

12. 1976 & 1982 The Falkland Islands Economic Reports The Shackleton Reports

These two reports are widely regarded in popular understanding as having provided the framework for the current prosperity and economic development of the Islands. In reality, however, the Shackleton Reports are the culmination of fifty years of reports and surveys. In one of the central subject of these reports - land reform - there are echoes, which reach right back to the earliest days of settlement in the Islands, and to the original plans of land tenure and use prefigured by Governor Moody. However the Shackleton Reports have assumed greater significance and authority than any of their predecessors for two reasons: firstly because of the events of 1982, and secondly because of the name and personality of Lord Shackleton, the son of the great explorer. Another marked difference between these Reports and any other previous report or survey is that the Shackleton Reports are much more comprehensive and wide ranging in their assessment of the development prospects for the Islands.

Despite the involvement of a significant figure such as Lord Shackleton, and the fact that some reforms were already underway before 1982, there can be little doubt that much of what is contained within the 1976 Shackleton Report would have been largely ignored had it not been for the impetus provided by the 1982 Conflict in the South Atlantic.¹

In a pers. comm. Lord Shackleton commented that his original brief included the possibility of going out to the Islands to begin the process of handing the Islands over to Argentina. The underlying assumption in the Foreign Office, at that time, was that the Islands were an economic drain on the British exchequer. Shackleton's team soon discovered that this was untrue, and that in fact the Islands were being de-capitalised by the United Kingdom. Shackleton estimated that between the 1950s and the 1970s a £4M 'profit' had been earned by UK-based companies even when defence costs, subsidies and grants had been taken into account. Shackleton's view soon became that Britain had a moral responsibility to the islanders, and that Britain 'couldn't wash its

¹ The term *South Atlantic* in this dissertation generally refers to the waters of the sub-Antarctic zone north of approximately latitude 60°S, which are physically distinct from other oceans to the south.

hands of the Colony'. The whole basis of the Shackleton Reports was thus: 'something must be done.'

The 1976 Report begins with the significant statement about the natural environment of the Islands:

There was one further consideration, which we bore in mind at all times when we were studying the various possibilities for economic development. This was the need to have due regard to conserving the natural environment of the Falkland Islands and the Dependencies, with their surrounding waters.²

The 1976 Report also begins with the timely reminder that 'an island is a piece of land entirely surrounded by advice.'³ This is an appropriate aphorism for the Islands, but it is also true that if the advice of Munro and Davies *et al.* had been acted upon, then much of what was contained within the Shackleton Reports would not have been necessary.

The 1976 and 1982 Reports both begin by observing that the most striking feature of the economy of the Islands is its almost total dependence on the production of wool for export:

Almost equally striking is the fact that sheep farming has formed the economic base since the 1870s, and that the few attempts to diversify ... have either failed or been short-lived.⁴

The ranching style of farming, to which Islands conditions are naturally suited, does not easily respond to improvements in output. The Report commented that within this 'one crop economy' wool production levels have remained steady while world wool prices have fluctuated greatly. The Report's consider the heart of the issue for the

² Shackleton, E (1976) (The Rt.Hon. Lord Shackleton, KG, PC, OBE) Chairman; *Economic Survey of the Falkland Islands*; (two volumes); London: HMSO; volume 1; p iv.

³ *ibid.*; volume 1; p ii.

⁴ *ibid.*; volume 1; p17.

Islands farming industry *i.e.* the challenge of producing a sustainable farming scheme within a grassland environment which has been degraded.⁵

The 1976 Report outlines what it believed to be the significance of the dominant position held by the Falkland Islands Company. It asserts that however benevolently the monopolistic power may be exercised, any monopoly situation holds risks for a community as small as the Islands.

Decisions, affecting the Falkland Islands economy, can therefore be taken on behalf of interests outside the Islands, and by persons with perhaps little knowledge of the effect of their decisions on a small community.⁶

The resources available to the agricultural community are described in terms of the natural environment, the farm structure and management, and the livestock available on the Islands. The 1976 Report notes that indigenous grasses of the area were generally poor in nutrition value as a consequence of the local climate and soil condition. A notable exception was, of course, Tussac grass. The report reiterates a well-worn theme:

As a result of the activity of sealers, and uncontrolled grazing since the settlement of the Islands, the Tussac association have been very seriously diminished and in many areas totally destroyed.⁷

The Report states - rather optimistically - 'Most farms are now taking action to restore the Tussac through planting and fencing.'⁸

The continuing decline in the use of 'outside' shepherd housing is noted, with the consequence that there were lower levels of flock supervision. The continuing slow decline in sheep numbers from its late nineteenth century highpoint is also noted. The Report is not correct here. See Figure 8 for sheep numbers carried in the Islands from 1857-1999. See also Figure 9 for sheep carried from 1910-1999. In The Falkland

⁵ *ibid.*; volume 1; p97.

⁶ *ibid.*; volume 1; p19.

⁷ *ibid.*; volume 1; p87.

⁸ *ibid.*; volume 1; p87.

Islands Company's response to the Shackleton Report it doubted the authenticity of the high point of 800,000+ sheep; it pointed out that numbers had, in fact, been slowly increasing from the low point of the 1950s.⁹

The 1976 Report is unambiguous about its conclusions concerning the agriculture pattern of the Islands. It strongly advocates the breaking up of the large farming units into much smaller farms. It is fully aware that there will be problems:

The creation of small farm units gives rise to many considerations and there is no doubt that such an agricultural development would have to be undertaken with much care, if it is to be successful. However we feel that there are strong social, and possibly economic reasons for creating small units in the Falkland Islands, and we would urge that the matter should receive early consideration.¹⁰

This proposal for an agrarian transformation was widely welcomed at the time, and has now largely taken place. The large farms are mainly a thing of the past; those who farm the land now own their farms, or lease their farms from local owners. Initially there was an increase in numbers of sheep carried and wool produced, but it has yet to be demonstrated that there has been a concomitant improvement in land management since the break-up of the large farms. The sale of the large farms has effected great social change in the Islands, but it is unclear at present how successful these radical changes will be in the long term - both for the natural environment, and the human inhabitants of the Islands.

The aquatic resources of the Islands and its Dependencies are considered. The Report is remarkably prescient when it concludes that 'a fisheries development would underwrite the future self-sustaining economic viability of the Falkland Islands.'¹¹ It warns against the dangers of over exploitation using the salutary example of the whaling industry. The value of Fur seals, Sea Lions and Elephant Seals is noted, but 'at present there is an embargo on exploitation pending a thorough evaluation of the

⁹ *ibid.*; volume 1; p118.

¹⁰ *ibid.*; volume 1; p131.

¹¹ *ibid.*; volume 2; p39.

status of this potential resource.¹² The potential of seaweed (as a source of alginates), various crustacea and molluscs, offshore and coastal fishing and also fish farming, are considered.

The 1976 Report commented that no major geological survey of the Islands has been undertaken since 1920-1922. The prospects for the presence of large deposits of hydrocarbons are considered. It suggests that it is impossible to make any forecast of oil or natural gas production without first having some idea of reserves or field sizes.

At least two years' seismic work and 2 or 3 years of exploration drilling with not less than 5 drilling rigs would be required before any rough estimates of reserves and field size could be made.¹³

The 1976 Report takes a very sanguine view about the prospects of the discovery of marketable quantities of oil, and it suggests that very large quantities would have to be found to make this a viable project. The effects of a burgeoning oil industry on the agriculturally based economy of the Islands are examined. The report concludes that the social pattern and expectations of the islanders would be changed to such an extent by an indigenous oil industry that a viable agricultural industry could not survive. The environmental impact of an oil industry is also considered, and the Report regards the enforcement of all necessary precautions and safety measures to be essential.

The importance of the creation of a rural road network is stressed and although it doubts that the roads could be justified on any economic grounds, nevertheless sufficient justification can be found on social grounds alone. Every encouragement should be given to establishing a tourist industry that specialised in:

A 'wilderness experience' despite the fact that 'the Falkland Islands have a history of wildlife depredation by way of sealing, whaling, the short-lived oil industry, and egg collection.'¹⁴

¹² *ibid.*; volume 1; p142.

¹³ *ibid.*; volume 1; p182.

¹⁴ *ibid.*; volume 1; p267.

The 1976 Report makes substantial recommendations concerning the agricultural industry. The Grasslands Trials Unit (GTU) should be expanded, and a fully staffed Agricultural Department should be established. Both these recommendations were speedily implemented because of their relationship with the sub-division process. Vegetation mapping¹⁵ became a priority in order to ensure a balanced farm structure. This mapping warned against the danger of making the sub-divided farms too small to be economically viable. In the event this warning was not heeded. The pressures for ownership was so great that when the farms were divided after 1983 some of the new farm units, created by sub-division, have proved to be uneconomic.

At the heart of the 1976 Report is the firm conviction that the Islands have potential for economic development. But the Report adds a significant caveat:

It is most important that any such development should proceed in a manner, which takes proper account of the natural resources of the Islands. This is necessary not only to conserve the flora and fauna of the Islands and their waters, for their natural and scientific value, but also to ensure that resources are exploited in ways, which are of maximum long-term economic benefit to the Islands.¹⁶

In May 1982 when British troops landed on the Islands and it became clear that it was only a matter of time before the Islands were re-possessed, members of the team that produced the 1976 were reconvened. They were commissioned to update their Report in the light of the changed circumstances of the Islands arising from the Argentinean invasion and occupation, and the changed world economic environment, since 1976.

The 1982 Report begins by drawing attention to a number of key changes that had taken place during the 1976/82 period. Wool prices had fallen by 20% in real terms during this period; with the re-taking of the Islands the climate for investment was

¹⁵ Vegetative mapping is essential for good pasture management. The process was begun by the Grasslands Trials Unit but was never followed through. In the late 1970s McAdam studied the Hunting Air Surveys photographs, and from these mapped 8 of the 29 map sheets of the Islands, but this work was lost during the 1982 Conflict; currently few vegetative maps exist except for the GTU research sites.

¹⁶ Shackleton, E; (1976); op.cit.; volume 2; p85.

much improved; ownership of The Falkland Islands Company (which produced 44% of the wool) had changed hands again; and finally the Report's introduction noted that international maritime law had developed to such an extent that 200 n.mile limits had been widely accepted. The Report concludes that the internal economy of the Islands is in grave danger of collapsing in the next five years without continued support and/or development.¹⁷ Wool output has dropped and farm profitability has seen a 'catastrophic' decline.¹⁸ External communications and internal infrastructure must be improved if development is to take place. The 1982 Report states that:

A radical solution is required to stem the flow of funds from the Islands and to encourage reinvestment of profits ... Farm owner-occupiers are more likely to be prepared to plough back profits inasmuch as they see their own long-term futures being bound up in the places of work.¹⁹

The Report reiterates its criticisms of the large farming companies and in the same way that the 1976 Report argued strongly for the creation of small owner-occupied farms from both an economic and social standpoint, the 1982 Report re-states the case, but with a significant caveat:

There is as yet no sustained evidence that this will increase agricultural productivity and it could, without co-operation between small farms, have the opposite effect.²⁰

Despite this warning the 1982 Report strongly recommended that the transfer of the ownership of farms owned by absentee landlords to local ownership be implemented in order to create small owner-occupied farm units. If necessary this should take place through compulsory purchase.²¹ The 1982 Report covers familiar ground which reaches back to the earliest days of human settlement; the recurring themes of all previous reports are reiterated.²²

¹⁷ Shackleton, E; (1982) *Falkland Islands Economic Study 1982*; London: HMSO (Cmnd. 8653); p6.

¹⁸ *ibid.*; p6.

¹⁹ *ibid.*; p9.

²⁰ Shackleton, E; (1982); *op.cit.*; p11.

²¹ *ibid.*; p17.

²² *ibid.*; p10.

The Report recognises that there was no absolute alternative to the extensive sheep farming method, with minimum pastoral supervision, which is practised in the Islands.²³ It states that the genetic potential of the sheep is not being realised and it expresses concern about the generally low level in grassland improvement among sheep owners. Some smaller scale owner-occupied farming had already begun by the time that the 1982 Report was written, and although the report commends the strong commitment of the new owner-occupiers, and the general appearance of the farms, nevertheless is noted, with regret, that the methods of farming remained largely unchanged. Although Falkland Islanders are justly proud of the wool produced, the Report warns that despite its fineness, whiteness, resilience and strength, it is not a unique product, and that the Islands supplies only 2% of the market for that type of wool.²⁴ The 1982 Report states that unless the recommendations of the 1972 Theophilus Report were implemented there would be 'grave danger of regression to a primitive form of land utilisation as practised during the early phase of colonisation based on wild cattle.'²⁵ New attitudes to farming would be essential to the survival of farming on the Islands, and to this end the inclusion of Rural Science in the school syllabus is recommended. This point precisely reflects the conclusions of the 1942 Cardinal Report.

The potential for the development of alginates,²⁶ hydrocarbons and off shore fishing are examined in detail, and the report concludes that while fishing might provide an income in the immediate future, oil exploration is a longer-term prospect. In order to secure the future economic benefits from these natural resources the report recommended that a 200 n.mile economic zone/fishing limit be created around the Islands. This is one of the most important statements in the entire Report. The story of the creation of these economic/fishing zones around the Islands will be outlined later in this dissertation. A similar area should be established around South Georgia, the South Sandwich Islands and Shag Rocks. A rural road network should be established, and a new airport should be constructed. The generation of electricity by wind turbines should be investigated. Small woods and shelter-belts should be planted.

²³ *ibid.*; p52.

²⁴ *ibid.*; p59.

²⁵ *ibid.*; p60.

²⁶ *ibid.*; pp. 91-93.

A significant part of the 1982 Report is concerned with the potential for offshore fishing. This subject is dealt with greater detail later in this dissertation, but it should be noted at this point that the recommendations made by the 1982 Shackleton Report concerning fishing were to have a significant impact on the future development of the Islands. The 1982 Report notes that the costs of fishing has risen considerably since the publishing of the 1976 Report, but despite this factor increasing demand would increase profitability. The potential for coastal finfishing, shellfish fisheries and salmon ranching are outlined. Offshore fishing is considered to have the greatest economic potential. The stocks of Southern Blue Whiting have only been lightly exploited, whereas Antarctic Cod (*Notothenia macrocephala*) stocks have been seriously over-fished. Stocks of Hake and squid (*Loligo gahi* & *Illex argentinus*) are abundant and potentially of commercial importance. The 1982 Report recommended the sale of licences to foreign fleets,²⁷ while noting that significant exploitation of the fish stocks would also require expensive surveillance and management.

This recommendation subsequently became the cornerstone of the fisheries policy of the Islands Government and it has yielded a considerable income to the Islands since 1984. The potential of the seal stocks²⁸ and the stocks of krill (*Euphausia* spp.)²⁹ are considered in the 1982 Report.

The potential in the Malvinas basin for hydrocarbons forms a significant part of the 1982 Report, but like the 1976 Report, the 1982 Report is again very cautious about the future importance of this natural resource.³⁰ There is a need for geophysical surveying, but the Report concludes that the high costs of such a survey make it unlikely that justification can be found for bearing these costs in terms of a possible contribution to the Islands' economy during the following 10-15 years.

One of the important aspects of the two Shackleton Reports is the issue of conservation. There are numerous references to the importance of this issue; the 1982 Report devotes a chapter to the subject. The importance of conservation is well illustrated by the comment:

²⁷ *ibid.*; p72.

²⁸ *ibid.*; p78.

²⁹ *ibid.*; pp. 78-79.

³⁰ *ibid.*; p95.

As and when a large commercial fishery develops, it will be highly desirable to establish a system of telecommunications to allow daily reporting of position and catch.³¹

The two Shackleton Reports were the first economic and development reports in the history of the Islands to be so directly concerned with conservation matters.

The 1976 Report states:

Development should proceed in a manner, which takes proper account of the natural resources of the Islands. This is necessary not only to conserve the flora and fauna of the Islands and their waters for their natural and scientific value, but also to ensure that resources are exploited in ways, which are of the maximum long-term economic benefit to the Islands.³²

To this statement the 1982 report added:

Because of their geographical situation and their history, the Falkland Islands and their Dependencies possess a range of natural resources ... if not making the Islands unique in the world, certainly mark them as places of special interest in a global context.³³

The 1982 Report states that there is a new urgency for taking positive action on conservation of the Islands' resources. It urges that a systematic ecological inventory be carried out.³⁴

³¹ *ibid.*; p79.

³² *ibid.*; Volume 2 pp. 85-86.

³³ Shackleton, E; (1982); *op.cit.*; p111.

³⁴ The first of a number of conservation reports that have been written since the Shackleton Report was: Standing, K; (1982) *Conservation in the Falkland Islands - a discussion paper*; Stanley: RSPB.

The importance of restoring the Tussac Grass is noted, as well as the fragility of the ecology of the peat bog. The wildlife on South Georgia is noted as being even more spectacular - though not as diverse as the Islands.³⁵

Existing environmental Ordinances need strengthening,³⁶ and special areas of special scientific interest should be designated. A permanent Scientific Advisor should be appointed, and a Scientific Research Agency should be established to co-ordinate and advise on all natural and social scientific research. The Report concludes by stating that 'We stand by and restate these recommendations as being, if anything, of greater importance today than they were in 1976.'³⁷

It is impossible to overstate the long-term significance of the two Shackleton Reports; much of its analysis was based on research work done in previous reports, and reform was already underway. Nevertheless the effect of the 1976 & 1982 Reports was to finally break the developmental log jam. Far-reaching social, economic and agricultural reforms soon followed the publishing of the 1982 Report.

The Falkland Islands Company made the only serious attempt at a critique of the Shackleton Reports. The Company contested many of the Report's findings and conclusions, and pointed out many factual errors in the Reports. The Company considered that it had been frank and open with the Shackleton Report Team, and it regretted (not without some justification) that a more positive attitude towards the Company was not adopted by the Reports. Once again the Company stated its belief that the official figure (800,000+) for the total number of sheep carried in the late 1800s to be an exaggeration. The Company states that in the early days of the Colony's history that there must have existed nutritious plants which were unable to

³⁵ For further information on some modest proposals for the future environmental management of South Georgia see: McIntosh, E & Walton, D; (2000) *Environmental Management Plan for South Georgia*; Stanley: Falkland Islands Government. For a strongly worded appraisal of the environmental hazards of the former whaling stations on South Georgia see: Poles Apart; (1999) *South Georgia Whaling station survey - final report*. Stanley: South Georgia and South Sandwich Government.

³⁶ The legislation concerned with wildlife protection has been considerably strengthened in response to this recommendation. See: McIntosh, E & Walton, D; (2000) *Environmental Management Plan for South Georgia*; op.cit.; p8.

³⁷ Shackleton, E; (1982); op.cit.; p113.

survive for long any grazing pressure by sheep, however skilful and careful the management. The Company's response completely rejects the assertions of both Report's that mismanagement and lack of understanding was generally responsible for the fall in production potential where that has occurred. The Company did accept that the closure of the Anson Experimental Farm was a serious mistake, and it welcomed the establishment of the Grasslands Trials Unit.

With regards to sub-division of the land, the Company fully appreciated the social benefits, and agreed to fully cooperate when it was satisfied that the disadvantages to the Colony and its people would not outweigh the advantages. The Company was sceptical about the value of the constant procession of experts sent out to the Islands for brief visits, and who subsequently wrote reports. They believed that the brief visits gave insufficient time to understand the peculiar local conditions.

The Falkland Islands Company rejected the cautious approach of the 1976 and 1982 Reports concerning hydrocarbon exploration. In the Company's view the real reason for the reluctance of the oil companies to engage in exploration was not the hostile weather or the conditions, nor by the limited seismic surveys which had been carried out - but rather they were deterred because of the British Government's policy of not confronting Argentina with issues affecting sovereignty. The general position taken by the Company was that it hoped that the Islanders regarded it - the Company - as a more effective instrument in safeguarding public interest than any Government.

