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Treasury Chambers, Parliament Street, SW1P 3AG

C L G Mallaby Esq CMG
Cabinet Office
Whitehall
London
SW1

CDP
2/11

20 October 1986

Dear Mr. Mallaby,

FALKLANDS FISH

The Chief Secretary has seen OD(86)16 and Mr Culshaw's letter of 15 October.

The Chief Secretary is entirely content with the proposals in the officials' report so far as they relate to resource implications. However, he was disappointed to see the reservation expressed by the FCO.

The Chief Secretary starts from the proposition that the military assets in the Falklands (the additional costs of which are currently met as an addition to the defence budget) are and will be at levels judged to be the minimum to deter effectively the military threat to the Islands. Force levels were reviewed and determined earlier this year by OD(FAF) on this understanding. He notes also that it was a firm decision of OD on 2 October that any shortfall between the revenue and costs of enforcement of the fisheries regime should be made good, in the first instance, by the Falklands Islands budget and thereafter from the overseas aid budget. Lastly, he notes that the officials' report rightly upheld the well established principle that where one department undertakes activities on behalf of another, costs are recouped on the basis of the full cost of the activity in question.

In the light of this, he is puzzled by the FCO suggestion that there remains any possibility of "flexibility over the charges levied". It is quite clear that the cost of any special patrols by our military forces for the purposes of fishery enforcement, at the explicit request of the Falklands Islands government, will be recouped by the MOD on a full cost basis and that the full cost of fisheries

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enforcement, including any such costs recouped by MOD will be charged to the Falklands Islands government in the first instance and thereafter charged to the overseas aid budget.

I am copying this letter to Private Secretaries at No 10, Lord President of the Council, Foreign Secretary, Secretaries of State for Defence, Energy, Trade and Industry, the Attorney General, Minister of Agriculture, Fisheries and Food and ODA.

Yours sincerely,

Jill Rutter

JILL RUTTER
Private Secretary

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