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PRIME MINISTER'S
PERSONAL MESSAGE

10 DOWNING STREET
LONDON SW1A 2AA

SERIAL No. T196/86

THE PRIME MINISTER

28 October 1986

Dear Bob

I am sorry it has taken so long to reply to your letter of 16 September about the renegotiation of the reciprocal agreement on social security between our two countries to provide for the indexation of United Kingdom pensions payable in Australia.

Tony Newton, our Minister of State at the Department of Health and Social Security, recently let Mr. Howe know that he was content for officials to discuss whether it might be possible to draw up a new agreement. He stressed, however, that he could make no commitment as to when we might be able to find the money to meet the cost of uprating United Kingdom pensions payable in Australia.

The cost to us of increasing United Kingdom pensions payable in Australia to the level paid in this country would be about £73 million a year. To pay future increases alone would cost us about £9 million in the first year; that cost would then increase year by year until we were paying all pensions in Australia at the full United Kingdom rate.

You are right in saying that the United Kingdom has comprehensive social security conventions with 28 countries, which provide for cost of living pension increases to be paid. But these agreements cover only about 40 per cent of United Kingdom pensioners living abroad; and they were drawn up at a time when British Government spending was not subject to such strict constraints as now has to be the case.

CJ

Over half of the United Kingdom pensions that are paid abroad are paid without cost of living increases. The fact that Australia, Canada and New Zealand are members of the Commonwealth, and countries with whom we have such close ties, of course makes comprehensive agreements, including the uprating of United Kingdom pensions, the more desirable. But the costs, particularly in the case of Australia, would be very high and I am afraid that British Government funds for this are not available.

You mentioned in your letter that in 1982 Ministers of our two Governments agreed to renegotiate the existing agreement on social security to improve its effectiveness. In April 1982, at a meeting between our respective Ministers with responsibility for social security matters, we made clear that we could not say when it would be possible to meet the cost of uprating United Kingdom pensions in Australia; and that this was unlikely to be in the foreseeable future. Following discussions between officials that year, in 1983 and in further informal discussions last month, I am glad to know that agreement has been reached on a number of minor technical amendments to the present social security provisions. I am also pleased that the difficulties over the payment of unemployment benefit to young people visiting Australia and the United Kingdom under the working holidaymakers' scheme look like being satisfactorily resolved very quickly.

I am sorry not to be able to give you a more forthcoming reply on pensions' indexation. But I know you are making a similar effort to our own to cut government spending and will therefore, I hope, the better understand our difficulties.

With best wishes,

Sincerely
Ray

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OPS10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

28 October 1986

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T195/86

Dear Bob,

It was thoughtful of you to suggest that I might visit Western Australia during the America's Cup Series. It is a most tempting prospect but one which sadly I have to resist, as I see no realistic chance of being able to travel during the period in question. But thank you for the kind thought.

With best wishes,

Yours sincerely
Rajaw

The Honourable R.J.L. Hawke, A.C., M.P.

CAT



PRIME MINISTER

CANBERRA

27 OCT 1986

Dear Margaret,

I am sure that you will be aware that the United Kingdom is one of the six countries competing for the right to challenge for the America's Cup. The Challenge Elimination Series which began on October 5 culminates in the Finals Series commencing on 13 January 1987. The America's Cup Match Final begins on 31 January.

Should you wish to visit Western Australia during the Series to see the contender from the United Kingdom in action, the Western Australian Government would be happy to make all the necessary arrangements, with the full support and assistance of the Australian Government.

If you think a visit at this time would be possible, might I suggest that our respective officials liaise on the details.

Yours sincerely
Bob Hawke

The Rt Hon Margaret Thatcher, MP
Prime Minister of Great Britain
LONDON SW1
UNITED KINGDOM