



Foreign and Commonwealth Office

London SW1A 2AH

2 May, 1984

Dear John,

Falkland Islands Company

Thank you for your letter of 11 April about the report that Mr Jack Hayward, the multi-millionaire who lives in the Bahamas, is seriously considering buying out the Falkland Islands Company (FIC). I understand that the Prime Minister is seeing Mr Hayward at 3.50 pm on 3 May.

Mr Hayward visited the Islands privately last December, as a passenger on the cruise ship 'MS Lindblad Explorer'. He was given hospitality by the Civil Commissioner which he evidently much enjoyed. Earlier, he had, as you say, contributed generously - £1 million we believe - to the South Atlantic Fund. His interest in the Falklands and his actions demonstrating his staunch support of the Islands have been consistent: in 1970 he financed the return of the wreck of the 'SS Great Britain' from the Islands to Britain. He has just offered to the Falkland Islands Government a donation of £1 million towards the cost of a new hospital in Port Stanley: we are in touch with the FIG about how this donation might best be applied.

From all accounts Mr Hayward has many admirable qualities. He is widely appreciated as an outstanding patriot and is known as Union Jack. Speaking in strict confidence, Mr Hayward has confirmed to our High Commissioner in Nassau that he has made an offer to Mr Ted Needham, the Chairman of Coalite (the FIC's parent company) for the purchase of the Company. Emphasising the commercial confidentiality of the figure, Mr Hayward said that whilst Mr Needham was willing to sell, he was asking £10-£12 million compared with Mr Hayward's latest offer of £5 million. We do not know whether there have been any further developments. Mr Needham, with whom the Department maintains close contact, has from time to time hinted that he wished to escape from the disproportionate amount of work he has undertaken on behalf of the FIC. Hitherto these hints have seemed to be something of a tactical ploy, but he now seems to be in earnest.

The Falkland Islands Company owns over 40% of the land in the Islands and employs approximately 250 out of a work force totalling about 800. It also runs many of the services which enable the Falklands economy to function: fleeces which are exported to Britain, and the essential goods and machinery that are imported, are carried in a FIC vessel, using the FIC jetty in Port Stanley. The Company also runs the main retail outlets in the Islands. Mr Eric Varley, recently appointed Executive Vice-Chairman of Coalite, lost no time in visiting the Islands,



and may try to foster a more progressive approach on the part of the Falkland Islands Company if it remains in the present ownership.

There is no doubt that the Company - whoever owns it - is in a key position to play a constructive role in the future of the Falklands. Even the record of the FIC under its present management is not so bleakly feudal as is sometimes made out; Lord Shackleton, himself no great admirer of the FIC, said in his 1982 Report that the Company's investment record "in recent years has probably been better than the majority" (p. 10 of the Report, repeated on p. 32). The acquisition of all this vital infrastructure by a person with such a dynamic record as Mr Hayward could introduce much-needed activism and entrepreneurial spirit in the Islands - though this would be easier said than done, and much would depend on that Company's local management.

Either way, a distinction should be drawn between the running of the FIC's network of services and Mr Hayward's reported intention to give the land to "all the present tenants" on a freehold basis (he told our High Commissioner in Nassau that he would do so by "giving half of the Company to the people of the Islands"). Many of those living and working on FIC farms are managers and other employees, rather than tenants. All of them already have the opportunity, together with all other Islanders, to apply to buy land as it becomes available on the open market. Our response to Lord Shackleton's recommendation that "urgent steps be taken to transfer the ownership of absentee-owned farms" is a relatively gradual approach, in keeping with the capacity of the Islands' existing agricultural population, and consistent with realistic immigration prospects. Since 1979 the Green Patch and Roy Cove estates, and the Packe Brothers Land, have been broken up into 20 smaller holdings. One of the sub-divisions of Packes' was bought by Councillor Tony Blake, formerly a leading FIC manager. The Falkland Islands Government are engaged in negotiations for the sub-division of the San Carlos estate on East Falkland, probably into 7 units.

We and the Falkland Islands Government are prepared to reconsider the gradual approach if demand for land exceeds the supply available on the open market. But this has not yet happened, and there are indications that some of the existing sub-divisions may not be viable. A precipitate re-distribution of land to former FIC employees, of varying experience and capability, could produce a proliferation of small farms of highly questionable viability. Nor do all Islanders appear by any means anxious to own their own farms. Against this background the Prime Minister may feel that, without pouring cold water on Mr Hayward's enthusiasm for the Islanders, it would be helpful to check that he has thought through most carefully his ideas on land redistribution. We imagine he already has some idea of the fundamental role of the FIC in the economic infrastructure of the Islands and of the dangers of dismantling this; but it might be as well to warn him of these also.

Yours ever,
Peter Ricketts

Argentina : Pelstroom A 57.



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