



Ref: B06552

PRIME MINISTER

c Sir Robert Armstrong

OD(FAF): Falkland Islands Rehabilitation

BACKGROUND

The meeting has a double purpose: to review progress on the rehabilitation of the Islands and to decide how urgent civil rehabilitation work is to be funded. Longer term issues (eg the ultimate size of the garrison, constitutional arrangements and possibilities for development) will need to be considered at a future meeting.

2. The two papers by officials (OD(FAF)(82) 11 and 12) summarise the state of play on civil and military rehabilitation respectively and, on the civil side, provide some tentative costings. On funding, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer agree that decisions about future development schemes must await Lord Shackleton's report (which is due to be completed by the middle of this month). But the Foreign and Commonwealth Secretary is concerned to establish the principle that new money should be found to meet the costs of the immediate work needed to bring life on the Islands back to normal and provide a viable infrastructure for the civil population and the enlarged military garrison. (his minute to the Chancellor of the Exchequer of 29 June). The Chancellor of the Exchequer is reluctant to commit himself until more precise estimates are available (his letter to the Foreign and Commonwealth Secretary of 30 June).

3. In the Foreign and Commonwealth Secretary's absence in Yugoslavia he will be represented by the Minister of State, Foreign and Commonwealth Office, Mr Cranley Onslow. The Secretary of State for Trade will not be present and will not be represented.

HANDLING

4. You might begin by inviting Mr Cranley Onslow to speak to the paper on the civil rehabilitation programme (OD(FAF)(82) 11). He might be asked to identify areas of particular urgency; to update the information in the light of telegrams received from the Civil Commissioner since the paper was prepared; and to say if there is additional help which the military could be giving, over and above that described in the Ministry of Defence paper.
5. You might then invite the Defence Secretary to introduce the paper on rehabilitation work by British forces (OD(FAF)(82) 12). He may be able to indicate to what extent, if any, the work described there will generate costs which the Ministry of Defence might wish to recover from the Foreign and Commonwealth Office/Overseas Development Administration. (This is a point raised in the Foreign and Commonwealth Secretary's minute of 29 June. On the face of it there appears to be very little work being done which does not benefit the garrison as well as the civil population: the possible exception is the use of military transport to transfer Falkland Islanders and Falkland Government staff and their families and essential equipment from the United Kingdom to the Islands.) The Defence Secretary might also be asked if he has yet reached any preliminary conclusions about the size and composition of the garrison.
6. As a result of the discussion of the two papers you will wish to establish that no urgent work is being held up, or is likely to be held up, as a result of interdepartmental disagreement about funding or for any other reason.
7. You might then turn to the question of principle affecting the funding of the civil rehabilitation programme, namely whether new money should be found for it or whether the costs can be met out of existing programmes. Points to be established are -
 - (a) is there agreement that the problem relates only to expenditure falling in the current financial year, and that for future years the Foreign and Commonwealth Secretary should bid in the Public Expenditure Survey for the funds required in the usual way?

(b) Is there agreement that there is no slack at all in this year's Aid Programme from which all or some of the urgent civil rehabilitation costs could be met?

(c) How soon are precise estimates of the expenditure required on civil rehabilitation during the remaining 9 months of the current year likely to be available? The summary of possible costs given in the report of the official working group on future expenditure (OD(FAF)(82) 2) estimated the possible order of costs for rehabilitating essential services in Port Stanley as lying between £10 million and £40 million, depending on the extent of the damage (which had not then been established). Can this estimate now be refined? How much of the cost seems likely to fall within the current year?

(d) The cost of permanently extending the runway at Port Stanley airfield was not included in the figures for rehabilitation of essential services. A decision on whether to authorise permanent extension is required soon, since the temporary matting which is being laid down for immediate military purposes is said to have a life of only 2 years - ie approximately the same as the length of time needed for permanent construction work. Is it to be assumed that permanent extension will be required in any case in order to meet military needs? How far would permanent extension for military purposes also meet foreseeable civil requirements?

8. You might ask the Minister of State, Foreign and Commonwealth Office to speak first on these questions and then invite the Chancellor of the Exchequer to comment.

CONCLUSIONS

9. Subject to the discussion the Sub-Committee might be guided to the following conclusions.

i. Except for civilian transportation, the costs of the rehabilitation work by British forces described in OD(FAF)(82) 12 should be borne by the Ministry of Defence.

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ii. New money should be allocated for expenditure on essential civil rehabilitation work incurred during the current financial year.

iii. For rehabilitation work the cost of which will fall in 1983/84 and succeeding years, the Foreign and Commonwealth Secretary should be invited to bid in the Public Expenditure Survey for the additional funds required.

iv. The Defence Secretary to be invited to prepare proposals urgently for the permanent extension of Port Stanley airfield; and to consider in consultation with the Foreign and Commonwealth Secretary and the Secretary of State for Trade how far such extension could meet civil requirements also.

v. The Sub-Committee to meet again after Lord Shackleton has reported and before the parliamentary recess, to consider the Shackleton report and other longer term issues, including the ultimate size of the garrison and the possible construction of an airstrip on South Georgia.

A D S Goodall

5th July 1982

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