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Foreign and Commonwealth Office

London SW1A 2AH

21 October 1986

Dear Charles

UK/Australian Social Security Convention

We received on 16 October a draft reply from the DHSS, cleared with their Ministers, to Mr Hawke's letter of 16 September to the Prime Minister.

We have since consulted our High Commissioner in Canberra on this draft. Sir John Leahy feels that the line it takes will not satisfy Mr Hawke, who is likely to return to the charge. Nonetheless, we are prepared to accept that a reply broadly on the lines proposed by DHSS should issue. Some presentational changes are incorporated in the attached draft reply. If the Prime Minister agrees, we will arrange for its despatch through our High Commissioner in Canberra.

I am copying this letter to Tony Laurance (Department of Health and Social Security), Michael Saunders (Law Officers' Department) and Trevor Woolley (Cabinet Office).

Yours truly

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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DRAFT: ~~minute/letter/teletype/despatch/note~~
XXXXX

TYPE: Draft/Final 1+

FROM:

Reference

PRIME MINISTER

DEPARTMENT:

TEL. NO:

To Mr. Ch.

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

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.

When ~~Mr. Howe~~ raised this matter recently with ~~Tony~~ ^{Tony} Newton, ~~our~~ ^{Mr. Newton} Minister of State at the Department of Health and Social Security, ~~Tony~~ ^{Mr. Newton} made clear ~~that he was content for officials to discuss whether it might be possible to draw up a new agreement.~~ ^{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.

Enclosures—flag(s).....

The cost to us to 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

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£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% 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.

Over half of the United Kingdom pensions that are paid abroad are paid without cost of living increases. This practice applies to Norway, Sweden, Canada and New Zealand, as well as to Australia. 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

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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 ~~very~~ 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 ^{will} ~~I~~ therefore, ^{to I hope, be better} ~~hope~~ you will understand ^{our difficulties} why we cannot meet your request.

With best wishes,

CD

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10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

1988 will mark the Bicentenary of the first European settlement of Australia. The British people have shared in the making of Australian history, and we shall be proud and delighted to take part in these Bicentenary celebrations.

Since the early explorers and settlers left these shores, countless men and women from Britain have gone out to devote their lives to Australia, helping to build the strong and vital nation that exists today. We retain countless family links, enjoy many of the same traditions, interests and ideals, and greatly value the continuing strength of Australian friendship.

Britain's "Birthday present" to Australia will be a specially designed Sail Training Ship for the benefit of young people. Our gift will honour shared maritime traditions and the navigational skills that have been essential to our communications in the past. It will also pay tribute to the energies and aspirations of young people in both countries today, on whom the present and future depend.

/Twelve young

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Twelve young people from each country will be needed to help sail the vessel to Australia. They will be selected for the special qualities that such a voyage will demand. They will face the age-old challenge of the sea in a fine new vessel, and they will share the responsibility for the success of the voyage. As they sail into Sydney Harbour for the opening Bicentenary celebrations in January 1988, they will be carrying the good wishes of the British people to Australia.

I hope that young people who believe themselves equal to this challenge will come forward to seize this unique opportunity.

Nargant Halpern

August 1986



10 DOWNING STREET

PRIME MINISTER

The FCO have requested a slight change in the text of the attached message. Please could you resign it.

The change is just a date.

CDP

Charles Powell

26 September 1986



10 DOWNING STREET
LONDON SW1A 2AA

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Margaret Thatcher

August 1986

Mrs Lambert
Garden, Opms
10 Downing Street



With the compliments of

CULTURAL RELATIONS
DEPARTMENT
FCO

S Blackwell
(Mrs) S Blackwell (Tel. 210.6294)
Room G/33 Old Admiralty Bldg.

We spoke. I should be grateful if a correction of date could be made to the first paragraph on page 2: the words "on 26 January 1988," in line 7 to read:

in January 1988,

so that the correction does not show when copied. It may be necessary to retype the
FOREIGN AND COMMONWEALTH OFFICE.

LONDON, SW1A 2AH

whole paragraph, since the message is for use in publicity.

I will collect when it is ready.