cost and phasing are set out below:

(units: £m)	1982/83	1983/84	1984/85
Water supplies	0.090	0.570	0.060
Sewage	0.025	0.025	-
Roads (Stanley)	1.000	1.000	1.000
Telephones	-	0.100	0.100
Hangars	0.100	0.105	-
Electricity	0.020	0.140	-
	1.235	1.540	1.160

/5. In addition



5. In addition there is a range ~~range~~ of other smaller projects which are urgently required for the maintenance of essential services and social facilities. These include replacements for certain facilities at Port Stanley which appear to be needed to meet military requirements for the medium term future - for example, the school hostel building and part of the school, a large section of the accommodation in Stanley hospital and all halls/meeting rooms suitable for public entertainment. As an immediate response to this situation, the Falkland Islands Government will look to HMG to meet the cost of renting possible alternative hostel accommodation for the school year commencing in March and providing a prefabricated building to serve for public meetings and entertainment. They will also wish to propose the rehabilitation and extension of the hospital and the schools. It is not yet possible to make precise estimates or projected phasing for this expenditure but the total cost of these additional projects will be in the region of £1.0million.

6. The needs identified above will absorb at least £5.0 million. I therefore invite colleagues to agree in principle that we should provide a further £5.0 million for civilian rehabilitation in the Falkland Islands. Expenditure is likely to fall in the current and the two following financial years, and I shall wish to take this into account when we discuss the funding of my Falklands commitments in OD(FAF).

7. This will not necessarily represent the final bid for civilian rehabilitation, but I have included all those items where there is a real present expectation of a valid bid against rehabilitation funds.

(8. I am

CONFIDENTIAL



8. I am sending copies of this minute to members of OD(FAF) and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office
22 November 1982

CONFIDENTIAL

Argentina Relations Pt 31

2100



22 NOV 1982

Ref: B06640

PRIME MINISTER

c Sir Robert Armstrong

OD(FAF): Falkland Islands - Civilian Rehabilitation

BACKGROUND

Ministers agreed on 6th July (OD(FAF)(82) 2nd Meeting) to make available an initial allocation of up to £10 million on a special account for rehabilitation in the Falklands. It was agreed that the money should be found where possible from the existing Aid programme, but that the bulk of it should come if necessary from the Contingency Reserve. Arrangements to this effect were subsequently agreed between the Foreign and Commonwealth Secretary and the Chief Secretary, Treasury.

2. In his minute to you of 22nd November, the Foreign and Commonwealth Secretary explains that the £10 million are now fully committed; the main categories of expenditure are set out in paragraph 2 of his minute. He proposes that an additional £5 million should be allocated for further rehabilitation work, the major element of which would be repair work on public utilities (water supply, sewage, roads, telephones, hangars and electricity supplies). The remainder would comprise a number of smaller projects including the replacement of facilities at Port Stanley needed to meet military requirements in the medium term (the school hostel and part of the school, some of the hospital accommodation and public meeting halls).
3. The Foreign and Commonwealth Secretary makes no specific proposals as to how this additional expenditure (which will fall in this and the next two financial years) might be funded, but says that he will wish to take account of it in discussing the funding of other Falklands commitments—
 ✓ i.e. the development aid package outlined in OD(FAF)(82) 22. Allowance has been made for it in the consolidated statement of future expenditure on the
 ✓ Falklands contained in OD(FAF)(82) 23.

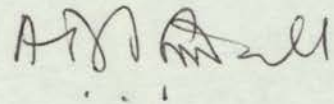
HANDLING

4. You could invite the Foreign and Commonwealth Secretary to speak to his minute. He may ask Mr Onslow to comment on the rehabilitation programme as a whole in the light of his visit to the Islands. It will be important to establish how far the additional rehabilitation work

proposed (and hence its funding) should take priority over the economic development measures recommended in OD(FAF)(82) 22. (The Foreign and Commonwealth Secretary is likely to argue that rehabilitation should be a first charge on whatever funds may be available.)

CONCLUSIONS

5. Subject to the discussion, the Sub-Committee could be guided to agree that a further £5 million should be allocated on special account to civilian rehabilitation on the Falkland Islands, over and above the amount approved for economic development under the preceding item; that the funding of the £5 million for rehabilitation should be agreed between the Foreign and Commonwealth Secretary and the Chief Secretary, Treasury, in the context of their discussion of the funding arrangements for the development aid package discussed under the previous item; and that the same principle should apply as in the case of the initial £10 million, namely that the money should be found from the Contingency Reserve to the extent that it cannot be met from savings in the Aid programme.



23rd November 1982

A D S GOODALL



10 DOWNING STREET

Prime Minister

You may like to look at
the OD FAF meeting folder
tonight — since you will have
more time than on Wednesday
night.

A. J. C. $\frac{13}{11}$



2

covering RESTRICTED

Foreign and Commonwealth Office

London SW1A 2AH

29 November 1982

mt

Prime Minister

A.J.C. 29/11

Dear John,

mt

Falkland Islands: Rehabilitation

I enclose a further progress report on the programme of rehabilitation, which updates the report sent to you on 2 November.

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

covering RESTRICTED

RESTRICTED

FALKLANDS REHABILITATION: PROGRESS REPORT

Finance

1. The original £10 million for rehabilitation is now fully committed. So far £2.4 million have been spent and expenditure of £2.5-3 million is anticipated during December. Two officials, from the ODA and the FCO, visited the Islands from 11-16 November to quantify further spending requirements for essential rehabilitation work on the Islands' infra-structure which will not be covered by decisions on the Shackleton proposals. Proposals for an additional allocation of funds for rehabilitation work, based on their report, have now been put to Ministers.

Shipping rehabilitation supplies

2. No difficulty is being encountered in finding shipping space for all civil rehabilitation requirements. The major problem remains the inadequacy of unloading facilities at Port Stanley. The military staff involved are working flat out to avoid unnecessary delays but some bottlenecks seem inevitable. 15 ships are programmed to arrive before Christmas, although the original estimate for this period was only 2 vessels. The military staff in the Islands have stressed the vital necessity for effective harbour facilities in Port Stanley, both for current military needs and for the longer term development of the Islands.

RESTRICTED

/Housing

RESTRICTED

Housing

3. Most of the materials for the first 27 prefabricated houses, together with essential plant and associated equipment, were shipped to Port Stanley on 16 November. Some of the construction team are also on board. An advance party is also being flown to the Islands to meet the arrival of the vessel on 5 December. Arrangements are in hand for the balance of the 54 houses to be shipped during December. The military authorities in charge of the harbour in Port Stanley have undertaken [REDACTED] to unload the housing as rapidly as possible despite the inadequacy of local harbour facilities.

Mobile homes

4. The 10 mobile homes were unloaded at Stanley and transported to site on 16 November.

Replacement aircraft for the Falkland Islands Government Air Service

5. The Beaver aircraft was shipped from Britain on 15 November. It is expected to arrive in Stanley on 15 December. The two Islander aircraft should be ready for shipping on 26 November and 10 December respectively. Shipping arrangements are being investigated. A team of 6 men from Pilatus Britten Norman will be undertaking reassembly of the aircraft in Stanley over an estimated period of 6 weeks.

/Furnishings

RESTRICTED

Furnishings

6. Hard and soft furnishings for 24 existing Government houses are being supplied by John Lewis. The initial shipment left for Stanley on 25 November and will arrive in late December.

Compensation

7. The compensation scheme continues to function without significant problems. In mid November 477 claims had been received under the scheme; 338 had been cleared and interim payments had been made on 37. The total of claims paid stood at £1.7 million. There were only two persistent complainants. The estimated expenditure in the 1982/83 financial year on compensation is £2.5-3 million and the eventual total should be about £3.5-4 million. Officials are now considering a number of major claims from the Falkland Islands Company which will be submitted to Ministers before settlement.

Further rehabilitation work

8. The allocation of further funds for rehabilitation in addition to the original £10 million will enable the ODA and the Falkland Islands Government to initiate longer-term reconditioning of the power and water supplies, internal communications, the road system in Stanley, the schools and hospital, and a number of other essential services and social facilities. Expenditure on these will be met in the present and the two following financial years.

General

9. The most significant problem affecting the rehabilitation programme remains the congestion of harbour facilities at Port Stanley. There are no short-term solutions which have not yet been implemented. The provision of a new jetty for Port Stanley will be given priority consideration as a longer term development project.

NOV 1982

11 21
0 22
9 23
8 24
7 25
6 26
5 27
4 28
3 29
2 30
1 31



14 31

2

COVERING RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

2 November, 1982

Prime Minister

For information

Dear John,

A.J.C. $\frac{2}{u}$

Falkland Islands: Rehabilitation

I enclose a further progress report on the programme of rehabilitation, which updates the report sent to you on 18 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)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

COVERING RESTRICTED

RESTRICTED

FALKLANDS REHABILITATION: PROGRESS REPORT

Finance

1. The original £10 million allocation for rehabilitation is now fully committed on housing, aircraft, building materials, fuel, equipment and plant. Financing of further rehabilitation work (see paragraph 8 below) will need to be considered in the near future.

Shipping of rehabilitation supplies

2. A meeting was held under FCO chairmanship on 1 November attended by representatives of the Ministry of Defence, the Department of Trade, the Crown Agents and all the major private companies involved in shipping to the Falklands. This meeting discussed the best means of achieving effective coordination of all future shipments to prevent unnecessary delays in unloading goods through the limited harbour facilities at Port Stanley. The Government Freight Agents were charged with overall coordination of the shipping programme.

Housing

3. Materials for the first 27 of the planned 54 new civil housing units will reach Port Stanley in early December. It is planned to ship the second batch of 27 in mid December. A representative of the construction firm has paid a visit to the Falklands to assess the site preparation work being undertaken by the local Public Works Department.

Mobile Homes

4. The 10 mobile homes left for the Islands on board Vibeke Mac on 16 October. They are due to arrive in Port Stanley on 12 November.

Replacement aircraft for the Falkland Islands Government Air Service

5. One Beaver aircraft and two Islanders have been ordered. The Beaver arrived in Felixstowe from Canada on 21 October. It is being freighted to Gravesend for inspection by the Crown Agents before onward shipment to the Falklands in early November. Ex-works delivery dates for the two Islanders are 3 and 17 December. They will be shipped as soon as possible thereafter.

Furnishings

6. The Falkland Islands Government have requested replacement furnishings for 24 existing Government houses. Tenders for these furnishings have now been evaluated by the Crown Agents and the contract placed. The consignments should be available for shipping by the end of November.

Compensation

7. The compensation scheme continues to function without significant problems. FCO Ministers have now approved an interim settlement with the Falkland Islands Company for £815,415. The Company will be submitting a further claim for about £700,000 in the near future. Officials are now considering the final settlement of the major civilian claim for death or injury during the conflict, which concerns

RESTRICTED

provision for the future accommodation of a severely disabled girl, Cheryl Bonner, whose mother was killed by Royal Navy shelling.

Further rehabilitation work

8. Existing rehabilitation funds are now fully committed, but there are requirements for further work on the Islands' infra-structure which will not be covered by decisions on the Shackleton proposals. These include the inadequate power and water systems, the school hostel and Stanley Hospital, where military needs have led to requisitioning of civilian facilities, and social and entertainment facilities now that all larger buildings are under military control as temporary accommodation. Officials are now seeking to quantify these needs before putting proposals to Ministers for an additional allocation of funds. Two officials, from the ODA and the FCO, are paying a visit to the Islands for this purpose in the week beginning 7 November.

General

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

RESTRICTED

Argentina : Relaciones Pt 30

22 NOV 1962

BRITAIN
11 23 43



RIL

BTC

8 November 1982

FALKLAND ISLANDS: REHABILITATION

The Prime Minister has noted the contents of the progress report enclosed with your letter of 2 November.

A. J. COLES

John Holmes, Esq.,
Foreign and Commonwealth Office