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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

30 June 1982

The Rt Hon Francis Pym MP
Secretary of State for Foreign & Commonwealth Affairs

Dear Secretary of State,

FALKLAND ISLANDS: REHABILITATION

Thank you for your minute of 29 June.

I am glad that we see eye-to-eye about the major development schemes.

As to rehabilitation work, I do of course, agree that this must not be held up. As soon as we have available Estimates for likely expenditure within the remaining nine months of the current financial year we will be in a position to assess how this must be met.

I am copying this minute to the Prime Minister and other colleagues of OD(FAF) and to Sir Robert Armstrong.

Yours sincerely,

Jim Rutter

pp GEOFFREY HOWE

Prime Minister

FCS/82/95

CHANCELLOR OF THE EXCHEQUER

The Chancellor is writing tonight to say:-
 (a) he agrees that urgent rehabilitation schemes should not be held up
 (b) but when costs are available it will be necessary to discuss how far they are to be met from the existing FCO/ODA expenditure programmes and how far new money will be necessary.

A.S.C. 30/6

Falkland Islands: Rehabilitation

1. Thank you for your letter of 25 June commenting on my minute of the same date on the expenditure that will be necessary for the rehabilitation of the Falkland Islands.

2. You say that it would be premature to attempt to adjudicate at this stage the merits of major development schemes for the Falklands, which will need to await the submission of Lord Shackleton's report. I agree with this view, although I hope that once we have Lord Shackleton's report decisions on such projects can be taken as rapidly as possible.

3. But the point now at issue is the financing of urgent rehabilitation of housing, transport and other essential services. Some of this early rehabilitation work is already being undertaken by the armed forces. They are likely to seek repayment of some of the costs that they incur in this way. Indeed, they have already claimed that FCO/ODA should be charged for transport. In any event, the work they undertake will go only some way to meeting the immediate need for civilian rehabilitation. We have already received the Civil Commissioner's initial recommendations for urgent further action in these fields. He gives highest priority to the provision of temporary accommodation: recruitment of further officers for the Falkland Islands Government: restoration of the education system: ordering of replacement aircraft and hangars for the Falkland Islands Air Service: and building materials for civil repairs. These are only his first and most urgent recommendations but already clearly imply significant expenditure. We need to take an unequivocal decision to provide the funds so that inescapable tasks can be

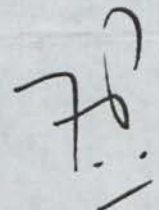
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got under way. I consider that it would be unacceptable to delay any of them because of doubts about finance. The sums involved are not great when viewed in the context of the whole Falklands emergency, or against the sums the Ministry of Defence will be - quite rightly - allowed in excess of their normal votes to enable them to cope with campaign costs and garrisoning. But, as I have said, my existing expenditure programmes simply cannot begin to cope with the additional expenditure that will be needed.

4. The exact amounts required for immediate rehabilitation needs will of course have to be established on the basis of the Civil Commissioner's assessments and recommendations and agreed interdepartmentally. But what is needed urgently is a firm decision in principle that new money will be allocated to cover the costs.

5. I am copying this minute to the Prime Minister and other colleagues of OD(FAF) and to Sir Robert Armstrong.


(FRANCIS PYM)

Foreign and Commonwealth Office
29 June 1982