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PART A

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Part A.

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Begins : 29/6/87.

Ends : ~~30/3/89~~ 28/2/89.


PO -CH /NL/0317

PART A

Chancellor's (Lawson) Papers:

THE NATIONAL DOCK LABOUR
SCHEME

PO -CH /NL/0317
PART A

DD 's: 25 Years

D. H. New

27/0/95

CH/EXCHEQUER	
DATE	30 JUN 1987
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10 DOWNING STREET
LONDON SW1A 2AA

29 June 1987

From the Private Secretary

Dear Jon,

NATIONAL DOCK LABOUR SCHEME

Sir Jeffrey Sterling called in to No.10 on Friday and in the context of a discussion on other matters mentioned to Mr. Wicks and me his concern that there seemed to be a delay in a decision to abolish the National Dock Labour Scheme.

He made three main points. First, action to abolish the Scheme should be taken now. Business in the ports was at its lowest in the summer, and strike action therefore most easily tolerated. Second, the dockers were expecting tough action. An extended period of consultation about the future of the Scheme would create uncertainty and enable troublemakers to stoke up feeling. And third, the dockers should be given some compensation (which he seemed to assume would at least in part be financed by Government).

As a result of this conversation, Sir Jeffrey telephoned again today about one or two points on which I had expressed surprise. Sir Jeffrey had argued that very few people were now being taken into the Scheme, whereas my understanding (from the meeting of Ministers last week) was that the Scheme would not wither away because ports within the Scheme were taking on new dockers under it. Sir Jeffrey said that last year around 1100 dockers left the Scheme and only some 24 were taken into it, all of them at Ipswich. There are several ways in which these two positions could be reconciled, for example it may be the case that Scheme ports are not hiring at present but they would be forced to do so later as registered dock workers retire, when employment in the Scheme ports has reached a minimum level. But it would be helpful to clarify the position.

The other point which Sir Jeffrey made on the phone today was that he would prefer to see all registered dockers bought out of the Scheme and then re-hired as needed. He estimated the cost of this at £35 million, of which £25 million would fall to the Government. When we discussed this on Friday, I understood you to say that the cost of "buying out the book" could be as much as £250 million. Again this seems to warrant investigation.

I am sending a copy of this letter to Tony Kuczys (HM Treasury) and Brian Unwin (Cabinet Office).

(DAVID NORGROVE)

Jonathan Cunliffe, Esq.,
Department of Transport.

22/7
Alex
C
BF for meeting

Jon,
David



10 DOWNING STREET

LONDON SW1A 2AA

22 June 1987

From the Private Secretary

*Re X, who is
our representative?*

PORTS BILL

The Prime Minister this afternoon held a meeting to discuss the proposed Ports Bill on the basis of your Secretary of State's minute (undated). In addition to your Secretary of State there were also present the Lord President, the Chancellor of the Exchequer, the Lord Privy Seal, the Secretary of State for Social Services, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, Mr Brian Unwin (Cabinet Office) and Mr John Wybrew (No.10 Policy Unit).

Your Secretary of State said it had been agreed in March that it would be right in principle to abolish the Dock Labour Scheme in the context of the proposed Ports Bill, but that a final decision should be taken in the new Parliament. He shared the conclusion of his predecessor that the Scheme was out of date and restrictive. It would not wither of its own accord, since replacements for dockers at present employed under the Scheme would enjoy the same rights. Port employers, who had been consulted discreetly, were convinced that the problem had to be tackled. The proposal to abolish the Scheme would probably lead to a stoppage at Scheme ports lasting perhaps 2-3 weeks. Only ragged support would be likely at non-Scheme ports and the TGWU would be unlikely to win support from other groups of workers. It was possible that there might even be no industrial action.

Some Ministers present expressed strong support for abolition of the Dock Labour Scheme. Scheme ports were now less important than they had been in the past and while this might tend to reduce the benefits from abolition, this fact also reduced the costs of a dispute. Sterling was now much less likely to be affected by trouble in the docks. It would be preferable in the White Paper to announce a firm decision rather than to allow the possibility that pressure might cause a change in the Government's view. Against this others present drew attention to the risk that employers might not be willing to see through a protracted dispute. They might in any case be expecting compensation from the Government both for themselves and in respect of

rights lost by dock workers from the abolition of the Scheme. The proposed White Paper did not describe the benefits of the proposed changes in sufficiently vigorous terms to increase the acceptability of abolition. (A number of detailed comments are listed in the annex to this letter.) The Government also had higher priorities to pursue in the immediate future. An alternative way of proceeding would be to remove the right of new entrants to receive the same benefits as existing workers within the Scheme and to prohibit subsidies and assistance for ports, whether by central or local government. This could be justified by reference to the need to maintain fairness with non-Scheme ports. It would also be part of the package that no further increase in severance payments would be allowed. The result would be to cause a continuing further decline in the number of workers registered under the Dock Labour Scheme. Legislation would be required. It was however argued that any significant change in the terms of the Scheme would risk disruption as severe as if the Government were to set out to abolish it.

X | Concluding the meeting, the Prime Minister invited the Cabinet Office to chair a small group of officials from interested Departments, including the Treasury and the Department of Trade and Industry together with the Departments of Employment and Transport, to consider the available options. These should include abolition, but as part of a vigorous and forward looking programme of change designed to put the ports in a position to win business through their greater competitive strength, taking advantage of the new opportunities which would be offered by the Channel Tunnel. Another option, which could well be preferable if it could be shown to be practicable, would be to cease to register new members of the Scheme and to legislate that there would be no further Government assistance to ports, and no increase in severance payments. Your Secretary of State would wish in due course to consider further discreet consultation with port owners.

I am copying this letter to Mike Eland (Lord President's Office), Alex Allan (HM Treasury), Steven Wood (Lord Privy Seal's Office), Geoffrey Podger (Department of Health and Social Services), Peter Smith (Chancellor of the Duchy of Lancaster's Office), John Turner (Department of Employment), Murdo Maclean (Chief Whip's Office) and Trevor Woolley (Cabinet Office).

David Norgrove

Roy Griffins, Esq.,
Department of Transport.

ANNEX

- Paragraph 6 The first sentence should refer to the fact that the Government can create a climate in which greater business will be won by the ports: the Government's economic policies do not generate business directly.
- Paragraph 11 Is it true that the Trust Port Scheme has operated well for over a century?
- Paragraph 14 This says that the larger Trust Ports are to be required to submit either schemes for privatisation or an explanation of why this is not a sensible option. It is not clear however whether the Government will have the power to override any such objections. Is this the intention?
- Paragraph 16 This discusses the treatment of the proceedings of the sale of Trust Ports at great length and looks defensive. Is there a risk that with this proposal a premium could emerge of the scale seen with the sale of the Trustee Savings Bank?
- Paragraph 19 This refers to the "hope" that some of the authorities concerned would sell off a sufficient part of their shareholding to take municipal ports into the private sector. Should this be put more strongly?
- Paragraph 20 The final sentence says that companies would "in general" be free from day to day intervention by local authorities. Why "in general"?
- Paragraph 24 This discusses proposals to seek powers to stop local authorities funding the losses of their ports and making loans to them on non-commercial terms. It may be right to state an intention.

Confidential



FROM: B T GILMORE

DATE: 19 June 1987

CHANCELLOR

See 29-233

cc Chief Secretary
Sir P Middleton
Mr F E R Butler
Mr Monck
Mr Revolta
Mr A Williams

PORTS BILL

I agree with Mr Williams' brief below. But you may also wish to make two points about the handling of a strike:

- (a) its speed and success will depend on effective contingency plans and counter-measures - the Government needs a small team to grip this aspect;
- (b) the long Bill seems much better tactically: puts the dockers in the position of objecting to a broad strategy for economic success, while the short Bill may help them to claim that they are only "defending themselves" against an "arbitrary" attack.

B T GILMORE

The brief was straight on this
 PRR spoke when we had
 week. ..

Malcolm

CONFIDENTIAL

FROM: A R WILLIAMS

DATE: 19 June 1987

1. MR GILMORE
2. CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr F E R Butler
Mr Monck
Mr Revolta

PORTS BILL: MEETING ON 22 JUNE

1. The Secretary of State for Transport minuted the Prime Minister on 18 June, enclosing a copy of a draft White Paper on ports. He seeks agreement to:

- (i) legislate in the 1987-88 session to repeal the dock labour scheme and introduce other measures to strengthen the port industry
- (ii) refer in general terms to port legislation in the Queen's Speech
- (iii) publish a White Paper shortly after the Queen's Speech setting out the Government's proposals on ports.

2. The Prime Minister has called a meeting of a small group of Ministers to discuss these proposals on 22 June. The Secretary of State for Employment wrote on 18 June giving his general support for the proposals.

Line to take

3. You have expressed strong support for the abolition of the dock labour scheme and have said that it should be announced as a firm decision, not as an issue for consultation. You will therefore wish to support Mr Channon's proposal for a Bill in the 1987-88 session, to be referred to in the Queen's Speech, and to press for the White Paper to be drafted so as to make clear that the Government is committed to abolition.

4. There may be objections to a long Ports Bill in the next session because of a crowded legislative timetable. It would be preferable for the whole package of ports measures proposed by Mr Channon to be dealt with together, but as a fallback you could agree to a short Bill for 1987-88 covering the dock labour scheme only, with a decision to legislate on the other matters at a later date.

If Ministers agree to go ahead, we recommend that you support Mr Fowler's proposal that the Cabinet Office should convene an interdepartmental group of officials to consider the possible effect of a dock strike, and the Government's response to them.

Discussion

6. Ministers agreed on 25 March that the dock labour scheme (summarised in Annex A) ought to be abolished after the election, but the precise timing was left open. The crucial consideration is the risk of an economically damaging dock strike (a summary of an assessment by officials in 1983 of the consequences of a dock strike is given in Annex B). That there would be a strike is certain; the question is how serious it would be. The Department of Transport's assessment, on the basis of informal discussions with the industry, is that it would begin as a stoppage in all ports but would not last longer than 2 or 3 weeks in non-scheme ports or the less militant scheme posts (eg Immigration). In the older more militant scheme ports however, such as Liverpool, Hull and perhaps London, it would continue for months. Overall the effect would be disruptive but not catastrophic, though particular industries could be very seriously effected. A potential aggravating factor is the interaction between a strike by dockworkers and the industrial action by civil servants, particularly Customs officers.

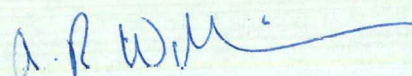
109w
7. Department of Employment officials consider that it would blunt the focus of industrial action if the Government initially announced only that was strongly inclined to abolish the scheme but left a final decision until the industry has expressed its views. This is the line taken in the current draft of the White Paper. However some of those in the industry already consulted informally consider that this tactic would make little difference to the response of the unions.

8. Public presentation of abolition would be easier in the context of a whole package of measures to enhance the competitiveness of the port industry, as proposed by Mr Channon. Tactically, therefore, a long bill incorporating all the measures discussed in the draft White Paper would be greatly preferable to a short one on the dock labour scheme alone. Some Ministers might argue that if there is insufficient room in the Parliamentary timetable for the long bill, the abolition of the scheme should also be delayed. However it is likely that tackling this difficult issue will look less attractive in mid-term than it does shortly after an election victory.

The other measures proposed by Mr Channon include the transformation of public trust ports into normal commercial companies, and their privatisation wherever possible, the transformation of municipal ports into companies, and the elimination of public financial assistance to ports (see annex C for more details).

10. These measures are attractive both because they would introduce a more commercial and competitive environment for the port industry to operate in, and because there is a fair chance of receipts to the Exchequer from privatisation. As with TSB there are difficult legal questions about the present ownership of the assets of the local ports, about which Mr Channon is consulting the Law Offices. The draft of the White Paper therefore leaves open the treatment of privatisation proceeds. However, it is the view of DTp officials that, legal advice permitting, these proceeds would be used to meet the cost of sales, to make any necessary redemption of stock or repayment of loans, and to construct an appropriate balance sheet, with the remaining funds being paid to the Exchequer. The net receipt by the Exchequer might be of the order of £100m. We support this approach.

11. You questioned whether a White Paper was desirable. Even if the Government decides to announce a firm commitment to abolish the dock labour scheme, a ports White Paper would still be useful to air these other proposals and to elicit views on some of the detailed aspects. DTp will be consulting other Departments on the drafting.



A R WILLIAMS

THE NATIONAL DOCK LABOUR SCHEME

1 The Scheme was introduced to to give dockers job security in place of casual day by day employment. It provides job security regardless of the employer having work for the docker to do.

2 The present Scheme is established in the Dock Workers (Regulation of Employment) (Amendment) Order 1967, made under the Dock Workers (Regulation of Employment) Act 1946. It applies to 60 ports in Great Britain listed in the Order. Scheme ports handle 60 per cent of port traffic. There are 30 non-Scheme ports of commercial significance.

3 Dock work (the precise definition varies from port to port) at Scheme ports can only be performed by a National Dock Labour Board (NDLB) registered dock worker (RDW). Only the NDLB or NDLB licensed employers can employ RDWs.

4 The NDLB is responsible for maintaining registers of RDWs and licensed employers; for regulating recruitment to and discharge from the register; for allocating RDWs to employers; and for providing training and medical services.

5 The NDLB and its local boards comprise equal numbers of employers' and dock workers' representatives. The NDLB also includes 4 appointees of the Secretary of State for Employment. The general effect of the balance of representation is to make it difficult for contentious issues to be resolved by local boards. Such issues are frequently referred to the National Board which itself finds difficulty in reaching clear decisions, particularly over proposals for reducing the number of RDWs.

6 Normally RDWs are allocated permanently by the local board to a registered employer. RDWs not allocated are placed on the Temporary Unattached Register (TUR). Under an agreement between the employers and unions in the early 70s (known as the Aldington/Jones agreement) the use of the TUR has been foresworn except for disciplinary reasons.

7 The overall effect of these arrangements is that:

- i RDWs cannot be removed from the register unless the dock labour board agrees,
- ii the board will agree only if men volunteer,
- iii volunteers have had to be bought out at an increasingly high cost (presently £25,000 plus pension for an RDW with 15 years service),
- iv if volunteers are not forthcoming the employer has to keep and pay the surplus men allocated to him,
- v if an employer goes out of business (deregisters), to avoid his RDWs being placed on the Temporary Unattached Register they are reallocated to other licensed employers in the port, regardless of whether they need extra labour.

8 The move to containers means many less men are needed to handle the same tonnages of cargo. The total number of RDWs has reduced;

1955	-	81,000
1970	-	45,000
1979	-	27,000
1986	-	11,000

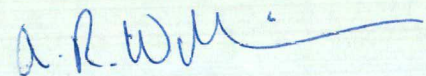
at the substantial cost of buying them off, but RDWs will never die out given their monopoly of key dock work, unless all the Scheme ports shut down completely or the Scheme is abolished.

[HE1: June 87]

The other measures proposed by Mr Channon include the transformation of public trust ports into normal commercial companies, and their privatisation wherever possible, the transformation of municipal ports into companies, and the elimination of public financial assistance to ports (see annex C for more details).

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A R WILLIAMS

ECONOMIC EFFECTS OF A NATIONAL DOCK STRIKE

1 Clearly this would vary with the extent of the strike, in particular whether it went wider than the Scheme ports. A 1983 official assessment was that serious problems for industry would be unlikely to arise for 6-8 weeks.

2 Since the 1983 official assessment the proportion of traffic handled by non-Scheme ports (less likely to be affected by industrial action) has continued to grow. Also, the 1984 dock strikes (partly in support of the miners action and partly because of a perceived threat of action to abolish the Scheme) showed that a considerable amount of traffic could be transferred to non-Scheme ports and small fishing harbours otherwise unused for commercial trade.

1983 official assessment

3 A near total strike, including non-Scheme ports, would:

i Be unlikely to have an unacceptable impact on food supplies.

There would be shortages and substantial price rises for some foods, but there should be sufficient food supplies to maintain an adequate and balanced national diet for almost indefinite endurance of a strike occurring at any time of year.

ii Oil imports and North Sea production would almost certainly be unaffected. Oil terminals rarely employ Registered Dock Workers.

iii Steel production could probably continue for about 8 weeks. In addition stocks held by consumers and wholesalers are probably equivalent to about 3 months' consumption of most products.

iv In the case of the chemical industry inability to move exports is likely to reduce production as early as week 1, lack of imports would probably not seriously constrain production for 3 or 4 weeks. Users of imported chemicals would be affected immediately.

v Of other industries dependent on the bulk movement of goods through the docks cotton textiles would probably be affected relatively early. The effect on supplies of raw materials to other industries would probably not be felt for at least a month (as is the case of aluminium). For example, serious problems would not be expected in the paper and board sector for about 6 weeks, and stocks of timber, building materials and non-ferrous metals other than aluminium are typically sufficient for 2 months' consumption.

vi Production in the motor vehicle industry both within the UK and at overseas plants which depend on UK components and parts, would be seriously affected within a week or two.

vii Shipowners, particularly small ones, who rely on trading into and out of the UK would soon feel the pressure. Cross-trading (UK owned ships carrying, say, German goods to Brazil) would not be affected of course and that accounts for over half UK shipping income.

viii Depending on the duration and coverage of the strike, and the speed of recovery, there would be some short-term economic disruption; delayed or lost imports and exports; temporary losses in output; increased unemployment resulting in public expenditure. In the longer term there is the risk that a prolonged strike would revive British exporters' reputation for late delivery and unreliability. There would probably be some increase in bank lending to firms in financial difficulty, which would put pressure on the broader monetary aggregates; the Public Sector Borrowing Requirement would also increase if firms tried to delay tax payments.

4 There are contingency plans to deploy 2,600 servicemen to provide a limited service (10-15 per cent of normal traffic) to move essential cargoes at up to 13 ports. Those plans would take 12 days to implement. The effect on the industrial dispute would need to be carefully judged.

1984 dock strikes

5 On 11 July 1984 Transport and General Workers Union members at all ports were called out. The specific cause was British Steel's decision to use contract labour to shift iron ore at Immingham (a Scheme port) to the Scunthorpe steel works whose output was already affected by the coal dispute. The call was not answered in non-Scheme ports and there was evidence of dissent within Scheme ports. The strike ended on 22/23 July when the National Association of Port Employers gave an assurance that they would abide by clause 10 of the Scheme and consult through the local dock labour board before employing non-RDWs at a Scheme port.

6 There was a repeat performance on 15 August over British Steel's unloading of coal from the 'Ostia' at Hunterston. The response was patchy and quickly petered out.

SUMMARY OF THE MAIN PROPOSALS IN THE DRAFT PORTS WHITE PAPER

Public trust ports (paras 10-17)

- reform independent trusts as companies to allow greater flexibility to manage business commercially, to develop beyond cargo handling, to merge or associate, and thereby introducing accountability to shareholders
- best future for each trust port will vary - public offer of shares, acquisition by another company, management buy-out, including statutory port maintenance functions in the privatised port company or separate them out - so each trust port should prepare a scheme to be vetted by the Secretary of State and approved by Parliament
- who should receive privatisation proceeds is not entirely clear, in the case of the Trustee Savings Bank the proceeds were retained but a bank's operation is very different from a port, the essential aim of the Government's ports policy is to bolster competition on equal terms, would not be right for some privatised trust ports to have a cash mountain, so the Government will advise the ports on a suitable financial structure to aim for in devising their schemes (para 24) [a previous draft had said privatisation proceeds beyond those necessary for a sound opening financial structure should come to the Exchequer, that is still the intention but legally it is not said in the white paper]

Municipal sector (18-21)

- following the bus and airports precedents, local authorities should present schemes for reconstituting their ports as companies
- local authority port companies should operate commercially without grants or soft loans from their parent authority

Elimination of financial assistance (22-25)

- statutory authority for Government grants to London and Liverpool will be repealed
- the £120 million of outstanding London and Liverpool repayable grants may be written off [will probably have to be if they are to operate commercially]

Employment law (26-33)

- the strong presumption is that the National Dock Labour Scheme should be abolished

Supplementary measures (34)

- the Government will retain certain reserve powers to ensure fair competition

European Community dimension (35-37)

- the Government will continue to press European partners to stop uncommercial subsidizing of ports by central or local governments, beyond that harmonisation is not a desirable approach

RP



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

CH/EXCHEQUER	
REC.	01 JUL 1987 ✓ 1/7
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30 June '87

✓

Dear David

CALL FOR A NATIONAL DOCK STRIKE

My Secretary of State thought the Prime Minister might find it helpful to have a report on the TGWU decision, reported in the press last week, to ballot its dock members on a recommendation for a national dock strike over the proposed closure by the Clyde Port Authority of its container terminal at Greenock. The ballot is of all dockers, including those at ports like Felixstowe that are outside the Dock Labour Scheme, and of other manual port workers represented by the TGWU.

The closure of the terminal will cause the loss of 94 jobs, including 66 registered dock worker jobs. At issue is what happens to any of the 66 registered dock workers who do not voluntarily accept severance when, on the closure of the terminal, the Port Authority deregisters as an employer of dock labour. The usual arrangement in a Scheme port in such circumstances is that the surplus men are reallocated to other employers in the area. In this case the employers have let it be known that they are not prepared to take on extra men for whom they have no work. The only alternative would thus be for the National Dock Labour Board to put them on its Temporarily Unattached Register (the TUR). However, the 1972 Aldington-Jones agreement between the port employers and the unions proscribed the use of the TUR, other than for special, narrowly defined purposes. The TGWU sees the TUR as casual employment in disguise, and is pledged to call a national dock strike if the employers ever cause it to be used.

C O N F I D E N T I A L

In order to avert a national confrontation, the Clyde Port Authority has been obliged to increase its severance offer by 40% and postpone the closure date by six weeks until 14 August. The situation should now be capable of being resolved locally without recourse to the TUR. If so, there will be no ground for a national strike. My Secretary of State will continue to watch the position closely, as he is sure will Employment Ministers. The result of the ballot is likely to be known around 21 July, by when it will also be known how many volunteers there are for severance, and what is to happen to the remainder. I will of course keep you in touch with developments.

I am sending copies of this minute to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Employment, Trade and Industry, Northern Ireland, Scotland and Wales, to the Lord Privy Seal, and Sir Robert Armstrong.

Yours,
Jon.

JON CUNLIFFE
Private Secretary

C O N F I D E N T I A L

Bif with advice



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

3 July '87

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

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Dear David,

NATIONAL DOCK LABOUR SCHEME

Thank you for your letter of 29 June about points put to you by Sir Jeffrey Sterling. I understand that the two points where you asked for clarification are likely to be dealt with in Brian Unwin's further report to Ministers. But you may still like to have an immediate response.

The recruitment of registered dock workers has indeed been on a very small scale in recent years. We expect this to continue for the next few years - few dockers will be coming up for retirement, casual wastage is low, and there are likely to be further severances. In that sense it might be said that the Scheme will "wither" and diminish in importance. But neither the Scheme itself nor the major ports where it is in force will wither away altogether, so that the costs of the Scheme and the industrial power of the registered dockers will remain. Eventually the Scheme ports will need to recruit registered dockers on a much bigger scale than now, as existing dockers fall due for retirement, although this will not be for several years because only 17% of them are in the 55-64 age range.

We are puzzled by Sir Jeffrey's estimate of the cost of buying all registered dock workers out of the Scheme. Buying out was not, of course, part of my Secretary of State's proposal (as indeed was explained to Sir Jeffrey in an earlier discussion). There are four points worth making:

- i. The real purpose of any such "buying out" would be to win the agreement of the dockers, or a clear majority of the dockers, not to vote for a national dock strike if legislation were introduced to repeal the Scheme. My Secretary of State doubts whether the Government would want to be seen to be doing that.

ii. Our estimate of £250 million, for the sum needed to buy them out, was based on the illustrative figure of £25,000 for each of 10,000 dock workers - the maximum standard severance payment available at the moment. It might be judged that a lower, perhaps a much lower figure, would suffice, for dockers continuing in the same jobs. But if Sir Jeffrey has based his figures on the severance payments recently made in London, and currently being made in Liverpool and Greenock, as special cases (£35,000 maximum with a maximum Government contribution of £25,000) it looks as if his calculation is missing a nought.

iii. Sir Jeffrey seems to assume that the port employers would contribute part of the cost, even though they would get no direct benefit in terms of redundancy. That seems to us misconceived; it seems wrong in principle, and in practice we are fairly certain that the employers would refuse.

iv. Sir Jeffrey seems to envisage that some of the registered dockers would not be rehired when the Scheme came to an end, but it is not clear whether he has made any financial allowance for paying them off. A standard "buying out" sum for all registered dockers without any additional payment to those not re-engaged after the ending of the Scheme would be guaranteed to provoke the national strike that the "buying out" was designed to try to avoid.

My Secretary of State is seeing Sir Jeffrey next week and will raise these points with him. He will also, as noted at the Ministerial meeting on 22 June, be consulting discreetly with other representatives of the port owners.

Copies of this letter go to Tony Kuczys and Brian Unwin.

Yours,
Jon

J CUNLIFFE
Private Secretary

CONFIDENTIAL

FROM: A R WILLIAMS
DATE: 21 July 1987

RD

1. MR REVOLTA ✓ I agree. I understand that
both Mr Channon and No. 10 cc
2. CHANCELLOR Policy Unit have obtained
favourable informal reactions from
port employers. DR 21/7

Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Cassell
Mr Monck
Mr Gilmore

FUTURE OF THE NATIONAL DOCK LABOUR SCHEME

The Prime Minister is to hold a further meeting to consider the future of the dock labour scheme, in the light of a paper by officials circulated with Mr Unwin's minute of 14 July to Mr Norgrove. The paper concludes that if the Government wishes to end the scheme, there is no realistic alternative to outright abolition, and that the right time to act is now.

Line to take

2. Support outright abolition, to be implemented as soon as possible (ie following legislation in the 1987-88 Session) and to be announced immediately as a firm decision.
3. If colleagues cannot agree to this course, as a fall-back support postponement of outright abolition until next year, in preference to any of the alternative options discussed in the paper by officials. The other action on ports proposed by the Secretary of State for Transport should also be postponed. (see para. 12)

Discussion

4. Ministers have considered the dock labour scheme 3 times in recent years, most recently in March 1987, and agreed that it should be abolished but at some unspecified future date. Immediately after the election the Secretary of State for Transport proposed that abolition of the scheme should be included in a Ports Bill for 1987-88, and floated publicly in a preceding White Paper on ports. This proposal was discussed by Ministers on 22 June.

CONFIDENTIAL

5. There was no consensus on this proposal, some Ministers thinking that the risk of a confrontation with the dockers was not worth the likely benefits of abolition, particularly in view of the Government's other priorities. Officials were asked to consider whether there were less politically difficult alternatives to outright abolition.

— Alan Williams
is our rep.

6. The group of officials (on which the Treasury were represented) considered four possible options:

- (i) Buy-out of dockers' rights under the scheme
- (ii) removal of individual ports from the scheme
- (iii) persuading ports employers to renounce the Aldington-Jones agreement
- (iv) abolition of the scheme for new recruits, but preservation of the rights of existing dockers.

7. None of these options was considered to be satisfactory. When dockers understood that it was the Government's intention to buy them out, they would have a strong incentive to threaten or to undertake industrial action in order to bid up the price. It is likely that a settlement would be very costly: the paper suggests £250m (£25,000 per docker). Moreover buying off industrial action is a bad precedent. We have to recognise privately that abolition might in the end result in some (relatively modest) pay-out, but it would be better not to concede it from the outset.

8. Removal of ports from the scheme on an individual basis would be scarcely less risky, in terms of industrial action, than outright abolition, but for much smaller benefits. It is unlikely that employers could be persuaded to renounce the Aldington-Jones agreement (see Annex B for a brief description of the scheme), and if they did a national dock strike would be the likely result. Both these options represent the worst of both worlds.

9. Preservation of the rights of existing dockers is superficially more attractive, and was specifically suggested at the previous

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Ministerial meeting. However the group of officials did not think that it would do much to mollify dockers; port employers object to it because of the industrial relations problems of having registered and non-registered dockers working side by side; and because of the slow rate of recruitment of new dockers, it would do nothing to resolve the problems arising from the scheme for many years.

10. We agree with the conclusions of the group of officials that none of the four options is satisfactory.

11. The choice, then, is between taking action on outright abolition now, postponing it again, or abandoning the whole idea more or less indefinitely. It hinges on an assessment of the risks of a dock strike. The paper by officials considers the prospects and concludes that although industrial action is highly likely, the potential benefits of abolition of the scheme and of reform of the ports industry outweigh the risks involved. It also suggests that there is unlikely to be a better time than the present. You have expressed a strong preference for immediate abolition. Attached (Annex A) are some arguments, on which you may wish to draw, against the contention that the benefits of abolition are not sufficient to outweigh the risks and that the present time is not right for abolition.

12. If the decision is to go ahead now, the main issues will be successful presentation of the Government's case and contingency planning for the dock strike. Presenting abolition in the context of a general reform of the ports industry as proposed by the Secretary of State for Transport, will put the Government on strong ground. For this reason, postponement of the whole package should follow from postponement of abolition.

13. Contingency plans to deal with a dock strike are already in place, though in fact the group of officials judged that they would probably not be required.

A.R. Williams

A R WILLIAMS

Benefits of abolition not sufficient to outweigh risks?

- UK port industry inefficient in comparison with continental competitors: thorough reform, including further privatisations, not credible if scheme not abolished.
- Port employers, particularly most enterprising (eg ABP) strongly support abolition.
- Rigidities of scheme prevent efficient use of labour, and discourage good management and investment in ports; this in turn imposes higher trading costs on UK industry.
- As long as scheme remains, Government will be vulnerable to pressures for further financial assistance when ports get into difficulty; have already spent £220m since 1979 on severances alone.

Present time not right?

- No time looks like a good time to risk dock strike: have 3 times deferred a final decision because time was not right.
- But as scheme will not disappear without positive action; must take firm stand sometime.
- Recent resounding election win excellent political basis for immediate action: measure would be popular with supporters provided well presented.
- UK economy in very good shape; sterling strong: should not miss opportunity - risk that circumstances will be less favourable later.
- General expectation that Government will take action; port employers are ready and would be ~~very~~ disappointed if nothing happened.

THE NATIONAL DOCK LABOUR SCHEME

- 1 The Scheme was introduced to to give dockers job security in place of casual day by day employment. It provides job security regardless of the employer having work for the docker to do.
- 2 The present Scheme is established in the Dock Workers (Regulation of Employment) (Amendment) Order 1967, made under the Dock Workers (Regulation of Employment) Act 1946. It applies to 60 ports in Great Britain listed in the Order. Scheme ports handle 60 per cent of port traffic. There are 30 non-Scheme ports of commercial significance.
- 3 Dock work (the precise definition varies from port to port) at Scheme ports can only be performed by a National Dock Labour Board (NDLB) registered dock worker (RDW). Only the NDLB or NDLB licensed employers can employ RDWs.
- 4 The NDLB is responsible for maintaining registers of RDWs and licensed employers; for regulating recruitment to and discharge from the register; for allocating RDWs to employers; and for providing training and medical services.
- 5 The NDLB and its local boards comprise equal numbers of employers' and dock workers' representatives. The NDLB also includes 4 appointees of the Secretary of State for Employment. The general effect of the balance of representation is to make it difficult for contentious issues to be resolved by local boards. Such issues are frequently referred to the National Board which itself finds difficulty in reaching clear decisions, particularly over proposals for reducing the number of RDWs.
- 6 Normally RDWs are allocated permanently by the local board to a registered employer. RDWs not allocated are placed on the Temporary Unattached Register (TUR). Under an agreement between the employers and unions in the early 70s (known as the Aldington/Jones agreement) the use of the TUR has been foresworn except for disciplinary reasons.
- 7 The overall effect of these arrangements is that:
- i RDWs cannot be removed from the register unless the dock labour board agrees,
 - ii the board will agree only if men volunteer,
 - iii volunteers have had to be bought out at an increasingly high cost (presently £25,000^x plus pension for an RDW with 15 years service),
x £35,000 at London, Liverpool & Clyde
 - iv if volunteers are not forthcoming the employer has to keep and pay the surplus men allocated to him,
 - v if an employer goes out of business (deregisters), to avoid his RDWs being placed on the Temporary Unattached Register they are reallocated to other licensed employers in the port, regardless of whether they need extra labour.
- 8 The move to containers means many less men are needed to handle the same tonnages of cargo. The total number of RDWs has reduced;

1955	-	81,000
1970	-	45,000
1979	-	27,000
1986	-	11,000
June 1987	-	10,200

at the substantial cost of buying them off, but RDWs will never die out given their monopoly of key dock work, unless all the Scheme ports shut down completely or the Scheme is abolished.

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P 02789

From: J B UNWIN

14 July 1987

MR NORRGROVE - No 10

PORTS BILL AND FUTURE OF THE NATIONAL DOCK LABOUR SCHEME

At the conclusion of her meeting on 22 June the Prime Minister invited the Cabinet Office to chair a small group of officials to consider possible options, including out-right abolition of the Dock Labour Scheme (the Scheme).

2. I attach a note which I have agreed with officials from the Treasury, the Department of Employment and the Department of Transport, and with Mr Wybrew from the Policy Unit. This note:-

- describes the nature of the Scheme and its costs to the Exchequer and the ports industry (paragraphs 2 to 4);
- examines whether the Scheme will "wither away" naturally (paragraph 6);
- assesses four possible alternative options to out-right abolition (paragraphs 7 to 13); and
- reviews the strike risk (paragraphs 14 to 17).

3. The conclusions are set out in paragraph 18. Our principal conclusion is that, if the Government wish to end the Scheme, there is no realistic alternative to out-right abolition; and that on balance the right time to act is now in the context of the wider package of measures to modernise and restructure the UK ports industry. But Ministers will, of course, wish to test this conclusion against the risks and considerations set out in the paper. I imagine that the Prime Minister will wish to reconvene a meeting of the previous group of Ministers to discuss this.

CONFIDENTIAL - NO COPIES TO BE TAKEN

4. I am sending copies of this minute and of the paper to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Secretary of State for Employment, the Chancellor of the Duchy of Lancaster, the Secretary of State for Transport, the Lord Privy Seal and Sir Robert Armstrong.



J B UNWIN

Cabinet Office

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THE DOCK LABOUR SCHEME

INTRODUCTION

1. At her meeting on 22 June, the Prime Minister invited the Cabinet Office to chair a small group of officials to consider possible options, including outright abolition of the Dock Labour Scheme. This paper addresses that remit.

SIGNIFICANCE OF THE DOCK LABOUR SCHEME FOR THE UK PORTS INDUSTRY

2. At the discussion on 22 June, Ministers remained committed to the need to restructure and modernise the UK ports industry.* This study starts from that premise. We do not consider modernisation of the UK ports possible without action on the Dock Labour Scheme (the Scheme). The Scheme makes "dock work" in some 40 ports the statutory preserve of registered dock workers (RDWs) and registered employers. Recruitment to and removal from the registers is determined by Local Dock Labour Boards, on which there are equal numbers of employer and union members, and by the National Dock Labour Board, on which equal numbers of employer and union members are augmented by 4 members appointed by the Secretary of State for Employment. By giving the unions an equal share in any decision about the recruitment and dismissal of RDWs and their deployment between employers within a port, the Scheme removes from the employers the control they would normally expect to exercise over numbers employed and discipline. Apart from natural wastage, a port's register can be reduced only when existing RDWs are offered sufficient inducement to volunteer for severance.

*A map of the UK ports industry and details of principal ports lie at the Annex to this paper.

Exchequer Costs

1000) 7 1/2 billion

3. The Scheme imposes significant costs on Government, the ports industry itself and on the UK economy as a whole. Since 1979 the Scheme has cost the taxpayer £220 million in severances, and we expect the average annual cost to the Exchequer over the next few years to be between £5 million and £10 million, on the assumption that the Government offers some limited assistance towards severance costs. Moreover, as long as the Scheme remains, the Government will be vulnerable, as they have been in the past, to pressures for further financial assistance to individual ports as crises occur which are attributed to the Scheme. Since 1979, the Government has paid over £250 million for assistance to the ports of London and Liverpool (over and above contributions towards the costs of severances for RDWs). Two or three local authorities have also given assistance to the ports they own. The extreme case has been the £100 million contributed by Bristol City Council to the port of Bristol over the past 10 years. This is not all directly attributable to the Scheme; but it can scarcely be a coincidence that it is Scheme, rather than non-Scheme ports, that get into serious difficulties. Looking to the future, the viability of the ports of London, Liverpool, Clyde, Manchester, Bristol and Sunderland is very uncertain and could impose additional costs on Government.

Ports Industry Costs

4. As far as the UK ports industry is concerned, costs in some markets are estimated to be some 60% higher than those of our Continental competitors many of whose infrastructure costs are heavily subsidised. Precise explanations of these differences are not possible, but if one third of the differences was attributable to the Scheme, that would be equivalent to an extra £100 million a year, on port costs. Given this, and that non-scheme ports tend to be on the east coast over which our increasing trade with Europe passes, it is not surprising that Scheme ports have seen their share of the non-fuel market drop from 95% to 70% since the Scheme was introduced. An assessment of the full opportunity cost of the

Scheme to the UK economy would need to take into account the higher trading costs which Scheme ports have imposed on UK industry and the Corporation Tax foregone through their lack of competitiveness. These costs cannot be quantified, but they are likely to be substantial.

Inner Cities

5. It is worth mentioning also that the reform and privatisation of our ports industry offers scope and incentive for inner city regeneration. Many of the older ports are located in inner city areas. The rigidities of the Scheme and the antiquated constitution of many ports have discouraged investment and redevelopment. The Government's proposed measures would open the way to the modernisation and expansion of the most favourably located and enterprising ports and the redevelopment of others, including provision for leisure, housing and business activity.

"WITHERING ON THE VINE"

6. The Scheme will never completely wither away unless and until every Scheme port closes. That is a most improbable scenario on any reasonable time scale. We have therefore examined further whether the number of RDWs is now so small that the Scheme can be regarded as an irrelevance and can be left to wither into insignificance without any positive action being taken to terminate it. The total number of RDWs has declined from a peak of 81,000 in 1955 to 45,000 in 1971, to 27,000 in 1979 and to 10,200 now largely as a result of changes in cargo handling techniques and in the UK's trading patterns. This process has largely cleared the main surpluses. Further significant, though less dramatic, decline in the register is still expected, as more trade shifts to non-Scheme ports and to the Channel Tunnel. But it is unlikely that there will ever come a point at which the Scheme can be held to "have withered away". If, for example, numbers continue to decline at the historic annual average of 7% p.a., there will still be 5,000 RDWs in 10 years time and 2,500 in 20 years. Whatever the rate of reduction, natural wastage will not take care of it. The age

structure of RDWs is so heavily concentrated in the 40-55 range that there will come a point at which some retiring RDWs will need to be replaced (and new recruits will be needed at Scheme ports which expand), so these new recruits will perpetuate the Scheme for even longer. Moreover, the withering process itself is unlikely to be either gentle or painless. The Scheme will continue to be a source of trouble and a potential liability to employers and to the Government. Some ports, even major ports, may be faced with closure if they are not rescued by the Government or a local authority. There could be widespread strike action in defence of threatened RDW jobs. The closure of a port does not necessarily solve the problem of the remaining RDWs. We therefore conclude that specific action, rather than the passage of time, will be needed to bring the Scheme to an end on any acceptable time scale.

ALTERNATIVE OPTIONS

7. In the light of Ministers' initial views, we have examined 4 options, alternatives to outright abolition, to see if they would achieve the objective of the modernisation of the UK ports industry at less risk of industrial disruption. These options are:-

- a. Buy-Out of Dockers' Rights;
- b. Removal of individual ports from the Scheme;
- c. Persuading Ports Employers to renounce the Aldington-Jones agreement; and
- d. Preserved rights, ie preservation of rights of existing RDWs but not of new recruits.

Buy-Out of Dockers' Rights

8. Under this option, the Government would pay a sum of money to all existing RDWs in return for their agreement not to take industrial action against legislation to repeal the Scheme. In industrial relations terms this is probably the least risky option.

But it would be very costly. At a level of compensation payment of £25,000 per man*, it would cost £250 million, and dockers would be in a strong position to bid up the price once they perceived the Government's intentions. Apart from the undesirable precedent of being seen to buy off industrial action, there might also be practical difficulties in negotiating such a deal with the union - the TGWU might refuse to negotiate on behalf of its members, and, if it did not, it is not clear how such arrangements could be made binding on members who oppose the demise of the Scheme. We cannot recommend this option.

Removal of Individual Ports from the Scheme

9. This could technically be achieved by an Order or succession of Orders under the Dock Workers (Regulation of Employment) Act 1946. But if objections were made to any Order, as they would be, the Secretary of State would be bound under the statute to cause a public enquiry to be held. This option would also involve a risk of judicial review. Industrial disruption would be certain not only at the port or ports named under the Order, but on a wider scale; a succession of Orders would accordingly run the risk of a succession of disruptions. Clearly no port would wish to be singled out for such treatment. In short, the risks of this option would be almost as high as those involved by outright abolition of the Scheme, and the benefits obtained much less.

Persuading Ports Employers to renounce the Aldington-Jones agreement

10. Under the Aldington-Jones agreement between the port employers and the unions in 1972 and reaffirmed in 1974 and 1980, RDWs will always be allocated to a specific employer and will not be placed on the Temporarily Unattached Register (TUR). If employers

*£25,000 is the current maximum severance payment; in London, Liverpool and the Clyde £35,000 has been offered.

renounced this agreement, any RDWs declared to be surplus to an employer's requirements would, instead of being reallocated among other employers in the port, be placed on the TUR maintained by the Dock Labour Board (DLB), and would be paid the local fall back rate of pay by the DLB through a levy on all Registered employers. This would last until another employer in the port needed extra men on a permanent basis and agreed to have some of those on the TUR allocated to him.

11. Although this would restore what little flexibility was initially built into the Scheme, employers would have little to gain from this course and it is difficult to see how they could be persuaded to adopt it. Port operators such as Associated British Ports (ABP) would fiercely oppose contributing towards the costs of a TUR in other ports. Renunciation of the Aldington-Jones agreement would also be likely to precipitate a national dock strike since the TGWU is pledged to oppose any use of the TUR which they see as a return to casualism (as confirmed by the ballot the TGWU have ordered on precisely this point in connection with the proposed closure by the Clyde Port Authority of their container base at Greenock). This option again represents the worst of both worlds; the risks of industrial action are high, and the benefits of the option questionable.

ballot result due on 5 August

Preservation of Rights of Existing RDWs but not of new recruits

12. Under this option, dockers recruited to Scheme ports after a certain date would not be registered and would not have the protection that the Scheme affords. The "rights" of existing RDWs would be preserved. This would require primary legislation. At first sight this seems an attractive option; it would not entail any loss of rights for existing RDWs. But examination of what "rights" RDWs have exposes serious difficulties. First, the foundation of the Scheme (see paragraph 2 above) is that in those ports where it applies dock work can be undertaken only by RDWs. This option would knock away that foundation, and would therefore be bound to be seen by RDWs as an assault on the Scheme. Second, the Scheme gives RDWs joint control, through the Dock Labour

Boards, of the numbers employed at each port on dock work and of their deployment. This "right" too would be undermined. In addition to these conceptual difficulties there are two practical considerations. Formidable industrial relations problems would arise if registered and non-registered dock workers were ever to be expected to work side side by side. Also, as demonstrated in paragraph 6 above, this option would do nothing to solve the real and immediate problems that the Scheme creates for the ports industry, since it would be many years before the number of non-registered dock workers became significant, let alone a majority, in more than one or two ports. Recruitment is expected to continue to be minimal; over the next decade the number of dock workers needed in Scheme ports may contract by as many as 4,000 and the number actually due to retire is very small. The employers have already indicated their strong objections to this approach. We do not therefore recommend this option.

ASSESSMENT OF OPTIONS

13. If the Scheme is to go, we do not see any realistic alternative to outright abolition. The key judgement, however, is whether the benefits of abolition outweigh the risks of the industrial action which abolition is bound to provoke.

The Strike Risk

14. It is not possible to forecast with confidence or precision the reaction to a decision to abolish the Scheme, or its effects on the economy. Our best assessment (based on recent informal sounding of Mr Finney, the Director of the British Ports Association, and Sir Keith Stuart, Chairman of Associated British Ports) is that: -

- a. in non-Scheme ports, in response to a national dock strike call by the TGWU, there might only be a stoppage for a matter of days; and

- b. in Scheme ports, solid strike action might not last for more than 2-3 weeks, with strike action lingering thereafter in the older ports, perhaps for many weeks.

But it could be much worse and, in our view, it would be unwise to take public steps towards immediate abolition of the Scheme unless the Government were willing to face up to the following more severe pattern of industrial action:-

- a. a patchy and short-lived action (over, say 2 to 3 weeks) in non-Scheme ports such as Felixstowe and Dover;
- b. a complete stoppage of the majority and larger Scheme ports for at least 6 to 8 weeks, and of the major older ones, including Liverpool, Hull, Southampton, Tees and London for longer; and
- c. attempts by the TGWU to disrupt all seaborne trade by calling on other workers for support. Some groups might see this as an opportunity to pursue their own claims (eg the Civil Service Unions, for instance, might attempt to withdraw Customs cover and to disrupt freight through those ports the dockers failed to close).

15. Such action would certainly not "cut the jugular" of the UK economy. Fuel supplies would be unlikely to be affected and the Ministry of Agriculture, Fisheries and Food have previously judged that food supplies could be maintained indefinitely. About two thirds of seaborne non-fuel trade by tonnage but less than half by value goes through Scheme ports; some of that would be diverted, but there would be widespread industrial disruption, particularly in industries with integrated international production (motor vehicles) and bulk materials (chemical and steel). On the assumption that other circumstances remained favourable at the time and that the Government's action was clearly presented as a positive attempt to make the ports industry competitive, the Treasury judge that sterling would be unlikely to be affected by trouble on this scale. The position could, however, be different

if the strike took place against an unfavourable background, for example if oil prices were falling and there were other serious industrial disputes.

16. Port employers would have an important role in such a scenario, and they have given much thought to the contribution they could make. They have developed a package of proposals for conditions in the ports following the ending of the Scheme. This includes an agreement prohibiting the employment of casual labour in former Scheme ports, local arrangements for inter-employer transfers of labour and a guarantee of no compulsory redundancy for a year after abolition. After the comparative lack of strength and solidarity shown up by the dockers in the 1984 strikes and with the Channel Tunnel in prospect, employers now believe they have a major incentive to end the Scheme and modernise their ports. Significantly, the management of the privatised Associated British Ports, which covers about 30% of Scheme ports, has concluded that the commercial benefits of abolition would outweigh the cost of strike action. The present resolve of employers, therefore, is to stand firm in the event of a national dock strike, even though at any port where the strike lasted more than a few weeks the short-term effect on profits could become serious. But we cannot be sure that their nerve, and that of ship-owners and shippers, would hold firm throughout a national strike that held solid in the Scheme ports for more than two or three weeks.

Contingency Planning

17. Although we doubt whether action on the scale suggested in paragraph 14 above would be serious enough to justify activating them, contingency plans involving the use of service teams exist to help cope with the effects of a dock strike, if the situation looked like getting out of hand. The plans are set out in the Cabinet Office Emergencies Book and will not be summarised here. Previous reviews, however, suggest that, if the situation became worse than we expect, these plans could probably maintain "essentials of life" cargoes.

CONCLUSIONS

18. The above analysis suggests the following conclusions:-

i. If the Government wishes to end the Scheme, there is no realistic alternative to outright abolition.

ii. There is serious risk of industrial action, but our assessment is that the potential benefits of abolition of the Scheme and reform of ports industry outweigh the risks involved; and that, although there may never be an 'ideal' time, the right time to act is now, when the Government's authority has been freshly reconfirmed, the port employers are geared up, and there is widespread expectation of and support for such action.

iii. Presentation of such a decision is, however, crucial. It should be set in the wider context of the necessary modernisation and restructuring of the UK ports industry along the lines of the draft White Paper already circulated by the Secretary of State for Transport. It would be most important also to concert presentation with the employers, so as to gain maximum public credit for the thought they have already given to alternative proposals (eg on the lines of those in paragraph 16 above).

iv. If, however, Ministers decide not to abolish the Scheme outright now in view of other more pressing considerations but believe it should be politically possible to do so in, say, a year's time, it would be preferable to defer the Ports Bill until then on the grounds that a Bill designed to restructure the industry would carry no credibility if the Scheme were to continue in place.

v. If, however, Ministers concede that outright abolition of the Scheme cannot be contemplated, it is for consideration whether they should make this clear publicly, at an early stage, rather than keep open the option of action against the Scheme later.



10 DOWNING STREET
LONDON SW1A 2AA

CH/EXCHEQUER	
REC.	23 JUL 1987 23
ACTION	Mr A R Williams
COPIES TO	CST Sir P Middleton Mr F R Butler Mr Cassell Mr Menck Mr Gilmore Mr Revolta
22 July 1987	

From the Private Secretary

Dear Roy,

THE DOCK LABOUR SCHEME

The Prime Minister this morning held a meeting to discuss the Ports Bill and the future of the National Dock Labour Scheme on the basis of Mr. Unwin's minute of 14 July. There were present the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Employment, Transport and Social Services, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster, Mr. Unwin (Cabinet Office) and Mr. Wybrew (No.10 Policy Unit).

The meeting agreed that there was no possibility that the scheme would wither away naturally. There was no half-way house, and it should either be allowed to remain or it must be abolished. The best time to announce abolition would probably be the Spring, May or June. If the scheme were to be abolished, there was a strong case for paying compensation to registered dockers for the loss of a capital asset. Those who lost their jobs would receive more than those who lost their rights under the scheme but retained a job. Employers might be expected to contribute to the cost of compensation, though the need to retain their support during difficulties following abolition would have to be kept in mind. There could be no possibility of compensating employers for the effects of strikes. Any announcement of abolition would need to be made in very firm terms. Your Secretary of State mentioned that instructions to Counsel were nearly complete. It was however noted that pressure on the legislative programme would be unlikely to allow abolition to be taken in this session.

Concluding the discussion, the Prime Minister said that no decision on the future of the scheme could be taken at this time. Your Secretary of State should bring forward in due course proposals for a compensation scheme for registered dock workers and for its financing, if the decision were eventually taken to abolish the scheme. He should also consider the timing of a possible announcement. Contingency plans to handle a strike should be reviewed and kept up to date. The sensitivity of the proposal should be kept in mind during further consideration in departments.

I am copying this letter to Mike Eland (Lord President's Office), Tony Kuczys (HM Treasury), John Turner (Department of Employment), Geoffrey Podger (DHSS), Steven Wood (Lord Privy Seal's Office), Peter Smith (Chancellor of the Duchy of Lancaster's Office), and Mr. Unwin (Cabinet Office).

Jms.

David

(D.R. NORNGROVE)

Roy Griffins, Esq.,
Department of Transport.

DOCKS

'87 + '89

26/10/87



CH/EXCHEQUER	
REC.	28 OCT 1987
ACTION	Mr A R Williams
COPIES TO	CST Sir P Middleton Mr FER Butler Mr F Cowell Mr Monet Mr Gilmore Mr Kevolta

cc PS/MoS
 Ps/Secretary
 Mr Manley
 Mr Whybrew
 Ms Maccreedy
 PS 26/10

PRIME MINISTER

DOCK LABOUR SCHEME - TRANSFER OF DEPARTMENTAL RESPONSIBILITY

You will remember that in June I minuted you on the Dock Labour Scheme. Prior to the election Ken Clarke and John Moore agreed in principle that responsibility for the Scheme should be moved to the Transport Secretary. I think we should now go ahead with this move.

The existing split in responsibility is unsatisfactory with the Department of Employment having the Scheme while Department of Transport has ports policy and sponsors the ports industry. It was perhaps justifiable when the problems of dock labour, which the Scheme was designed to deal with, bulked so large as to require separate and specialist attention within Government as an employment issue. But in recent years the rationale underlying the division has progressively weakened. The Scheme is essentially a matter of ports policy.

Ports outside the Scheme have grown steadily in size and importance and now handle around 30% of our non-oil sea-borne trade. This growth has highlighted the impact of the Scheme on the competitiveness of our ports, both domestically and in relation to continental rivals. Dock Labour is now relatively much less significant in employment and industrial terms. From the peak of over 80,000 in the mid-50s the number of registered dockworkers has fallen to just over 10,000 now. By

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far the largest surpluses were in London and Liverpool and the Department of Transport, in trying to solve the problems of these two ports, has necessarily had to deal with their dock labour problems.

Transfer of responsibility to the Department of Transport will simplify the future development and implementation of policy towards the ports. It will ease relationships with the port authorities who unsurprisingly have been asking that they should be able to deal with only one department, not two. And it will bring the ports into line with other industries, where the entire range of activities is covered by the sponsoring Department, calling on specialist advice from mine only as and when required.

The expenditure transferred for severances would amount to the £0.8 million likely to remain in 1987-88 by the transfer date; a PES baseline of £0.6 million from 1988-89; and a very small amount for the salaries and pensions of the NDLB Chairman and Vice-Chairman. One staff unit would go across.

On the basis of my Department's legal advice I have concluded that the transfer can be effected by simple administrative action without need of a Transfer of Functions Order. My existing commitments in respect of loans to employers for past severances and one very minor statutory function create no practical difficulties.



The timing of the transfer will need to coincide with the transfer of funds by the passing of the Winter Supplementary Estimates which go to the printers this week and become public in the second week of November and I would propose an early low key announcement through a Commons Written Answer as in the attached draft.

Some external commentators could possibly see this as clearing the decks for the early abolition of the Scheme. But I do not judge that the TGWU will seek to mount industrial action on that score alone and I propose that the announcement would be supplemented by a press release with background briefing for our press offices, making clear that the transfer has no implications for our existing policy for the Scheme.

I have consulted Paul Channon who is in full agreement with what I propose. I would also continue to maintain a very close interest in policy in this area.

I am copying this minute to Willie Whitelaw, Nigel Lawson, John Wakeham and Paul Channon, and to Sir Robert Armstrong.

26th NF
October 1987



QUESTION

Will the Prime Minister rationalise the present division of responsibilities under which the Secretary of State for Transport is responsible for the ports industry, but the Secretary of State for Employment has the responsibility for the Dock Labour Scheme?

ANSWER

Given the run down in the registered dock labour force and the growth of trade through non-scheme ports, the administration of the Dock Labour Scheme is best seen as part of ports policy more generally. Responsibility for it is, therefore, being transferred together with the modest resources now used to the Secretary of State for Transport. The transfer will come into effect with the transfer of associated Vote provision between the two departments in the Winter Supplementary Estimates.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 October, 1987.

CH/EXCHEQUER	
REC.	28 OCT 1987
ACTING	Mr A R Williams
CLERK TO	CST Sir P Middleton Mr FER Butler Mr F Cassell Mr Monk Mr Gilmore Mr Rowalter

Dear Nick,

DOCK LABOUR SCHEME - TRANSFER OF DEPARTMENTAL RESPONSIBILITY

The Prime Minister has seen your Secretary of State's minute of 26 October proposing that responsibility for the Dock Labour Scheme should be moved from the Secretary of State for Employment to the Transport Secretary.

The Prime Minister believes it would be best not to do this at this time. The present arrangements have been in place for several years, and the Prime Minister believes it would be appropriate to continue them a little longer.

I am copying this letter to Mike Eland (Office of the Lord President), Alex Allan (HM Treasury), Steven Wood (Office of the Lord Privy Seal), Roy Griffins (Department of Transport) and Trevor Woolley (Cabinet Office).

David
(David Norgrove)

Nick Wilson, Esq.,
Department of Employment.



5/12/87-

PRIME MINISTER

1 attach
importance
gk.
J. Smith.

DOCK LABOUR SCHEME

1. At your meeting on 22 July we discussed my proposal for a Ports Bill which would, among other things, provide for the repeal of the Dock Labour Scheme. We concluded that the Scheme would not wither away of its own accord, and that there was no halfway house. Outright repeal was the only solution to the problem. You invited me to bring forward further proposals covering compensation arrangements for Registered Dock Workers (RDWs), and the timing and tactics of an announcement. I was also asked to review the likely extent of industrial action and plans for dealing with it.

2. The attached paper sets out my proposals in the form of a recommended course of action, followed by the best assessment I can make of the consequences of pursuing this course. The Appendix to the paper considers the question of compensation in greater detail.

3. At our July meeting we were concerned that repeal of the Scheme would provoke industrial action. Section 6 of the paper discusses the likely extent of this. We can minimise the risk, but we cannot eliminate it. But it does not follow that, if we decided to leave the Scheme alone, we could guarantee ourselves a trouble-free four years. The Scheme is giving rise to a variety of industrial problems in the industry, which are becoming increasingly difficult and costly to solve. Since July, the TGWU has held one strike ballot and threatened to do so twice more. As the Scheme ports shrink and employers quit the industry, averting dock strikes becomes more costly (the maximum severance payment

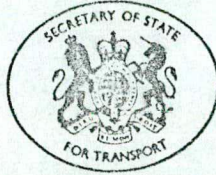


for RDWs was £8,500 in 1979; this year severance payments of £35,000 have been made in London, Liverpool and Greenock) and more difficult. The Port of London Authority, whose surplus labour we thought had been eliminated last year, are now likely to need a further 250 severances: and I have just heard that the largest private stevedore in Liverpool, who employs 240 RDWs, plans to go out of business which will create great problems there. This sort of problem will recur again and again until we have tackled the Scheme. And at some stage we shall encounter a TGWU demand at which both we and the employers baulk and a dock strike will result. I should much rather endure industrial action in the ports in pursuit of worthwhile objectives than over some issue of the TGWU's choosing.

4. So long as the Scheme remains it will be a blight on the port industry. During a recent visit to Tilbury I was struck by the large areas of derelict land which would be very suitable for port-related industrial development: but potential investors go elsewhere because of the risk that their operations become entangled with the Dock Labour Scheme. The Scheme is widely regarded as an outdated and restrictive piece of industrial regulation, and it is becoming increasingly hard to explain to our supporters why we have failed to tackle it.

5. No immediate decisions are required at this stage. The critical point will come in April next year when I propose that we should publish a White Paper announcing our intentions. (The reasons for that choice of date are set out in the paper.) We will clearly need to appraise the situation at that point before deciding to go ahead. But in the meantime I should be glad to know whether it is agreed that we are working on the right lines. What I propose is:-

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(i) I should seek a place for a Ports Bill for the 1988/89 session. For reasons of confidentiality I would submit a pro forma which referred only to the privatisation and other proposals, but I would ensure that colleagues on QL know that the Bill would also provide for repeal of the Scheme.

(ii) My Department and DEm should together draw up detailed plans for legislation for repeal of the Scheme, including draft Instructions to Counsel. This would be on the basis of the proposals described in the attached paper with provision for a special scheme of compensation payments for those who leave the industry during the period following repeal, but with no special arrangements for those who remain in the industry.

(iii) I should take to E(A) in the normal way policy proposals for the privatisation of trust and municipal ports, and the elimination of deficit financing and other forms of financial assistance.

(iv) I should circulate a draft White Paper in April as the vehicle for the announcement that we intend to proceed.

6. I am copying this minute and its enclosures to Willie Whitelaw, to Nigel Lawson and Norman Fowler, whose Departments have assisted in the preparation of the papers, and to John Wakeham and to Sir Robert Armstrong.

PAUL CHANNON

5 SECRET December 1987

SECRETCMO UNTIL 31 DEC 1988PROPOSED PORTS BILL 1988-891. A comprehensive policy

1.1 I propose that we should complete a package of proposals for reforming the British ports industry, of which the key features should be:-

- privatisation of trust and municipal ports;
- repeal of the Dock Labour Scheme;
- elimination of central and local Government subsidies.

1.2 There are presentational and substantive reasons for making repeal of the Scheme one element in a package of measures to reform the industry. Presentationally, we ought to stress that repeal is not an end in its own right, but a necessary step towards making Britain's ports genuinely competitive. The privatisation of trust ports is another important step in the same direction. I believe that the idea is steadily gaining support in the industry as ports reflect that they cannot expect to secure commercial freedom without commercial accountability. Of the eight biggest trust ports which, under our plans, would be required to submit schemes of privatisation, two are enthusiastic supporters of the idea (Forth and London) and four more are definitely interested (Medway, Ipswich, Clyde and Dover); I do not know what view, if any, has yet been taken by the other two (Tyne & Tees and Hartlepool). Opposition to the idea is concentrated in some smaller ports (notably Aberdeen) for whom I envisage privatisation would be voluntary. I anticipate fiercer opposition to the proposal to eliminate local authority subsidies to ports. But I am convinced that this must be done. For instance, I learned recently that the Port of London, who are already facing the need for further RDW severances, at a further cost to the taxpayer, have lost business to the subsidised local authority Port of Bristol, who are offering wholly uneconomic rates. This sort of unfair competition, whose cost is borne by ratepayers and taxpayers, must stop.

1.3 It would be perfectly possible to have a Bill which only dealt with the Dock Labour Scheme. But I believe that my other proposals are well worth while in their own right and would enhance the efficiency of the ports industry. And there are advantages in presenting the whole policy as a coherent package. But if colleagues prefer we could restrict the Bill to the abolition of the Scheme alone.

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SECRETCMO UNTIL 31 DEC 19882. Compensation

2.1 At first sight there are attractions in providing for a scheme of compensation for RDWs for the loss of the "rights" or protection that they enjoy under the Scheme. I have given considerable thought to this and concluded that it would be right to provide for a special compensation scheme for former RDWs who lose their jobs in the period following repeal, but that there is no case - and indeed would be a mistake - to contemplate compensation for those who remain. The reasons for this conclusion, and reasons for rejecting other options, are set out in the appendix to this paper.

2.2 I therefore propose that there should be a special statutory scheme for compensation for former RDWs who lose their jobs within a certain period of repeal, and that the Government should share the cost of this with the employers on a 50/50 basis. The maximum amount of compensation should taper off during the period to avoid an abrupt transition to the statutory minimum redundancy arrangements. Details would have to be discussed with the employers, but I see merit in setting a maximum Government contribution of £12,500 for year 1 (ie sufficient to maintain a total offer of £25,000) decreasing by £2,500 per annum over the ensuing 3 years. A rough estimate of cost of such a scheme to the Government is as follows:-

		£m
Year 1	1000 payments @ £12,500	12.5
2	500 payments @ £10,000	5.0
3	350 payments @ £7,500	2.6
4	150 payments @ £5,000	0.8
		<hr/>
		20.9

I think it is prudent to assume that loss of employment would be concentrated in the early years (the rules give employers and employees alike an incentive to move quickly). Consideration would need to be given to the way my proposed scheme would relate to the present statutory redundancy payments scheme.

3. Casualism

3.1 Casualism is an extremely emotive subject in the ports industry. There are many industries, such as catering and construction, in which short-term employment contracts are frequent and are accepted. But casualism in the docks industry was a different matter. Large numbers of men turned up at the dock gates twice a day in the hope of being hired for a day's or a half-day's work.

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This did not work. It resulted in employers and employees behaving with no sense of responsibility to one another or to the community. Strikes (largely unofficial) were endemic. Productivity was low and the industry was riddled with extraordinary malpractices. Fortunately neither employers nor the employees want to see a return to this system. Much dock work now involves the use of sophisticated equipment by trained staff, for which there would be no question of using casual labour. But because the workload in many ports does fluctuate often unpredictably, the issue of casualism is sufficiently important to warrant our careful consideration. Ideally I would hope that the issue can be covered by industrial agreement, but we may need to consider including some legislative provision in the Bill to deal with it.

4. Tactics and timing of an announcement

4.1 A White Paper was our preference at our 22 July meeting. A Green Paper would look too irresolute, tempting the TGWU to strike in the hope of shaking HMG's resolve. Waiting for the Queen's Speech before unveiling our proposals would be cavalier treatment of employers and employees alike. Two considerations point to April/May. Industrial action in the docks is believed to be more difficult to mount and less detrimental in the Summer months. And the longer we delay, the greater the risk of leaks of our intentions.

5. Reaction to the Proposals

5.1 Recent events in the House such as the Early Day Motion and the comments which the Felixstowe Bill produced, and recent Press comment, suggest that repeal of the Scheme would be very warmly welcomed by our own supporters as would our other proposed measures. By the same token they will be opposed by the Opposition, although I suspect that many of the Labour Party tacitly accept that reform of the Scheme has to come.

5.2 I am confident that such a package of proposals would receive a warm welcome from the CBI, the Institute of Directors, Aims for Industry etc - all of whom are pressing for just such reforms. The ports industry would welcome unreservedly the repeal of the Scheme, indeed the port employers are showing more determination than before to see the problem tackled, and to assist in the process in a positive way. Most shipowners would also approve, although with understandable reservations about the disruption that might result, and those who own non-Scheme ports might consider that their interests were best served if the Scheme were left in place. We could also anticipate a fair measure of support from the ports for our privatisation plans provided we can find a formula for the application of privatisation proceeds which reconciles the interests of the trust ports and the taxpayer in some sensible way. There will be hostility to the elimination of local authority deficit-financing of ports such as Bristol, but only from the local authorities directly affected; and I think the case for this reform is solid.

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- 5.3 As regards the TGWU I am under no illusion. They are not actively hostile towards privatisation, but they have no reason to welcome it. Elimination of deficit-financing would not attract them. And they are bound to resist the repeal of a scheme whose very essence is that it gives employees right of veto over most decisions on the employment of dockers. They cannot forfeit this power without putting up resistance.
- 5.4 The response of the TGWU is difficult to assess. The instinctive reaction of the Docks Section, at national and local level, would be to take immediate industrial action. But the national leadership would be aware of potential pitfalls, ie the risk of laying their funds open to sequestration if industrial action is not preceded by a proper ballot, and taken in furtherance of a trade dispute with the port employers (rather than in pursuit of a political dispute with HMG). There is some possibility that local militants will react over-hastily; if they do, the employers would have no hesitation in taking court action against the union. But the nature of the scheme is such that the union are likely to be able to find some pretext for industrial action within the law. If the union can manufacture the right sort of dispute and frame their ballot question properly, they can be reasonably confident of getting a clear (but not overwhelming) majority of dockers in favour of industrial action.

6. Extent of industrial action

6.1 Any forecasts of the extent and duration of industrial action are necessarily tentative. The employers have recently completed a very discreet survey, port by port, of likely industrial action. This suggests that:-

- The TGWU would be unlikely even to ballot its non-docker members, so that the risk of supporting action from non-RDWs in Scheme ports is remote, and action by workers in other industries even more so.
- Dockers in non-Scheme ports would be balloted and would vote almost unanimously against industrial action. They might subsequently make token gestures of solidarity with their RDW colleagues. In the unlikely event that serious support emerges in non-Scheme ports, the key managements (Dover and Felixstowe) are ready to resort to legal action to break a strike that would manifestly not be directed against them.
- Amongst RDWs, the response to a strike call would be patchy. No Scheme port expects to emerge unscathed. In some of the smaller and the high pay ports, the action could easily start to crumble within a fortnight. In the most militant ports, it might drag on for many weeks., But the majority of Scheme ports expect a strike of 4-6 weeks duration.

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- 6.2 In total, if the employers' predictions are proved correct, we should be thinking in terms of a strike which resulted in the loss of about 300,000 man/days in the ports industry; this would be comparable with the two national strikes in 1984, when about the same number of man/days were lost. The macro economic impact of industrial action on this scale would be negligible. Crude oil and petroleum products should be unaffected, and food supplies should be maintained without difficulty. There would be some disruption to container and Ro-Ro traffic, though we saw in 1984 how quickly shipowners and industry found ways of bypassing strike-bound Scheme ports. The main impact would be on dry bulk goods, eg iron ore, steel, grain, coal (but not for the CEEB), timber and paper and certain aggregates for the building industry, though if stocks were high there might be little disruption of industrial processes. The most militant of the Scheme ports would certainly suffer financially and are prepared for this. In all I do not see such a strike making a serious overall impact on manufacturers, distributors or the service industries, though it could give rise to some short-term difficulties and costs for some businesses.
- 6.3 It is possible that the employers' assessment of the extent of industrial action may be optimistic. I am fairly confident that support for the strike in the non-Scheme ports would be no more than nominal, but action in some of the Scheme ports, particularly the older ones such as London, Liverpool, Hull and Southampton, might drag on for perhaps as much as 12 weeks. Under such a scenario - which I think is very much the worst case - we might lose as much as 500,000 working days in the industry, in other words almost twice as much as the days lost in the two strikes in 1984. The pattern would be different, and two shorter strikes are less damaging than one long one. This would clearly aggravate the problems described in the previous paragraph but not to such an extent as to cause unacceptable industrial dislocation. It is interesting to note that the statistics of total tonnage handled in our ports, show no effects of the 1984 strikes in terms of total annual tonnage handled, although there is evidence of switching between ports. Although the employers' survey suggests that there would be no action by other workers in support of the dockers, there is I suppose always the risk that some other group might decide to take action at the same time over a different issue: this is a possibility we will need to consider at the time.

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7. Contingency PLanning

- 7.1 The Cabinet Office's Civil Contingencies Unit maintains plans against the possibility of strikes in the docks, and these were reviewed and updated in 1985, following experience in the dock strikes of 1984. In the last resort the plans envisage the use of troops to discharge cargoes, but if the assessment of the extent and duration of industrial action is correct, there would be no question of this; and even if the more pessimistic assessment is correct, I doubt if we should need to contemplate such extreme action. But I will ensure that the CCU are kept fully in the picture as our planning proceeds.

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APPENDIX

REPEAL OF THE DOCK LABOUR SCHEME: COMPENSATION

1. At first sight there are considerable attractions in the suggestion that repeal of the Scheme should be accompanied by a compensation scheme for the present RDWs. Although Parliament can legislate in whatever way it chooses it might be thought right in equity to compensate some RDWs for whatever "rights" they have lost as a result of repeal; a compensation scheme might be thought likely to avert, or at least reduce industrial action; it might also assist in securing support for repeal from other workers in the industry, and from the public at large. Each of these arguments is considered in turn.

Compensation for loss of "rights"

2. Analysis of the Scheme shows that what it provides is a framework within which employment in the industry is required to be managed. A feature of this framework is that it places control of employment in the hands of boards on which employers and unions have equal representation. This gives the workforce far greater industrial power than in other industries, and is the source of the problems associated with the Scheme. But the Scheme does not confer "rights" as such.

3. The so called "jobs for life" phenomenon is a product of the Aldington-Jones agreement. This is an industrial agreement, and not part of the Scheme, but it was the existence of the Scheme that forced the employers to concede it. The individual RDW has very few "rights" under the Scheme and by bringing RDWs within the scope of normal employment protection legislation and withdrawing from them the protection of the Scheme, we should be giving them the same rights as employees generally enjoy. The Attorney General has confirmed that it is permissible under the European Convention on Human Rights and as a matter of constitutional propriety to withdraw the protection of the Scheme without paying compensation for that withdrawal.

4. Compensation for loss of "rights" would really be compensation for removal of a statutory framework. The changes in general employment law which we have made have altered the statutory framework and weakened the power of the Trade Unions by preventing abuse, but there was no question of compensation to trade unionists at large in that case, and I see no different arguments in this. Indeed it would be a most unwelcome precedent.

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5. However, one of the other consequences of the Scheme is that it has built up the expectations of high levels of severance payments for volunteers who choose to leave the industry. I think it would considerably assist the difficult transitional period during which employment conditions of dockers were being brought into line with conditions elsewhere if we maintained provision for such payments for a period after repeal and then tapered them off. But such payments would be compensation for loss of employment, not compensation for loss of rights. A description of such a scheme, including estimates of cost is set out in the main paper.

Could a Judicious Offer of Compensation serve to avert a Dock Strike?

6. It might be thought that an offer of compensation would tend to make a dock strike less likely. On closer examination I am clear that this is not so. Merely to announce that the Scheme is to be repealed and that all RDWs are to receive, say, £5,000 by way of compensation is not likely to discourage a strike. £5,000 is too low a figure; most RDWs would prefer the Scheme, and the expectation of generous severance payments, rather than the £5,000. The prospect of such compensation would actually increase the risk of action, because RDWs might think that in such a way they could bid up the amount on offer.

7. I also considered a stick and carrot approach, under which the £5,000 would be available only to those RDWs who refrained from taking industrial action. This however would also tend to aggravate the risk that the RDW workforce perceived the offer as a sign of weakness and was tempted to go to industrial action, in an attempt to extract further concessions or additional cash from the Government. Paradoxical though it may seem, I am convinced that anything that smacks of buying off industrial action would have the opposite effect. This is the firm view of the employers.

8. An alternative approach would be for the Government to make an unconditional offer of compensation, pitched at so generous a level that the majority of RDWs were unable to resist. I doubt whether an offer of below £50,000 per RDW, (total cost £500m) could be guaranteed to achieve the desired result. This seems an absurdly high price to pay for repeal of the Scheme and a bad precedent to set. I do not recommend it.

9. Finally it has been suggested that the Government could make the repeal of the Scheme in a particular port subject to a ballot of RDWs in that port. For a limited period (say, 2 years) 'compensation' of, say, £15,000 would be payable to each RDW in a port that voted for repeal. This approach would

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still require primary legislation, but at a potential cost of £150m, is much more expensive than my preferred course. Moreover, it smacks of an abdication of Government responsibility and it does not necessarily lead to repeal; some RDWs might well hang on, either because they felt that the Scheme was worth more to them than the cash offer or because they hoped to bid up the compensation terms. I am loth to appear to be buying RDW votes or to accept the delay in this route. Moreover the necessary legislation would probably provide almost as much hostility and as much industrial action as outright repeal, but the eventual result would be much more uncertain.

Can Compensation be used to prevent RDWs securing the backing of public opinion and dockers in non-Scheme Ports?

8. I am clear that from the outset there will be little support for RDWs in any quarter. Our proposals involve bringing RDWs into line with the generality of employees. Nobody other than the RDWs themselves is likely to consider this a contentious or objectionable proposal. The soundings taken suggest that there will be initially no support for a strike from other workers in the port industry and none from outside. The industry is rich in examples of abuses such as ghosting (where 2 men are paid for one man's work). I am sure public opinion will be on our side, and that we should avoid anything which smacks of an attempt to buy off industrial risks at the taxpayers' expense.

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FROM: A R WILLIAMS

DATE: 11 December 1987

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1. MR REVOLTA
2. CHANCELLOR

any content with draft?
(and with the print at
11/12 'X' in para 12)?

cc Chief Secretary
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Gilmore

no: p88
5 with the
para 11
'four back'?

25
11/12

gm

DOCK LABOUR SCHEME

1. The Secretary of State for Transport minuted the Prime Minister on 5 December proposing legislation to abolish the Dock Labour Scheme, compensation arrangements for former Registered Dock Workers (RDWs) who lose their jobs after abolition, and the publication of a White Paper next April announcing the Government's intentions. We recommend that you strongly support abolition of the Scheme but propose an alternative to the compensation arrangements.

Secretary of State's Proposals

2. You will recall that the Prime Minister held a meeting with a small group of Ministers in July to discuss a proposal by Mr Channon to abolish the Dock Labour Scheme. A decision on abolition was not taken then, and Mr Channon was asked to bring forward proposals for the compensation of RDWs, should abolition eventually be agreed.

3. The paper circulated with Mr Channon's minute fulfills this remit. It is, on the whole, helpful and sensible. It firmly rejects the idea of paying every RDW a lump sum in compensation for the loss of his "rights". Such payments would be expensive (up to £500m), or ineffective in persuading RDWs not to take industrial action against abolition of the Scheme, or (most likely) both. They would also be a bad precedent and very difficult to justify to workers who have never enjoyed the privileges of RDWs.

4. Instead Mr Channon proposes that former RDWs who lose their jobs following abolition should be compensated, to the extent of £25,000 in the first year after abolition, reducing by £5,000 a year over each of the next 3 years, with nothing thereafter. The Government and the port employers would each contribute 50% of the compensation. The cost to the Government over the 4 years is estimated to be around £21m, split between the Department of Transport (responsible for London and Liverpool) and the Department of Employment (responsible for other Scheme ports). We were consulted about the drafting of the paper and suggested ~~that~~ the inclusion of an option giving former RDWs

^{only} same legal rights as other workers, ie ensuring that their statutory minimum redundancy pay entitlement should reflect their full past service as RDWs. Mr Channon, however felt that this did not meet his brief to put forward a scheme of "compensation".

5. The paper also discusses casualism, the timing of an announcement and an assessment of the extent of industrial action. It suggests that a return to the type of casualism in operation before the Dock Labour Scheme was introduced would be undesirable and unwanted by most employers, and hopes that it can be dealt with by industrial agreement. However the possibility of a legislative provision in the Bill is kept open.

6. On the timing and tactics of an announcement, Mr Channon suggests that industrial action is more difficult to mount and less detrimental in the Summer months, and he therefore proposes an announcement in April/May, by means of a White Paper. The implication is that this White Paper would firmly commit the Government to abolition.

7. The assessment of the extent of industrial action in the ports remain what it was in July, namely that it would be modest in non-Scheme ports and would amount to a strike of 4-6 weeks duration in most Scheme ports, dragging on for longer in the most militant ones. Overall this would cause problems for some industries but should not amount to grave industrial dislocation.

8. In addition to his proposals on the Dock Labour Scheme, Mr Channon intends to take to E(A) policy proposals for the privatisation of trust and municipal ports, and the elimination of deficit financing and other forms of financial assistance to ports.

Recommendations

9. You have on several occasions made known your strong opposition to the continuation of the Dock Labour Scheme, and you will wish to support Mr Channon's proposal to take legislation in the 1988-89 session to abolish it. His suggestion that an announcement should not be made until the Spring, to avoid a winter strike, is probably sensible, though you might wish to press for no further delay (subject to any adverse economic developments between now and April) and for the White Paper to be firm in committing the Government to abolition.

10. Even if Mr Channon's proposals on compensation are accepted as they stand, their cost is not an unacceptable price to pay for securing abolition. And they do not raise difficulties of principle, being no more than a continuation of what the Government is already doing to fund severances in the ports. However we are not convinced that it is necessary for the Government to continue to pay for severances after the abolition of the Scheme and we recommend that you propose the less generous alternative under which former RDWs who lost their jobs would be legally entitled only to have their full past service as RDWs take into account for the purposes of calculating their statutory minimum redundancy pay entitlement. This would give an RDW aged 45 with 20 years service and earning £16,000 a year (the average in Scheme ports), £3476, the whole cost being met by his employer. There would be nothing to prevent the port employers and unions negotiating more generous redundancy arrangements, as has been done in many other industries. It ought to be possible to present such a package to third parties as a fair one.

11. If this minimum option is not acceptable to the Prime Minister and other colleagues, we recommend that you go along with Mr Channon's proposal but suggest a somewhat cheaper version in which the Government's contribution to the total compensation payment would start at 40% (£10,000) and reduce by £2,500 steps each year. This would be some £5m cheaper than Mr Channon's version. As the Government has progressively stepped down its contribution to RDW severances from 100% in 1985-86, to 75% in 1986-87, and to 50% this year (of £25,000 in each case), a further reduction to 40% is logical and defensible. The cost of any such scheme should be contained within the existing provision of DTp and DEm. We suggest that you do not put forward this compromise proposal yet, but save it for a fall-back position in any meeting that is called (or for subsequent correspondence if there is no meeting).

12. If Ministers decide to go ahead with abolition of the Scheme, there will be a gap of at least a year between the ending on 31 March 1988 of the present agreement on the funding of dockworkers severances and the abolition date, following legislation. Mr Fowler separately has proposed that as an interim measure, pending the decision on abolition, the Government should continue to fund severances in 1988-89 at the same rate as in 1987-88, ie 50% of £25,000. We accept that some extension of funding is necessary but consider that the step down to 40%, proposed above, should start from 1 April 1988. I would be grateful to know if you support this approach, since we are preparing advice to the Chief Secretary on Mr Fowler's proposals in which this is an option.

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We shall need to see the detailed proposals on privatising the trust and municipal ports, and ending financial assistance to ports before reaching a final view on their merits. But on the face of it they are good ideas and Mr Channon's intention to bring forward proposals to E(A) is welcome.

14. I attach a draft minute to the Prime Minister.

15. This submission has been agreed with IAE.

A R WILLIAMS

SECRET

DRAFT MINUTE FROM THE CHANCELLOR TO THE PRIME MINISTER

DOCK LABOUR SCHEME

1. I have seen a copy of Paul Channon's minute to you of 5 December.

2. I strongly support early abolition of the Dock Labour Scheme and I agree with Paul's proposal to take the necessary legislation in the 1988-89 session. I am willing to accept, for the tactical reasons he identifies, that an announcement of our intentions should be delayed until April, ~~But unless there are serious and adverse economic developments or industrial relations problems between now and then,~~ I would be against any further delay. I would also like the proposed White Paper to make it quite clear, as I think Paul envisages, that we are firmly committed to abolition and will legislate shortly to this end.

3. I welcome the rejection in the paper of compensation payments to all Registered Dock Workers (RDWs) for loss of "rights". This would amount to little more than a rather transparent and probably ineffective inducement and would be a most unwelcome precedent. But I consider that even the proposed statutory scheme for compensation for former RDWs who lose their jobs after abolition of the Scheme is unnecessarily generous. Provided that the legislation ensures that the statutory minimum redundancy pay entitlement of former RDWs reflects their full past service as RDWs, we shall be giving them the same legal rights as other groups of workers. There would be nothing to prevent the port employers and unions from negotiating more generous redundancy arrangements, as has been done in many other industries. I believe that this could be presented to third parties as a fair arrangement. We delude ourselves if we believe that more generous treatment would significantly mitigate the opposition to abolition.

Secret

I welcome Paul's intention to bring forward to E(A) policy proposals for the privatisation of trust and municipal ports and the elimination of financial assistance to ports.

5. I am copying this minute to Willie Whitelaw, Paul Channon, Norman Fowler, John Wakeham, and to Sir Robert Armstrong.



bf. 15/12

FROM: J M G TAYLOR
DATE: 14 December 1987

MR A R WILLIAMS

cc PS/Chief Secretary
Sir P Middleton
Mr AnsonMr Monck
Mr Gilmore
Mr Revolta

DOCK LABOUR SCHEME

The Chancellor has seen your submission of 11 December.

2. He would be grateful if you could recast the draft letter so as to urge the "fallback" position.
3. He is content that the step down to 40 per cent should start from 1 April 1988.

A handwritten signature in dark ink, appearing to be "JMG".

J M G TAYLOR

FROM: A R WILLIAMS

DATE: 14 December 1987

- 1. MR REVOLTA
- 2. CHANCELLOR

*Ch/ I was unclear whether you
 wanted the fallback included as
 a fallback, or as an alternative.
 The draft assumes the former. If
 you wanted the latter, I have
 suggested some changes.*

cc Chief Secretary
 Sir Peter Middleton
 Mr Anson
 Mr Monck
 Mr Gilmore

DOCK LABOUR SCHEME

I understand that you want the draft minute to the Prime Minister amended to take in the fallback position proposed in paragraph 11 of my submission of 11 December. I attach a redraft, which also deletes the reference to delays arising from adverse economic developments, as you requested.

I also understand that you are content for the proposal for only 40% Government funding of RDW severances in 1988-89 to be put to Mr Fowler.

*OK as per
 I trust that, that
 means that it
 is acceptable.*

A.R. Williams

A R WILLIAMS

SECRET

Pre type final.

DRAFT MINUTE FROM THE CHANCELLOR TO THE PRIME MINISTER

DOCK LABOUR SCHEME

1. I have seen a copy of Paul Channon's minute to you of 5 December.
2. I strongly support early abolition of the Dock Labour Scheme and I agree with Paul's proposal to take the necessary legislation in the 1988-89 session. I am willing to accept, for the tactical reasons he identifies, that an announcement of our intentions should be delayed until April, but I would be against any further delay. I would also like the proposed White Paper to make it quite clear, as I think Paul envisages, that we are firmly committed to abolition and will legislate shortly to this end.
3. I welcome the rejection in the paper of compensation payments to all Registered Dock Workers (RDWs) for loss of "rights". This would amount to little more than a rather transparent and probably ineffective inducement and would be a most unwelcome precedent. ~~But I consider that even the proposed statutory scheme for compensation for former RDWs who lose their jobs after abolition of the Scheme is unnecessarily generous. Provided that the legislation ensures that the statutory minimum redundancy pay entitlement of former RDWs reflects their full past service as RDWs, we shall be giving them the same legal rights as other groups of workers. There would be nothing to prevent the port employers and unions from negotiating more generous redundancy arrangements, as has been done in many other industries. I believe that this could be presented to third parties as a fair arrangement. We delude ourselves if we believe that more generous treatment would significantly mitigate the opposition to abolition.~~

~~[I am content with the]~~

I am would be content with the

4. ~~If we were to set up the special compensation arrangements that Paul~~
~~proposes, I consider that the employers should be asked to contribute a higher~~
~~proportion than the proposed 50% of the £25,000 to be paid to former RDWs~~
~~who lose their jobs. They, after all, would be the chief beneficiaries of~~
~~abolition of the Scheme. I propose that the Government's contribution should~~
~~start at 40% of the total (ie £10,000) and should be reduced by £2,500 each~~
~~year as Paul suggests. As we have progressively stepped down our contribution~~
~~to RDW severance payments from 100% in 1985-86 to 50% in the current financial~~
~~year, a further reduction to 40% is logical and defensible. The cost of any~~
~~such scheme should be contained within the existing provision of the Departments~~
~~of Employment and Transport.~~

stat/

(stat

stat

5. I welcome Paul's intention to bring forward to E(A) policy proposals for the privatisation of trust and municipal ports and the elimination of financial assistance to ports.

6. I am copying this minute to Willie Whitelaw, Paul Channon, Norman Fowler, John Wakeham, and to Sir Robert Armstrong.



177

Sir P Middleton
Mr Anson
Mr Monck
Mr Gilmore
Mr Revolta
Mr Williams

Treasury Chambers, Parliament Street, SW1P
01-270 3000

PRIME MINISTER

15/12/87

DOCK LABOUR SCHEME

I have seen a copy of Paul Channon's minute to you of 5 December.

I strongly support early abolition of the Dock Labour Scheme and I agree with Paul's proposal to take the necessary legislation in the 1988-89 session. I am willing to accept, for the tactical reasons he identifies, that an announcement of our intentions should be delayed until April, but I would be against any further delay. I would also like the proposed White Paper to make it quite clear, as I think Paul envisages, that we are firmly committed to abolition and will legislate shortly to this end.

I welcome the rejection in the paper of compensation payments to all Registered Dock Workers (RDWs) for loss of "rights". This would amount to little more than a rather transparent and probably ineffective inducement and would be a most unwelcome precedent. I would be content with the special compensation arrangements that Paul has proposed if the employers were asked to contribute a higher proportion than the suggested 50 per cent of the £25,000 to be paid to former RDWs who lose their jobs. The employers, after all, would be the chief beneficiaries of abolition of the Scheme. I suggest that the Government's contribution should start at 40 per cent of the total (ie £10,000) and should be reduced by £2,500 each year as Paul suggests. As we have progressively stepped down our contribution to RDW severance payments from 100 per cent in 1985-86 to 50 per cent in the current financial year, a further reduction to 40 per cent is logical and defensible.



The cost of any such scheme should be contained within the existing provision of the Departments of Employment and Transport.

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I am copying this minute to Willie Whitelaw, Paul Channon, Norman Fowler, John Wakeham, and to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be "N.L." with a flourish.

N.L.

15 December 1987

✓ This is now fixed
for 9.30am on
Tues 12 Jan.

Good



Push down
to 9.30 - no
obj, but if

~~My last ~~to~~
to ~~the~~ ~~can't~~
to ~~work~~~~
I will
attend.
N.

1. Alex

2. ✓ No 10 have fixed a
meeting to discuss Dock
Labour Scheme at

9.30am on Thursday 14
January - pre Cabinet -
although I made it clear
that it would be awkward
because you have first order
PQs & Autumn Statement
Debate. If you are unable to go
Options are: ① ask CST to go
although he has PQs &
Rebate also.

② ask another Minister.

③ Insist No 10 move
the meeting.

John
14/12.



FROM: MRS JULIE THORPE
DATE: 21 December 1987

MR A R WILLIAMS

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
PS/Sir P Middleton
Mr Gilmore

DOCK LABOUR SCHEME

The Chancellor will be attending a meeting at No.10 to discuss the Dock Labour Scheme on Tuesday, 12 January at 9.30am. Also attending are the Lord President, Secretary of State for Transport, Secretary of State for Trade and Industry, Chancellor of the Duchy of Lancaster and Secretary of State for Employment.

2. I would be grateful if you could provide briefing by close of play on Friday, 8 January.

A handwritten signature in cursive script that reads 'Julie Thorpe'.

MRS JULIE THORPE
Diary Secretary



NOMURA INTERNATIONAL LIMITED

NOMURA HOUSE 24 MONUMENT STREET LONDON EC3R 8AJ TELEPHONE 01-283 8811

FAX NO. 01-6211286 GROUP 2/3-TELEX-883119-CABLES-NOMURASHIN LONDON

Handwritten signature

FINANCIAL SECRETARY	
REC.	-7 JAN 1988
ACTED BY	MRS BROWN
TO	PPS PS/EST Sir G. Middleton
	Sir G. Litterer
	6th January, 1988
	MR Menck Mrs Lemanx
	MR D. Moore MR Call

Handwritten note: V. A. H. H. L. ✓

Norman Lamont, Esq, M.P.
Financial Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

Dear Mr Lamont,

I am taking the liberty of writing to you to expand on the brief conversation I was privileged to have with you at the reception recently given by the Thames Water Authority. What I especially wanted to bring to your attention was our perception of the attitude of Japanese investors to British securities in general and to Government share sale offerings in particular. I also wanted to let you know what the current state of play is in regard to Nomura's handling of the B.P. share issue.

To take the first point first, you will I am sure be glad to know that Japanese investors have continued to increase their holdings of British equities in spite of the "crash". This contrasts with their attitude to American securities, their holdings of which have not increased since Black Monday. Between October and November - roughly the month following the crash - Japanese holdings of British shares increased on average by 7.5%. We are especially glad to note that Japanese holdings of the shares for which Nomura sponsored a Tokyo listing, viz. B.T., B.P., C&W and Glaxo increased by 19% on average.

We attribute the favourable view taken by Japanese investors to British companies to three factors:-

- 1) their prices were seen to be attractive given the size of the fall in London share prices;
- 2) the U.K. is seen in very favourable light from both a macro-economic and a micro-economic standpoint;
- 3) Japanese investors have a large pool of investible funds looking for an outlet.

On the last point I would like to quote a revealing event which took place in Japan.

Cont'd../2

Normally, it is the securities houses who take the initiative on investment matters with their clients (in a process with which I think you are familiar); but on the second day after Black Monday (actually Tokyo Time - Wednesday 21st October) there was a noticeable and unprompted rush of investors to securities companies' branch offices with fresh money to invest. They felt that the price levels of shares were low and a good opportunity for long term investment had been created. At Nomura Securities, we had that day a record number of contract notes ever made on a single day, although the transaction volume was not the largest ever. Japanese individuals in fact absorbed a substantial portion of the selling orders of Japanese companies' shares made by non-Japanese investors during the crash period.

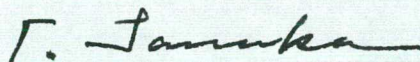
I enclose a photocopy of an advertisement we placed last month giving some statistical analysis of the Tokyo market after Black Monday.

Turning now to the second point, Japanese investor demand for U.K. shares has been specially marked in the case of the B.P. partly-paid shares. At the initial stage we were very keen to place our 32 million share commitment with as many investors as possible through a public offering scheme. Nomura accordingly initiated talks on a "re-offering" of the shares with the Japanese Ministry of Finance. This initiative was passed on to the Japanese lead manager of the initial sale for further discussions with all the parties concerned, both in London and Tokyo. Unfortunately, because of technical difficulties the "re-offering" idea was abandoned.

Nomura, therefore, went ahead with the placement of its allocation. However, since we saw some additional demand for the shares, we decided to promote partly-paid share placement on top of the 32 million shares initial allocation. We found the price level of just above 70p attractive on the grounds of both yield and capital growth prospects. To meet this demand we bought around 70 million shares from the London market in November and December; Nomura held (at the latest date for which figures are available) some 82 million B.P. shares on behalf of Japanese clients.

Our experience in recent months encourages us to look forward to the next sale of Government assets. We have it in mind to offer a paper to HM Treasury in the next few weeks on the prospects for a sale in Japan of part of the remainder of the Government's B.T. share stake.

Yours sincerely,



T. Tanaka

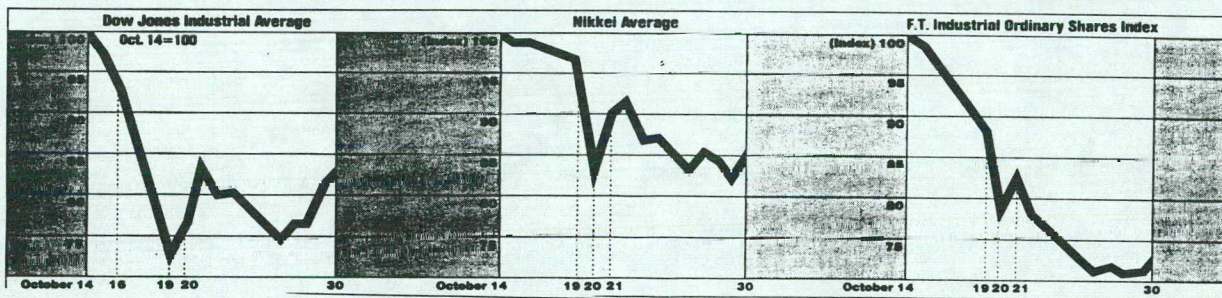
Associate Managing Director

TOKYO, OCTOBER 1987

WHAT HAPPENED AND WHY?

Investor Confidence and a Strong Economy
Stabilize the Tokyo Market

NEW YORK TOKYO LONDON



New York, London, Tokyo...

The world's three great stock markets are forging mutual links, making 24-hour global trading a financial reality. Events on October 19th show just how interrelated the three major international stock markets have become. Severe jolts were felt throughout the world's financial markets when investors, wary of the U.S.'s enormous trade and Treasury deficits and the weakening dollar, began a massive sell-off. On Black Monday, the New York Dow Jones industrial average declined a record 22.6% in one day. London recorded a similar decline, and the next day in Tokyo, overseas investors sold a staggering amount of stocks, driving the Nikkei Average down 14.9% and triggering the one day loss in price limit. During the week of the crash, the Dow Jones' and Financial Times' indexes fell below their year-high levels by 36.1% and 32.1% respectively. However, in the same period, the farthest the Nikkei Average fell below its 1987 high was a relatively low 17.8%. And by the week's end, the Nikkei Average had rebounded a strong 4.2%, making the Tokyo market's resilience the focus of attention among international investors.

Japanese Individuals Offset Massive Selling By Foreigners During The Crash

The key players in cushioning the fall on the Tokyo market were Japanese individual investors. During the month of October, net purchases by individual investors came to approximately ¥530 billion, roughly triple the previously

recorded high in September. Other Japanese investors who played a stabilizing role in the Tokyo market include financial institutions and corporations, accounting for ¥654.4 billion of net purchases, and investment trusts accounting for ¥90.6 billion. This purchasing trend partially offset the selling by overseas investors, which reached ¥1,998 billion in October.

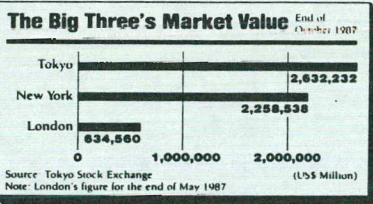
As for the week of the crash (October 19th ~ 24th), overseas investors sold ¥1,058 billion worth of stocks on the Tokyo market. Japanese financial institutions were net purchasers of only ¥81 billion, but individual investors supported the market by purchasing some ¥623 billion worth of stocks, and non-financial institutions were net buyers by ¥185 billion. This buying by Japanese individual investors and corporations counterbalanced the selling by foreign investors in Tokyo. Confidence remained high, and stability returned quickly.

Strong Economy and Solid Savings' Structure

One reason for such strong support buying by Japanese investors is their faith in the fundamental strength of the Japanese economy. Japanese businesses, especially in the hi-tech industries, have overcome the oil shocks of the '70's and the yen appreciation of the '80's and have adapted to the new international business environment. According to the OECD, the combined effect of the fall in stock prices and the low dollar will only slightly affect 1988's real G.N.P., decreasing it by just 0.25%. In fact, the *Nihon Keizai Shimbun* predicts that for the fiscal year ending in March 1988, the average ordinary profit of all listed Japanese companies will increase by 29% over the previous year.

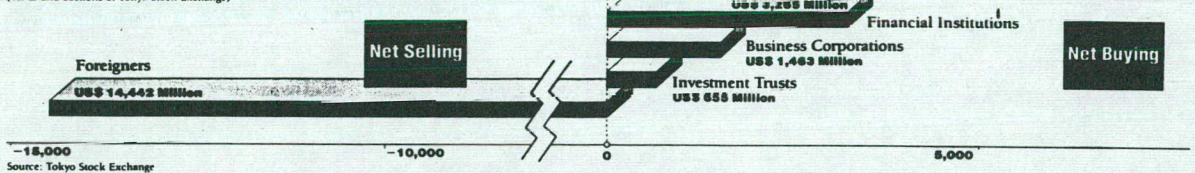
Another reason for investor support is the high rate of individual savings. In 1985, Japan's individual savings ratio reached 16.0%, demonstrating a strong propensity to save. In comparison, the West German rate was 11.4% while the U.S. rate was only 5.2%. Given the percentage of total savings invested in stocks, which is 8.5% lower than the U.S. rate of 22%, erosion of assets due to the crash was relatively slight, despite the strong growth in stock investments. Japanese financial institutions will also continue to use stock investments as part of their asset management programs.

The fundamental strength of Japan's economy has instilled confidence in both individual and institutional investors, which in turn has provided stability in otherwise volatile financial markets. Investor confidence and economic strength make Tokyo the safest market in volatile times.



Who Sold and Who Bought in the Tokyo Market?

Net Turnover in Value of Stocks by Type of Investors in October 1987
(1st & 2nd Sections of Tokyo Stock Exchange)



Note: All U.S. dollar figures represent translations of yen amounts as supplied by the TSE at the rate of U.S.\$1 = ¥138.40, and are given here for convenience only.

NOMURA
THE NOMURA SECURITIES CO., LTD.
Tokyo Head Office Tel: (03) 211-1811, 211-3811

CONFIDENTIAL

Bob Prayle on Friday

FROM: P J CROPPER
DATE: 29 February 1988

CHANCELLOR

Prayle - FRU

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Tyrie
Mr Call

DOCK LABOUR BOARD

The group which used to be known as the Argonauts discussed the Dock Labour Board problem over lunch last week. The secretary of the National Association of Port Employers was present.

2. The Port Employers are very anxious for legislation to abolish the scheme. They anticipate major industrial action but are ready for it.

3. Their line is not completely firm because one very influential member has lately gone soft - viz Sir J Sterling, who sees that Felixstowe would lose some of its relative advantage if other UK ports were to be freed from the shackles of the Scheme.

4. The rest of the Port Employers hope that Sir J Sterling's influence will not serve to hold the whole thing up.

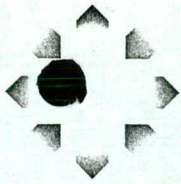
5. Broadsheet attached.



P J CROPPER

a
I have passed on part about DTP/DEM responsibilities to Nick Morrice, who will pursue with relevant officials





THE DOCK LABOUR SCHEME

Parliamentary Briefing

on Early Day Motions 275 and 332

The 40 year old Dock Labour Scheme is out of date and must be repealed if Britain's ports are to play their full part in the nation's economy.

Free Britain's ports

- ❑ The Scheme stifles enterprise, inhibits port development and undermines employment opportunities. It damages Britain's port industry, distorts competition and has contributed to the loss of more than 20,000 dockers' jobs in the last decade. It has been calculated that the Scheme has already cost British Industry more than £450 million.
- ❑ The Scheme weakens management's ability to manage, gives disproportionate power to the docker's trade unions, hampers productivity and encourages inefficiency.
- ❑ The Scheme is a 40 year old anachronism which has become a positive disincentive to the expansion of existing business and the growth of new industries in many of Britain's inner city dockland areas.
- ❑ The Scheme is no longer necessary to protect Britain's dockers from exploitation and casual employment. Dockers are well paid (average earnings £310 per week) and permanently employed. They have no reason to fear the repeal of the Dock Labour Scheme.



HOW IT ALL BEGAN

The Dock Labour Scheme was introduced in 1947 by the post-war Labour Government as a direct response to the chaotic employment conditions which existed in the docks prior to the war. During the war definitions of dock work were drawn up for each port, and employers and dockers brought under Government control. The 1947 Scheme maintained similar controls which continue to apply to this day. The Scheme was significantly strengthened in 1967 by the then Minister of Labour, Ray Gunter.

The Scheme is administered by the National Dock Labour Board and 20 local boards. Employers and Trade Unions have 50-50 representation on these boards.

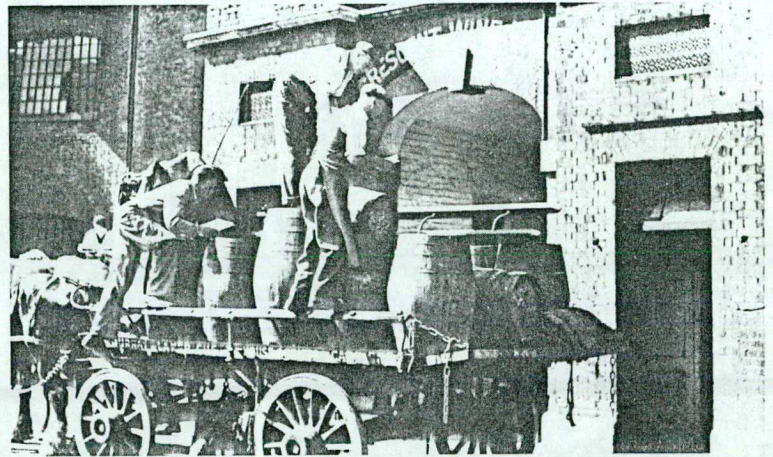
The National Board is finally responsible for:

- the number of dockers to be employed in a Scheme port, and
- what constitutes dock work in those ports.

Local boards administer the Scheme in particular ports and are responsible for recruitment and severance, discipline and training, medical and welfare arrangements.

The National Dock Labour Board is funded by a levy on port employers. In 1986 this amounted to £4.34 million. In addition, port employers are paying off an £11 million debt for past severance costs at the rate of £2 million per annum.

Arrangements like the 1972 Aldington-Jones agreement have developed out of the bargaining strength the dockers derive from the Scheme. This agreement provides that no registered dock worker shall be placed on the "temporary unattached register". This means that if his employer goes out of business, the docker must be given another job by another employer whether or not there is work for him with that employer.



London 1947: "Carthorse" definitions of dockwork still apply in 1987

WHY THE SCHEME MUST GO...

Enterprise, initiative, expansion, freedom to operate are keynotes of a modern approach to business activities. Yet port employers remain shackled by this outdated legislation which gives dockers the unique privileges of joint control over the regulation of their employment and statutory job demarcation.

This rigidity within the industry has:

- 1 Discouraged potential investors from developing and extending business opportunities in ports, for fear of entanglement with the Dock Labour Scheme.**
- 2 Created a cumbersome and costly bureaucracy which port employers finance.**
- 3 Given dockers a legal monopoly over cargo handling in Scheme ports.**
- 4 Tipped the balance of industrial power firmly in favour of the dockers' Trade Unions.**
- 5 Led to statutory demarcation disputes and unique "who does what" laws.**
- 6 Added to the cost of Britain's exports and imports thereby benefitting foreign competitors.**



... AND HOW BRITAIN WILL BENEFIT BY REPEAL

Advantages to Britain:

- 1 Britain's ability to compete in certain export markets will be improved if port overhead costs are reduced.
- 2 New jobs will be created in Britain's maritime industry.
- 3 Port Authorities will be able to speed up development of redundant and under-used port areas and attract new dock and non-dock related enterprises.
- 4 Entrepreneurs will be encouraged to promote commercial development in port areas without entanglement with dockers who continually seek to secure for themselves new areas of dock work.
- 5 Ports near inner city areas will especially benefit.

Advantages to customers:

- 1 Shipping lines will benefit from improved efficiency and quicker turn around.
- 2 Shippers of goods will benefit from reduced costs.
- 3 Exporters and importers will have more flexibility and freedom to choose between ports and terminals which are able to compete on an equal basis.
- 4 Shipowners will no longer be deterred from calling at Scheme ports and they will therefore be able to expand the range of services available at British ports.

Advantages for employees:

- 1 More jobs will be created in areas where there are high levels of unemployment.
- 2 Job security will be enhanced as declining businesses are able to diversify, prosper and grow again.
- 3 New opportunities will develop for young people to enter the ports industry and acquire new skills.
- 4 All employees will be treated equally. Registered dock workers will no longer enjoy special privileges. There will be no more "first" and "second" class port workers.

Advantages to employers:

- 1 Port employers will be able to manage their businesses without interference from trade union veto or delays from references through the National Dock Labour Board and local boards.
- 2 The right to manage will be returned to management.
- 3 Port employers will be able to assess and balance their labour forces and respond faster to business opportunities.
- 4 A loyal, united workforce will develop, free from statutory demarcation lines and third party interference.

FACTS ABOUT THE PORTS INDUSTRY

Britain is a maritime nation. Our docks and ports matter. They form a major industry.

In 1986, 453 million tonnes of cargo – almost 9 tonnes per head of population – passed through Britain's ports including 4.7 million containers and 1.4 million cars. Over 26 million passengers travelled through Britain's seaports along with 3.3 million accompanied cars and 170,000 coaches.

The industry handles £120 billion worth of cargo a year. 35,000 people are directly employed and another 200,000 indirectly depend on the port industry's future.

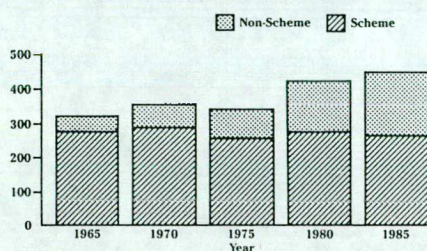
In Great Britain there are 300 ports and wharves, 100 of which are commercially significant. They have fixed assets worth over £1 billion and in 1985 capital investment totalled £119 million.

Facts about the Scheme

- 1 In 1947 when the Scheme first came into existence there were 73,000 registered dockers. At the end of 1987 there are 9,983.
- 2 Definitions of dock work have not changed since 1947. Legislation still mentions horse drawn carts and the London and North Eastern Railway Co.
- 3 Because of declining labour requirements new recruitment has been unusual and the average age of a registered docker has risen to 47. Thirty six per cent of registered dockers are aged between 50 and 60.
- 4 In 1986 the average surplus of labour in each port was 12%. In some ports it was as high as 46% of the RDW workforce.
- 5 In Rotterdam and Antwerp the average charge per tonne of cargo handled is between £2.50 and £3.50. In British Scheme ports the average charge is between £7 and £15 per tonne.

- 6 The maximum severance payment for registered dockers has risen from £5,250 in 1977 to £25,000 in January 1987. This is an increase of 376% when retail prices rose over an equivalent period by 129%. So far, the Government has had to pay out over £230 million in severance payments to dockers.
- 7 In many Scheme ports it is impossible to obtain more than 5 days suspension as the penalty for offences as serious as theft from the work place, and handling stolen goods.
- 8 In 1965 the volume of trade through UK ports totalled 311 million tonnes of cargo. Scheme ports handled 84% of this total. In 1986 453 million tonnes were handled and the Scheme ports share had declined to 68%.
- 9 Since 1979 the number of registered dock workers has dropped by 61%. In contrast the number of non registered dock workers has increased by 31%.

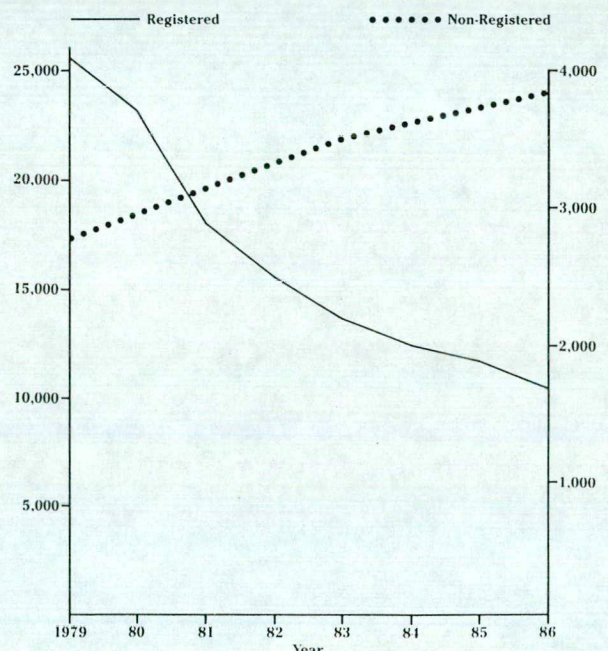
NON-SCHEME PORTS MARKET SHARE OF GOODS
HANDLED: ALL CARGOES



This Briefing is published by:
The National Association of Port Employers
Commonwealth House
1-19 New Oxford Street
London WC1A 1D2

For further information contact:
Nicholas Finney or Iain Dale on 01 242 1200

NUMBER OF DOCK WORKERS



SECRET

This complete with no port!
Wh is
That, now
That then

FROM: D C W REVOLTA
DATE: 3 March 1988

PS/CHANCELLOR

A
Papers below were
in the meeting Mr [unclear] for
one of the PM's meetings, but
do not seem to have been
pointed out to you explicitly

cc PS/Chief Secretary
Sir Peter Middleton
Mr Anson
Mr Monck
Mr Phillips
Mr McAuslan

RESPONSIBILITY FOR NATIONAL DOCK LABOUR SCHEME (NDLS)

I understand that Mr McAuslan has discussed the position with you, following the conversation between the Chancellor and Mr Channon.

2. I am minuting to confirm that responsibility for the National Dock Labour Scheme rests at present with Department of Employment. Department of Transport on the other hand look after ports policy and sponsor the ports industry. Although at one time the NDLS was a major issue of employment policy in its own right, the case for leaving responsibility with Department of Employment has weakened with the decline of the ports industry and the contraction of the scheme itself: the number of registered dock workers has declined from some 80,000 in the 1950s to only 10,000 now.

3. The split of responsibility is reflected in expenditure terms: when the Government makes payments to port employers in support of dock worker severances, DTp picks up the bill for London and Liverpool (in whose affairs it has become involved as a matter of ports policy) while DE make payments to other UK ports involved.

4. An effort was made to straighten out these responsibilities last year. Mr Fowler minuted the Prime Minister in October with the agreement of Mr Channon recommending that responsibility for the NDLS should be transferred to Department of Transport, in order to bring all ports responsibilities within the one department. The advice was supported by Treasury. But the Prime Minister turned the proposal down: her reason appeared to be that the timing was not right.

Complete with
responsibility
done for now
with [unclear]
happening

SECRET

5. We think that Mr Channon's present concern arises from the current proposal to move towards abolition of the National Dock Labour Scheme. Although the proposal has been around for some time, the prospect of action by the Government to abolish the scheme has increased since the switch of responsibilities was considered last October. Abolition will require high profile legislation, and we understand that there is something of a tussle going on between Mr Channon and Mr Fowler as to who should lead on this. It may be that Mr Channon wants to re-open the question of Ministerial responsibility, and if he does the Treasury will no doubt be consulted formally. But we would expect to support the proposed shift of responsibility again, subject to the overall political judgement as to whether a change now might excite premature speculation about the Government's intentions.

DWC

D C W REVOLTA

SECRET

PMP

For Cabinet Folder

CHANCELLOR

FROM: A G TYRIE

DATE: 7 MARCH 1988

cc Mr Cropper
Mr Call

NATIONAL DOCK LABOUR SCHEME

*Thanks. As I (hand) Mr.**PS. I will have G and W. NF**As you said you'd have a word in margin of Cabinet, followed up by meeting. AA*

You asked me to have a word with my opposite number (Warwick Lightfoot) at ^{the} Department of Employment about this.

Apparently DE officials have advised Mr Fowler against abolition of the Dock Labour Scheme. They argue that a dock strike would almost certainly ensue and that the ports outside the scheme, particularly Felixstone, could easily be blocked, picketed and interfered with.

Mr Fowler is not against abolition but officials' advice has touched his cautious nature. I gather he is now peddling the line: 'is it worth a dock strike', and 'the legislative programme is already very cluttered'.

On whether to risk a strike, Warwick's reaction was: 'We gave the miners the once over, it's high time we did the same to the dockers'. I think he's sound! Incidentally, he's particularly anxious to second guess the officials on this one because they tried to withhold the papers from him! He found out that abolition was being discussed in Whitehall from the Association of British Ports who lobbied him on it!! It seems that Transport have been less than watertight.

Warwick is going to find a moment informally to discuss the issue with Mr Fowler again.

AGT.

A G TYRIE

9/11

Amie

Pre 1st hr AR Williams
knows about this - he
will be briefing.



done.
Sti.

Ch/No 10 would like to
hold a meeting on the
D&C Labour Scheme

on Monday 9 Jan at
2.30 pm for 1hr. Also attend
are Employment, Transport,
Lord President. The
meeting will discuss Mr
Foster's letter -> PM of 21/12.
I am keeping Monday
afternoon clear for you to
write on the AS Debate - are
you content Foster to
attend this meeting?

John
4/11. *John*

SECRET

*What is this
scheme to do
with the
dock strike?*

FROM: A R WILLIAMS
DATE: 6 JANUARY 1989

CHANCELLOR

cc Chief Secretary
Financial Secretary
Sir P Middleton
Mr Anson
Mrs Case
Mrs Lomax
Mr Burr
Mr Call

Ch
*Para 5 mentions balance of
payments implications of a dock strike.
Paul Gray has separately mentioned to me
that the PM may express some concern
about this.*

DOCK LABOUR SCHEME

The Secretary of State for Employment minuted the Prime Minister on 21 December about the abolition of the Dock Labour Scheme. A meeting has been arranged for 9 January.

2. Mr Fowler proposes,

(i) The drafting, on a contingency basis, of a Bill to abolish the Dock Labour Scheme. The Bill would provide for redundancy payments for ex-registered dockworkers (rdws) but would not legislate against casualism.

(ii) A Cabinet Office report by end February on the industrial action likely to follow abolition, its impact, and the readiness of contingency arrangements to deal with it.

(iii) When (i) and (ii) are complete, a decision on the introduction of the Bill immediately after the Easter recess, the Bill to be pushed through Parliament as quickly as possible.

(iv) A recognition that there could be a small call on the reserve in 1989-90.

SECRET

Line to take

3. You have made clear your firm support for early abolition of the Dock Labour Scheme on a number of occasions (for example you minuted the Prime Minister ^{on} of 15 December 1987). The Scheme is a serious supply side constraint which significantly reduces the competitiveness of the greater part of the ports industry. It also makes further privatisation (eg of local authority ports) more difficult and leaves the Government vulnerable to pressures for further financial assistance when ports get into difficulties (over £230m has been spent on redundancies alone since 1979).

4. On Mr Fowler's proposals we recommend the following:

- Support the drafting of a bill to abolish the Scheme.

- Agree that this bill should include proposed provisions for redundancy payments to ex-rdws; and accept that Government should meet net liabilities of National Dock Labour Board (NDLB) after abolition.

- Agree that there should be no anti-casualism provisions.

- Go along with the proposed Cabinet Office report on industrial action, if others are in favour. It is unlikely that this report will add anything to a similar one produced in mid-1987 but as it can be written in parallel with the drafting of the bill it will not hold up the final decision.

- Press for a firm commitment to proceed with abolition as soon as practicable, but accept that it would be tactically disadvantageous to announce this before Government is ready to legislate.

- Insofar as additional expenditure arising from abolition occurs in 1989-90, it should be met from existing provision [if pressed] Possibility of claim on reserve for redundancy payments can be considered in light of circumstances at the time, but wind-up costs of NDLB must be met from provision.

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5. You may be asked whether abolition (and hence a dock strike) should not be delayed until the balance of payments position has improved. You will no doubt wish to take a robust line and say that the balance of payments position is not relevant to the decision on the timing of abolition.

Background

6. The Dock Labour Scheme lays down that only rdws may be employed on dockwork in Scheme ports (of which there are 60, handling 70% of non-oil seaborne trade). It also places control of all recruitment, discipline and severance in the hands of boards having equal numbers of employers and trade unionists. In practice it means that rdws cannot be made compulsorily redundant.

7. Ministers have considered the abolition of the Scheme a number of times in recent years, most recently in July 1987, when it was agreed that politically less difficult alternatives to outright abolition were not available, and in January 1988 when Mr Channon proposed the preparation of legislation to abolish the Scheme and the publication of a White Paper announcing the Government's intention. It was decided that there was no prospect of legislation in the 1987-88 session and that publishing a White Paper well in advance of legislation would be tactically unwise. Instead further work should be directed at a possible announcement in the early part of 1989 followed by the quick introduction of legislation. A slot for a bill in the 1988-89 legislative programme was reserved. A scheme of compensation for ex-rdws made redundant, should abolition go ahead, was also agreed. Mr Fowler's paper takes these earlier decisions forward. (The split of responsibilities between DTp and DE is rather messy - DTp is responsible for ports generally, and as Mr Channon's original proposals were in the context of an overall policy for ports, he took the lead then. But DE is responsible for the Dock Labour Scheme.)

*50% of rdws
to go*

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9. Port employers have been campaigning for the abolition of the Scheme and have attracted a fair amount of support in Parliament: over 200 Conservative back-benchers signed an Early Day motion calling for the end of the Scheme. The problem with abolition remains what it always has been, that it is virtually certain to result in a national dock strike. We accept the assessment of the strike given in Mr Fowler's paper, namely that we would have to be prepared for it to last an average of about 2 months in Scheme ports (though only a few days in non-Scheme ports) and that this would be disruptive in some sectors but would not have intolerable economic repercussions.

10. One awkward by-product of a dock strike is that it would disrupt, perhaps for several months, import statistics, currently one of the best indicators of the level of demand in the economy that is available.

Timing

11. As it is unlikely that anyone at the meeting will argue in favour of retaining the Scheme, the critical question is the timing of its abolition. Mr Fowler leaves the final decision on this open but his proposals carry the presumption that it will be in April unless something unexpected intervenes. As the Bill will take a couple of months to draft, abolition much before this is not possible. Announcing the Government's intentions before it is ready to introduce a Bill runs into the same objection as Mr Channon's earlier proposal to publish a White Paper, namely that it will give opposition the time to mobilise. Although there are arguments both ways, the tactic implied by Mr Fowler's paper - announcing abolition more or less simultaneously with introducing a Bill - is probably the better one.

Public expenditure costs

12. The main cost of abolition would be the proposed compensation scheme for ex-rdws made redundant. This follows exactly the scheme proposed earlier by Mr Channon and accepted by Ministers in January 1987. It involves giving ex-rdws made redundant a

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statutory right to severance payments of £25,000 in the first year after abolition, decreasing by stages over 4 years after which they would have a statutory right only to the minimum redundancy payments specified in existing legislation (though in practice they could get considerably more from voluntary agreements between employers and unions). The Government would pay 50% of the statutory payments under the 4 year scheme except where redundancies followed the bankruptcy of the employer when it could pay the whole amount.

12. As the Government currently pays 50% of redundancy payments up to £25,000 in cases of voluntary redundancy by rdws (though this is due to be phased out in 1989-90), the proposed scheme does not break any new ground in terms of generosity.

13. Costs will depend on take-up. There are currently some 10,000 rdws. DTp estimate that perhaps some 2000 may be made redundant in the 4 years following abolition, half of them in year one. If this is so the total cost will be some £21m over the 4 years, most of it in the first two.

14. When the compensation scheme was originally proposed by Mr Channon, you suggested that the employers should contribute 60% and the Government only 40% of the cost of redundancies. However Mr Channon's 50/50 split was accepted by the Prime Minister and we do not recommend that you try to reopen this decision now.

15. The other cost of abolition is the winding up of the National Dock Labour Board. The Board has a bank overdraft of £2.5m, but this is likely to be more than covered by receipts from the sale of its property assets. Overall, liabilities are likely to exceed assets by £5-6m, most of the cost arising from contractual redundancy payments to Board staff. At present the cost of the Board is met by levies on port employers but with abolition of the Scheme the basis for raising these levies will disappear. Some

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kind of wind-up levy could in principle be provided for in the abolition legislation but it would be messy, very unpopular with employers and strongly opposed by Mr Fowler and Mr Channon on political/presentational grounds. As other Ministers are likely to think that £5-6m is a small sum to pay for making the abolition of the Scheme as smooth as possible, we recommend that you accept that the Government should meet the net wind-up cost of the NDLB provided that Mr Fowler finds the resources from his provision.

16. The PES consequences of the redundancy payments and the NDLB wind-up costs depend on when the Scheme is abolished. If, as DE envisages, abolition occurs early in 1989-90 (ie immediately following the Royal Assent for a Bill introduced after the Easter Recess), the expenditure in 1989-90 could be around £18m (£12.5m for redundancies plus the full £5-6m for the NDLB) against provision of £5.3m in both departments together. DTp and DE argue that they were unable to bid for more provision in the last Survey because of uncertainty over the policy. There is something in this. So while we should start by looking for full absorption of the additional costs, it is difficult to rule out absolutely a claim on the reserve, at least for the redundancy compensation.

17. Insofar as the costs fall in later years, they can be dealt with in the next Survey.

Casualism

18. Supporters of the Scheme claim that its abolition would mean a return to casualism in the employment of dockworkers. Mr Fowler's paper considers whether statutory control of casualism should be introduced, but recommends against. We agree. Casualism is not common in non-scheme ports, and casual labour is not appropriate to most dockwork today. The port employers have said that they have no intention of returning to it. Any attempt to control it by legislation would be likely to reduce flexibility in the use of labour.

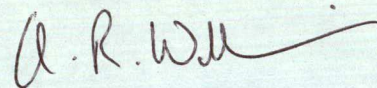
Current problems

19. There are two current problems connected with the Scheme. Both provide good illustrations of the need for abolition:

(i) On Clydeside, the Transport and General Workers Union has accused local employers of using non-registered labour and has threatened national industrial action.

(ii) In Liverpool, an employer is about to go out of business, shedding 172 rdws. MDHC (the main Liverpool employer) does not want additional rdws. It is therefore necessary to seek voluntary redundancies. At best, if 172 people agree to go at £25,000, it will cost the government £4.3m. But if sufficient volunteers cannot be found at this price, the government may have to pay even more (£35,000 has been mentioned) with probable repercussions for the going rate in future, or risk a national dock strike.

20. This brief has been agreed with IAE.



A R WILLIAMS



Mr. Dight
CEST has noted
thanks.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 January 1989

Dear Chris,

DOCK LABOUR SCHEME

The Prime Minister held a meeting this morning to discuss your Secretary of State's minute of 21 December and the minute of 16 January from the Secretary of State for Transport. Those present were the Chancellor of the Exchequer, the Secretaries of State for Employment and Transport, the Lord President, the Lord Privy Seal, the Chief Whip, Sir Robin Butler and Mr. Richard Wilson (Cabinet Office), and Mr. Greg Bourne (Policy Unit).

I should be grateful if you and copy recipients would ensure that no further copies are taken of this letter, that it is handled strictly in accordance with CMO arrangements and that it is seen only by named individuals with a clear need to know.

Summing up the discussion, the Prime Minister said that the conclusions in your Secretary of State's minute of 21 December were agreed, subject to:

- (a) Detailed discussions with the Chief Secretary Treasury on the terms and financing of compensation.
- (b) The drafting by Parliamentary Counsel and the report by the Cabinet Office being available at the latest by the week beginning 20 February, so as to keep open the possibility of the introduction of a Bill before Easter should that be judged appropriate in the light of circumstances at the time.

The Prime Minister said that it had been noted that the port employers in Liverpool would be continuing discussions over the coming weeks about the position of the employees of Liverpool Stevedoring Limited, as described in the minute of 16 January from the Secretary of State for Transport. It was agreed that the position in Liverpool would need to be kept under close review. Meantime, if the Government faced queries about its attitude to the Dock Labour Scheme the response

likely to be £20 million over 4 years (most in 1989-90 and 1990-91)

(AW submission of 6/1)

should continue to be that there was nothing to add to earlier statements.

I am copying this letter to the Private Secretaries of those present and to Neil Thornton (Department of Trade and Industry).

Yan,
Paul

(PAUL GRAY)

Clive Norris, Esq.,
Department of Employment.

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19/1/89

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270

SECRET AND PERSONAL: CMO UNTIL 31 DECEMBER 1989

P 03376

MR P GRAY

DOCK LABOUR SCHEME

The Cabinet Office has co-ordinated the attached paper as agreed at the Prime Minister's meeting on 19 January.

I am sending copies of this minute and the attached paper to the private secretaries of Ministers attending the further meeting next Wednesday at 11 am in No 10: that is, to the private secretaries to the Chancellor of the Exchequer, the Home Secretary, the Secretary of State for Employment, the Secretary of State for Trade and Industry, the Secretary of State for Transport, the Lord President, the Lord Privy Seal and the Chief Whip, and to Sir Robin Butler and Mr Greg Bourne.

I would be grateful if recipients would be responsible for ensuring that no copies are taken of the attached paper, that it is handled strictly in accordance with CMO arrangements and that it is seen only by named individuals with a need to know, authorised by their Minister to do so.

R.T.J.
R T J WILSON

24 February 1989

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PRIME MINISTER

Secretary of State
for Employment**DOCK LABOUR SCHEME (DLS)***Supervisor
Hydrals**19/1/89*

We are to meet on 1 March to consider progress and the way forward on the matters set out in my minute to you of 21 December which we discussed on 19 January.

Industrial Assessment

The Cabinet Office have coordinated a report showing the timing, extent and impact of the industrial action which would follow the announcement of any decision we might take to abolish the DLS. I do not consider that this substantially alters our earlier assessment of the likely extent of industrial action.

A Bill

I have the draft of a Bill which could be introduced to give effect to such a decision. That Bill provides for the end of the statutory monopoly on dock work in Scheme Ports immediately on Royal Assent. There will be a transition period during which the National Dock Labour Board will exist only to realise its assets and run down in an orderly fashion (and subject to direction by me) its functions on training, health, welfare and in the administration of pensions. The Government will pay the Board's costs in the transition period and inherit whatever balance there is between assets and liabilities at its end. The Bill also provides on Royal Assent for the extension to former registered dock workers of the employment protection rights - against unfair dismissal and in relation to contracts of employment - which they are currently denied. In addition, for a period of four years, former registered dock workers who are being made redundant would be covered by a new statutory redundancy compensation scheme. This would entitle them, on being made redundant, to payments of £30,000 initially falling by stages to £7,500. Employers would be responsible for making these payments, but the Government would contribute 50%.



Secretary of State
for Employment

A White Paper

I am circulating with this note a draft White Paper which sets out how the DLS operates and conflicts with the vision of a ports industry serving the needs of the nation in the 1990s.

Compensation

The present drafts of the Bill and of the White Paper provide that only those registered dock workers made redundant in the four years after Royal Assent would be entitled to financial compensation. I have re-examined the arguments for extending financial compensation to all dock workers on the register when repeal was announced irrespective of whether they retain their jobs or not. We have considered this twice in the past (in January 1988, on a note from Paul Channon, and on the basis of my minute of 21 December 1988). The arguments set out in Annex B explain why we have never favoured it.

The apparent right to a "job for life" stems not from the rights embodied in the Scheme by statute, but from the way the unions have exercised the power which the Scheme confers on them to enforce the Aldington Jones arrangements - which force employers to retain or even take on men for whom they have no work - and to veto severances other than on increasingly costly terms. Bringing registered dock workers into the scope of normal employment protection legislation would extend their statutory rights as individuals, not detract from them. The Attorney General confirmed a year ago that withdrawing the protection of the Scheme without paying compensation would not raise issues of constitutional propriety nor would it involve a breach of the European Convention on Human Rights.



Secretary of State
for Employment

In practice this legislation would remove the statutory framework which has given dockers the security of knowing that certain types of work were reserved for them, and that their employment would only be terminated with the agreement of their trade unions. In other spheres our general employment legislation has been aimed at eroding such protection, for example by removing the security and job monopoly many workers felt was provided by the closed shop. We have not compensated for the removal of security and monopoly with its attendant abuses in these cases or in the professions. Nor should we for dock workers.

Moreover, in practical terms little would be gained from such compensation payments. We might end up financing just the strike we were trying to avoid. It is almost certain that there will be industrial action, whatever we do. Any payments beyond the redundancy payments I am proposing would be expensive, and are unlikely to achieve any worthwhile end. The public would not understand the case for payments of this kind. The possible costs of such a scheme are set out at the end of Appendix B.

Against this background, if we wished to be more generous to ex-registered dock workers, I am sure we should do so by offering slightly improved terms in their new special statutory redundancy compensation scheme. Presentationally it would be much better if we said the £30,000 sum was available until some date in 1991 rather than 'for a year'.

Next Steps

If you and colleagues agree that the White Paper and the legislative proposals are on the right lines, and accepting the risks of industrial action on the lines discussed in the Cabinet Office note, I suggest we meet again just before Easter to decide in the light of the circumstances at that time whether or not to put the issue to E(A) for a decision. Such a decision would enable us to proceed as I suggested in my minute of 21 December.

Secretary of State
for Employment

E(A) could be given a paper on 3 April and meet before Cabinet on 4 April. I would tell the House of our decision and publish the White Paper probably that afternoon. The Bill would be introduced that week. That would enable a second reading on 18 April, and the Bill to go into the Lords at the end of May with a view to Royal Assent by 19 July.

This timetable does not allow for consideration by 'L' committee but I shall clear the Bill, in correspondence, with the Lord President and the Attorney General before Easter.

If we proceed in the way I propose, we shall need a very clear strategy for handling both the launch of the Bill and the White Paper and the industrial dispute that it seems will inevitably follow. I will circulate some detailed proposals on the public relations strategy. We shall clearly need arrangements to provide a daily monitoring of developments and our immediate responses, but also a ready means for resolving strategic issues as they emerge in the dispute and responding to any developments in negotiations with or between the port employers and the unions.

I invite colleagues to:

- (i) agree that work should continue on the lines outlined above;
- (ii) confirm the White Paper is on the right lines;
- (iii) confirm compensation should be limited to those made redundant after Royal Assent but that the £30,000 limit should run to some date in 1991;

1 Jan 1991

Secretary of State
for Employment

- (iv) meet again before Easter with a view to confirming the timetable set out above;
- (v) accept that the Bill should be cleared with the Lord President and the Attorney General rather than formally through 'L' Committee;
- (vi) note that I shall circulate proposals on the public relations angle of the announcement and ensuing dispute;
- (vii) consider the machinery for settling strategic issues, and for monitoring and responding to developments once any announcement is made.

I am copying this minute to the Chancellor of the Exchequer, the Home Secretary, the Lord President, the Chief Whip, the Secretaries of State for Trade and Industry and for Transport, the Lord Privy Seal and Sir Robin Butler.

N F

24 February 1989

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SECRET AND PERSONAL: CMO UNTIL 31 DECEMBER 1989

Copy No 4 of 15

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ABOLITION OF THE DOCK LABOUR SCHEME

Note by the Cabinet Office

1. At the Ministerial meeting on 19 January, we were asked to co-ordinate a report on the industrial action likely to follow the announcement of a decision to abolish the Dock Labour Scheme, the impact of that action on the economy and industry, and the readiness of contingency arrangements to minimise the impact of that action.
2. We have confined this work to a small group which includes one person each from the Treasury, the Department of Employment and the Department of Transport. We have made discreet enquiries of the Department of Trade and Industry and the Ministry of Agriculture. But we have not tested out our material or conclusions on those who have the detailed knowledge.
3. As the starting point for our analysis we have made the working assumption that a Bill to abolish the Scheme is to be introduced in Parliament on 4 April. The main conclusions to emerge from the analysis are as follows.
 - i. By the time the Bill has its Second Reading on 18 April an official dock strike in the Scheme ports is likely to be beginning, and some disruption in the non-Scheme ports should also be expected.

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ii. It would be prudent to assume that most Scheme ports will be on strike for 5 to 6 weeks with the more militant older ports out for up to 12 weeks; and that non-Scheme ports will be on strike for a week or so and will initially be reluctant to take cargoes clearly diverted from Scheme ports.

iii. Any other major industrial disputes at the same time as the dock strike could be damaging. Possible disputes over police pay or conditions of service for prison officers need to be weighed up in this light. So too do negotiations with the railway workers whose settlement date is mid-April.

iv. The effects of a strike on different sectors of the economy will vary both in speed and severity. There will be inconvenience, and in some cases disruption in some sectors of industry, but despite some shortages there should be no unacceptable impact on food supplies.

X v. There is little scope for mitigating action by Government, except by speeding up the legislation abolishing the Scheme, thereby enabling non-registered workers to be employed on dock work sooner. The use of Servicemen would require the declaration of a State of Emergency or a Bill to extend the Emergency Powers Act 1920 or both, except possibly where they were needed to secure oil movements or to man non-Scheme ports, both considered unlikely events; and their use might provoke an extension of the industrial action.

vi. The impact of the strike on the exchange rate and on interest rates is, in the view of the Treasury, likely to be small even on pessimistic assumptions about the duration of the strike.

4. We have identified a number of points where Ministers may wish further work to be put in hand:

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i. We assume that the Bill would be brought into force immediately after Royal Assent. Ministers may however wish the Law Officers to confirm that there would be no risk of legal challenge.

ii. Public presentation of Government policy will be important. Ministers may wish further work to be set in hand on plans to co-ordinate a convincing public case for the abolition of the Scheme, in addition to the publication of a White Paper.

iii. Port employers might well bring legal actions claiming that a strike against a decision to end the Scheme was political, so that the unions would lose their immunity. Ministers may wish to take the view of the Law Officers on this point also.

iv. We have attempted a broad analysis of the impact of a dock strike on food supplies and on industry, but inevitably there is a lot more which could be done. Ministers may wish to consider what particular aspects they would wish to see explored: possibilities include the role which the Ministry of Agriculture's stockpile might play; the maintenance of supplies to Northern Ireland; and the drawing up by the Ministry of Defence of a contingency plan for using servicemen to keep oil supplies running in the unlikely event of an interruption in supply.

Cabinet Office
24 February 1989

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ABOLITION OF THE DOCK LABOUR SCHEME

Note by Officials

SOME KEY FACTS AND FIGURES

1. Britain has about 80 ports of commercial significance. They handle roughly 95 per cent of our exports and imports by volume, 72 per cent by value. Just 10 ports account for about 64 per cent of our imports and 35 per cent of our exports by volume:

<u>Non-Scheme</u>	<u>Scheme</u>	
Dover	Forth	Port Talbot
Felixstowe	Grimsby/Immingham	Southampton
Milford Haven	Liverpool	Tees & Hartlepool
	London	

The Dock Labour Scheme covers 46 ports which together handle about two-thirds of our imports and 45 per cent of our exports by volume. All other ports are non-Scheme ports which handle roughly 30 per cent of our imports and 50 per cent of our exports, by volume. The two main non-Scheme ports are Dover and Felixstowe: they handle about one-third of the country's "unit-load" traffic (that is, containers and roll on/roll of freight, and their business represents about one-quarter of both our imports and our exports by value. There is more information in Annex A and the map in Annex B.

2. Crude oil, petroleum products and gas account for just over half the total tonnage shipped through British ports. Most of it goes through 10 major ports, but many ports handle small quantities of products imported for local industries. At no Scheme port is oil handled by registered dock workers. At most of them the refinery or storage tanks are separate from the main port installations.

3. About one-third of total port traffic is domestic. Much of it comprises oil shipped from wellheads and on-shore terminals to refineries and the distribution of refined products. It also includes coal from the North East for Thames power stations, and traffic to and from Northern Ireland, islands and offshore installations.

4. There are now just under 9,500 registered dock workers, compared with 13,000 at the time of the last major strike in 1984, 27,000 in 1979 and 50,000 in 1970. Registered dock workers represent about one-third of all employees in Scheme ports and about one-quarter of all those employed in all Britain's ports. The main union in most ports, whether in the Scheme or not, is the Transport and General Workers Union (TGWU). In North East ports dockers are represented by the General, Municipal, Boilermakers and Allied Trades Union (GMB). In the seven non-Scheme former railway ports operated by Sealink the main union is the National Union of Railwaymen (NUR).

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Public Presentation

9. The presentation of Government policy and the case for abolishing the Scheme during the strike will be very important. The unions are likely to mount a more reasoned case than the miners, focusing on the evils of casual employment and on the confiscation of statutory rights which dockers have held for over 40 years. They will argue that those rights are being taken away simply in order to introduce easier and cheaper redundancies. They will criticise the collusion and past behaviour of employers, and may claim that the employers plan to cut manning below safe levels after abolition of the Scheme.

10. The employers and the Government will therefore need to present a robust and convincing case that the dockers are being offered a fair deal for the future with rights at least as good as those available to employees generally. Examples of the abuses which have occurred under the Scheme will need to be given publicity. Ministers may wish further work to be set in hand on plans to co-ordinate a convincing public case for the abolition of the Scheme. In addition to the White Paper, for instance, it may be helpful to produce a shortened version for wider distribution. Plans for this could be worked up over the next few weeks.

Industrial Action when the Bill is introduced

11. There is likely to be a strong reaction immediately the Bill is introduced. Two things in particular are likely to happen.

12. First, unofficial action will probably break out in the older militant ports, in particular London, Liverpool and Hull. Such action might begin earlier, if there are leaks or well-informed speculation in the press in the days preceding the announcement. The recent Early Day Motion in Parliament has already led to articles in the left-wing press predicting abolition of the Scheme.

13. Second, the TGWU docks group which covers both registered and non-registered dockworkers can be expected to call for a strike in all Scheme ports which they will attempt to represent as a national dock strike. It is their longstanding policy to do so in response to anything which can be regarded as an attack on the Scheme. The TGWU National Executive can be expected to support them. So can the GMB which organises registered dockworkers in the North East. Before taking official action, the unions will be obliged to conduct ballots among their members. The results will be available about a week to 10 days after the ballots are called. Official action will start once the results are known.

14. By the time the Bill has its Second Reading on 18 April, we would expect an official dock strike in the Scheme ports to be beginning, and some disruption in the non-Scheme ports as well. It is not possible however to predict with certainty what the response to this call for support would be, either among those directly called out, or among other groups which might become involved indirectly. We consider below the main factors involved.

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INTRODUCTION OF LEGISLATION

Timetable

5. Our working assumption has been that the Secretary of State for Employment would put proposals to abolish the Scheme to E(A) on the morning of Tuesday 4 April, submit them immediately afterwards to Cabinet for endorsement and announce them in the House that afternoon. He would publish a White Paper at the same time setting out the case for abolishing the Scheme and simultaneously introduce a Bill for the purpose. The normal procedures for submitting the Bill to L Committee would be dispensed with.

6. A provisional timetable for the Bill on these assumptions is in Annex C. It envisages Royal Assent to the Bill on Wednesday 19 July, just over 15 weeks after introduction. This is on the basis that the Bill would go through all its stages in each House in the normal way, probably requiring a guillotine motion in the Commons but without any exceptional procedures which would disturb the passage of other major legislation (in particular on the water and electricity privatisations and social security). The standard procedure is to bring legislation into operation 2 months after Royal Assent, but in the special circumstances of this Bill we assume that it would be brought into force immediately, subject to confirmation by the Law Officers that there would be no risk of legal challenge.

Factors affecting immediate reaction

7. The announcement by the Government of a decision to abolish the Scheme will confront the dockers, the TGWU and the trades union movement more generally with a major challenge. There will be no employers to act as a buffer between the unions and the Government as there have been in other strikes, both in the docks and in other sectors, since 1979. They will know that if they are to stop the Scheme being abolished, they will need directly to make the Government drop the legislation while it is passing through Parliament. They will also have to contend with the industrial relations legislation introduced in recent years. Once the Bill has become law - say at the end of July - the Dock Labour Scheme will no longer exist and no amount of industrial action will bring it back without fresh legislation.

8. The weeks when the Bill is passing through Parliament will therefore be a key period. It is still possible that there may be industrial action after the Bill is through, perhaps over negotiations with the employers on new arrangements which are to follow the Scheme; but the fact that the Scheme has been abolished will be brought home to the former registered dock-workers if other employees are brought in to do work which was formerly theirs.

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and one of nearly 2 months at Tilbury. These suggest a considerable degree of endurance among some dockers in the Scheme ports.

Legal Position

20. The scope for legal action in the courts is another important consideration.

21. In legal terms it is highly likely that the unions would try to find grounds for an industrial dispute involving registered dockworkers in Scheme ports without losing their immunity. Employers say that they would bring legal actions claiming that a strike against a decision to end the Scheme was political. Although it is conceivable that they might win, their success certainly cannot be relied on: see Annex F. Ministers may wish to take the view of the Law Officers on this.

Likely Duration of Industrial Action in Scheme Ports

22. Eighteen months ago the National Association of Port Employers (NAPE) carried out a survey of members, seeking views on the duration of a strike if the Scheme was abolished. Their broad assessment, up-dated by informal soundings since then, is that all Scheme ports will be out of action for all cargoes handled by registered dockworkers for 2 to 3 weeks, with strike action lasting for perhaps 5 to 6 weeks in some ports including Tees, South Wales, Forth and Manchester, and for perhaps longer than 8 weeks in the militant older ports including London, Liverpool, Hull, Glasgow and Southampton. The port employers have however been campaigning for a long time to end the Scheme and it would not be surprising if they erred on the side of optimism in their assessment. In the view of Departments, it might be more prudent to assume that most Scheme ports will be on strike for 5 to 6 weeks with the more militant older ones out for up to 12 weeks.

23. As to non-registered manual workers in Scheme ports, the employers' assessment is that most would be unlikely to take action. In a few ports (Manchester, Tees, Bristol) lock gatemens, foremen and maintenance staff who were TGWU members might support the dockers: but this will not lead to a longer stoppage than the registered dockworkers are prepared to maintain. On this view, non-registered dockworkers in ports will not be likely to add to or reduce the impact of the dockers' action.

INDUSTRIAL ACTION IN THE NON-SCHEME PORTS

24. The position of the non-Scheme ports will be of central importance during the strike. Union membership in these ports is high, the unions in question being the TGWU and the NUR. The TGWU will undoubtedly attempt to involve non-Scheme ports in industrial action following the Government announcement on 4 April. Some measure of industrial action is therefore to be expected in non-Scheme ports. The difficulty is to assess how much. There are a number of factors which suggest that dockworkers in these ports are likely to be reluctant to undertake prolonged industrial action in support of a national dock strike. In particular:

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i. the TGWU is extremely reluctant to put its £70m. or so of funds at risk of sequestration. Legal considerations therefore make it difficult for the TGWU to mobilise any sustained support in non-Scheme ports (see Annex F). The left-wing press has already voiced criticisms of the TGWU for its alleged decision to ballot only dockers in Scheme ports. The same sources have advocated the use of picketing to close down non-Scheme ports completely;

ii. there is some resentment in the non-Scheme ports at the special position enjoyed by registered dockworkers, which is likely on the whole to lead to a disinclination among dockers in these non-Scheme ports to support them;

iii. experience of the two dock strikes in 1984 showed that attempts to call out dockers in the non-Scheme ports soon started to crumble. Ferries at Dover continued to carry cars and passengers throughout the dispute, and action by French lorry drivers enabled freight traffic to resume as well after a few days.

25. The employers' assessment referred to above is that there will probably be some token action in non-Scheme ports around the time that official action begins, involving a day or two of strike action at ports such as Felixstowe, Dover, Portsmouth and Shoreham. Here again this may err on the side of optimism. In the view of the Departments, a more prudent view might be that non-Scheme ports will be on strike for a week or so and will initially be reluctant to take cargoes clearly diverted from Scheme ports. Thereafter the position may become increasingly blurred, and commercial opportunities may become more important.

Picketing

26. There will almost certainly be heavy picketing of major non-Scheme ports, in particular Dover and Felixstowe. Experience of recent strikes suggests that this picketing can be overcome, but that a strong police presence will be required. Unless the TGWU disassociate themselves from such picketing, their funds are liable to be sequestrated. They will therefore be in a difficult position.

Legal Considerations

27. In the non-Scheme ports, legal provisions against secondary action will come into play. Even assuming that requirements on balloting and picketing are observed (and there may be some violent picketing) employers in non-Scheme ports are not customers of, or suppliers to, or associated employers of, the Scheme port employers. Industrial action in non-Scheme ports over the abolition of the Scheme would then almost certainly be unlawful industrial action and would not attract immunity. It would fall to someone whose commercial contract with non-Scheme employers was interfered with to bring a case. Non-Scheme employers would not succeed with a case on interference with employment contracts.

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INDUSTRIAL ACTION BY OTHER GROUPS

28. There are other groups whose response to a strike against abolition of the Scheme needs to be considered.
29. Customs officials. These are usually members of Civil Service unions whose co-operation is needed to clear goods through all ports. They would be unlikely to add much to difficulties in Scheme ports but if there were militant pockets in non-Scheme ports they could disrupt or block flows through such ports. Disciplinary action could be taken but there would be some risk that this would give other militants in the Civil Service an excuse for action. Customs officers in the non-Scheme ports have not been at the forefront of past disputes in the Civil Service.
30. Lorry drivers. Most of those who drive lorries into Scheme ports will be members of the TGWU. In some of the older militant ports they will all be, and they will have special identity cards showing they are acceptable to the dockers. Some of these will not cross picket lines but, given that the militant ports will be closed anyway, will not add to disruption. A few TGWU drivers may also turn back at picket lines (perhaps unlawful secondary lines) at non-Scheme or Scheme ports which are working. As the coal and ferry strikes have suggested, there are likely to be sufficient drivers (including those who are non-union or who operate on their own account) to keep traffic flowing through ports which are working.
31. Train drivers. Unless they have a dispute of their own, there is very little chance that train crews will refuse to go into working ports. If they were to do so, some loads could be transferred to road. But current pay negotiations could lead to industrial action by rail workers at the same time as a dock strike: see paragraph 35.
32. Continental port operators. In 1972 some European ports refused to handle cargoes diverted from Britain. Dockers in virtually all EC countries enjoy special guarantees of minimum pay and work. The ending of the Scheme could be presented to them as the thin end of the wedge with 1992 drawing near. Attempts would be made to involve them again. Similar attempts during the P and O ferry dispute met with no significant success and it would be most unlikely that all ports in Holland, Belgium and France would be closed to British cargoes. The most probable outcome would be occasional and short-term disruption in one or two of them. But any interruption of cross-channel ferries, particularly in the summer as the holiday season approaches, can result in a tense situation in the ports.
33. Coalminers. The attempt by the dockers to support the miners in 1984 and the approaches being made towards a merger of the NUM and TGWU could lead to attempts to involve miners in supportive action. However the NUM leadership has not been able to obtain majority support for national industrial action in its own backyard and seems in no position to deliver effective support for dockers.

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INDUSTRIAL ACTION IN OTHER INDUSTRIES

34. As in the miners' strike, it will be important not to allow another major industrial dispute to develop while a national dock strike is in progress. A list of key pay negotiations coming to a head during the summer is in Annex G. Possible disputes over police pay or conditions of service for prison officers will need to be weighed up in this context.

35. Ministers may in particular wish to note that pay negotiations for rail workers may provide scope for some disruption on the railways at about the same time as the dock strike. The Secretary of State for Transport is circulating a minute about this.

IMPACT ON FOOD SUPPLIES AND INDUSTRY

36. We have not been able to carry out detailed studies, sector by sector, of the impact of a prolonged dock strike. But our enquiries suggest the following main conclusions.

Food supplies

37. This country is dependent on imports for all the hard wheat used in bread-baking; for maize, canned meat and fish, tea and coffee; for most of our oilcake, meal and vegetable oils and fats; for just over half of our bacon; for around half of our mutton, lamb, butter and sugar; and for between one-third and one-fifth of our cheese, beef and veal. Ports of entry for a number of these commodities are set out in Annex H.

38. In the event of a prolonged dock strike, sectors which could be vulnerable include:

a. Bread wheat. GB stocks of imported North American hard wheat, used with soft wheat in the milling of bread flour, are not more than 3-5 weeks' supply at normal rates of consumption. Hard wheat is imported through Tilbury, Liverpool and Hull, which are all among the most militant Scheme ports. A strike of more than 4 or 5 weeks would be likely to cause production problems at mills, necessitating changes in flour and a loss of bread quality, if stocks of hard wheat were not replenished. Bakeries would be affected more quickly if the movement of milling wheat to, or flour from, mills within dock areas was interrupted significantly by dock-gate picketing.

b. Animal Feeds. Most protein for animal feeds is either imported direct or processed in this country from imported raw materials. processors are on average only sufficient for about 2-3 weeks' production. Deliveries from processors should continue while there are stocks of raw materials (provided they can be moved - see oils and fats below), but by the fourth or fifth week changes in feed formulations might be necessary and the replenishment of protein stocks would be more pressing. While livestock could be maintained on cereals alone, it would be less economic for producers to

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do so and there might be premature slaughtering, particularly on intensive poultry units. This could lead to higher prices, for example of eggs.

c. Edible oils and fats. Refiners and crushers are almost wholly dependent on imported raw materials, but stocks are relatively large throughout the year at about 6-8 weeks' requirements. The location of plants in dock areas, and the use of dock labour to a greater or lesser extent at some of these, are factors which might, however, give rise to access difficulties or lower levels of production with consequential problems for food processors and animal feed manufacturers.

d. Sugar. Tate and Lyle, who account for some 45% of UK sugar consumption, depend upon imported cane sugar but their largest refinery (Silvertown) has a private wharf which might continue working. However, there should be no overall problem of supply; sugar stocks are never less than about 2 months' usage.

e. Bacon. 60% of bacon supplies are imported but there should not be major problems provided the non-Scheme ports of Harwich and Felixstowe continue to work.

f. Fresh fruit and vegetables. Basic fruit and vegetables should not be significantly affected. But in recent years many people have switched from home-grown products to more exotic species from overseas. This has also extended the seasonal availability of foods of this type. Because of the need to keep such foods fresh and to minimise turnover times, the absence of supplies of this sort would be noticed relatively soon.

39. The strategic food stockpile, administered by the Ministry of Agriculture (MAFF), currently holds approximately 20 days' supply of bread flour and 10 days' supply of sugar, based on total normal peacetime national consumption rates. There is also a stock of refined fat but its usefulness to industry in peacetime would be rather limited. These stocks are, however, directed at basic survival, and are not necessarily of high quality. Our understanding is that it would be possible for MAFF to increase their holdings of flour and sugar to a maximum of 40 days' and 20 days' total peacetime consumption respectively, if this were required, but there would be a danger that this would be noticed. If Ministers wanted, we could explore this with the Ministry of Agriculture, Fisheries and Food.

Industrial Supplies

40. Our enquiries suggest that apart from the unavoidable disruption to trade, there would be a number of key points of vulnerability for industry:

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INDUSTRIAL ACTION IN THE SCHEME PORTS

Factors influencing dockworkers in Scheme ports

15. In the Scheme ports virtually every registered dockworker is a member of the TGWU or the GMB. Among registered dockworkers there is an almost tribal attachment to the Scheme. Recruitment methods have consistently favoured dockers' families: they perceive the Scheme as bringing them real benefits and putting them in a class apart from other port workers. They will be encouraged by the more militant dockers who will see abolition of the Scheme as an opportunity to confront the Government in an area where, given the early and cumulative disruption which a dock strike causes, the Government may in their view be defeated and the balance of industrial power restored closer to where it was before the miners' strike. Dockworkers will also be conscious of the number of occasions when employers, often with Government encouragement, have given way in face of threats of national action in the docks: see Annex D.

16. On the other hand, other groups in the Scheme ports - including other port workers, their families, drivers and warehouse workers - resent the way in which registered dockworkers have abused their privileged position and tried to take over the work of others. They outnumber registered dockworkers in the Scheme ports. Until Royal Assent, neither they nor anyone else can lawfully do registered dock work, unless there is a State of Emergency. But once the Scheme is repealed they may be ready to take on jobs previously reserved for registered dockworkers.

17. Another factor is the financial hardship which a prolonged strike can entail. Dockworkers have relatively high earnings in Scheme ports, averaging £350 a week and ranging from £200 to £500 in different ports; and increasingly they also have long-term financial commitments. By contrast the TGWU pay up to £21.50 in strike pay, which would be deducted from any Social Security benefits to which strikers' families might be entitled: see Annex E. But to some extent dockworkers could avoid these financial constraints because many of them combine other jobs with dockwork.

18. A third factor, which is hard to assess, is the extent to which some dockworkers in Scheme ports will be more reluctant to confront the Government over a firm decision which it is clearly determined to press through than to confront employers who have tended to give in in disputes.

Past experience

19. Past experience with dock strikes gives no clear guide as to what may be expected in the Scheme ports. In 1984 the strikes crumbled and dockers achieved nothing: but this may have been because the first of the strikes appeared to many to have been deliberately engineered in support of the miners rather than to have emerged from a genuine grievance about the Scheme. Perhaps more significant is the fact that local strikes have on occasion been protracted. Since 1981 there have been three strikes of 3 months each in Southampton, one of nearly 3 1/2 months on the Tees

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a. Vehicles. UK industry is based either on integrated international manufacturing (Ford, General Motors, Nissan) or at least dependent on overseas suppliers for some key components (eg Austin Rover for certain Honda engines and German gearboxes). "Just-in-time" manufacturing techniques mean that stocks of components and sub-assemblies are kept to the minimum. Some disruption, in Europe as well as in Great Britain, seems inevitable. This may lead to complaints from overseas Governments. So long as some ports remain open, there will be some possibility of getting some supplies in and out. In addition, Fords have their own port facilities not manned by registered dockworkers.

b. The steel industry is heavily dependent on imports: all iron ore is imported and two-thirds of its coal is imported. In the case of British Steel, all these imports pass through Scheme ports. Although the steel industry in principle carries considerable stocks, they are likely to be unevenly distributed around the UK and some supplies may become short. If the steel industry's regular ports are out, it will not be easy for them to use alternatives because of difficulties of the immense trucking operation involved and the need to use much smaller ships.

c. Chemicals. There seems bound to be some disruption to both importing and exporting. Liquid chemicals should not be much affected. It has not been possible to prepare a more detailed assessment without consulting the industry.

d. Newsprint, paper etc. Newsprint could be vulnerable because the industry relies heavily (although not quite so much as in the past) on imports. Supplies of paper generally and of timber and board might also be affected.

e. Textiles. Supplies of raw cotton could become short which would affect production of cotton textiles and related clothing businesses. There might also be shortages of cotton yarn and fabrics, a high percentage of which are imported.

Other textile and clothing sectors would also be vulnerable. They no longer produce a comprehensive range of man-made fibres and are dependent on imports for man-made fibre yarns and fabrics. Wool textiles would also be affected by an interruption of imports of raw wool, and users of imported wool yarns and fabrics might have difficulty in finding alternative domestic supplies.

f. Other supplies. Previous assessments have indicated that supplies of building materials and electrical engineering components could be vulnerable during a docks strike. We have not been able to add to this assessment in this present study.

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Scottish Islands, Channel Islands and Isle of Man

41. Supplies of food and animal feed on these three island groups are sufficient for between 2 and 4 weeks. In previous dock strikes the unions have usually agreed that food and other essential supplies should be shipped to them. Flows of livestock to mainland markets would be interrupted.

Northern Ireland

42. Ports in Northern Ireland are not in the Scheme; nor are some of the mainland ports which supply the Province. Although there will be scope for diverting supplies from the Irish Republic and from Europe, some effects of a dock strike in Great Britain are likely to be felt. No assessment of this has been made hitherto. We could explore this further if Ministers wanted.

Shipowners and Port Authorities

43. Other groups affected by a strike include:

a. Shipowners. Some shipowners, in particular P & O, might complain about the effects of a dispute on their finances. We are not aware of any major shipowners who would not be able to withstand a strike. Some might benefit from it.

b. Port Authorities. In previous assessments there has been some concern about the ability of some port authorities to survive a lengthy dispute. Most ports are now, however, in a more healthy financial state than they have been for some time. Bristol, which is owned by its local authority and is currently loss-making, might be more seriously affected than others.

OVERALL ASSESSMENT

44. Previous assessments by the Cabinet Office have concluded that the effects of a dock strike on different sectors of the economy would vary both in speed and severity but that there should be no unacceptable impact on food and oil supplies. We see no reason to differ from this. There will however be shortages and price rises for some foods; and there will be inconvenience and in some cases disruption for industry. The longer the strike lasts, and the more widespread it is, the more these effects will be felt.

Scope for Mitigating Action

45. The effects of the strike would be less severe if the threat of a strike were to become increasingly apparent over several weeks, giving companies time to take anticipatory action, for instance by building up stocks of essential imports, accelerating export shipments and making contingency plans for the use of alternative facilities. Previous exercises, based on detailed examination within Departments, have not been able to identify any imported commodity where the level of stocks is so critical to the United Kingdom's endurance of a national dock strike that it should be stockpiled at Government initiative and expense.

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46. The main scope for mitigating the strike will be the ingenuity of companies in taking advantage of such alternative facilities as remained open during the strike. Officials consider that such arrangements are best left to companies and the port authorities concerned, unless, as is discussed in the following paragraph, Service assistance is employed to keep certain ports in operation. Keeping the non-Scheme ports open will be vital; Felixstowe, however, at present has limited spare capacity to take extra cargo from diverted vessels.

47. There is little scope for mitigating action by the Government in the event of a dock strike, except by speeding up the legislation abolishing the Scheme and thereby enabling non-registered workers to be employed on dock work sooner. There is a contingency plan to deploy some 3255 servicemen to provide a limited capability to move cargo essential to the life of the community. Details of this plan and the circumstances in which a state of emergency would be declared are in Annex I. If Ministers were prepared to use servicemen (which might require a Bill to extend the Emergency Powers Act 1920) they might be expected to handle about 10-15 per cent of cargo normally handled by registered dockworkers. The risk of provoking an extension of industrial action and thus gaining no net benefit would need to be considered before deploying servicemen into the docks.

Worst case

48. In the view of the National Association of Port Employers, the industrial action following a Government announcement to repeal the Scheme is likely to amount to a loss of about 350,000 working days in the industry, with the non-Scheme ports closed to freight for only one or two days. The view of the Departments concerned is that this assessment may err on the side of optimism, and that it would be prudent to assume the loss of about 500,000 man days, with non-Scheme ports closed to freight for about a week: see paragraphs 22 and 25. The assessment of the implications for food supplies and industry set out above are based on this assumption.

49. In addition, however, we have thought it right to consider a "worst case", representing the severest industrial action which it would be realistic to contemplate. The best assessment of the Department of Transport is that this would involve a solid strike in all the Scheme ports for 15 weeks, up to the Bill receiving Royal Assent, and the non-Scheme ports closed to all traffic (cars as well as freight) for three weeks. This would amount to about 750,000 days lost. The consequences of this would be to aggravate the various problems described above, with the added factor of disruption to car and coach traffic at the ferry ports, which is not assumed in the main assessment. But as the strike in the Scheme ports dragged on, importers would increasingly improvise other arrangements for importing goods, for instance unloading in Continental ports and bringing goods in on ferries (there is ample capacity on the Channel ferries in April to June). Even in this worst case the consequences for the country should not be intolerable.

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50. One critical assumption in this assessment is that the non-Scheme ports will not be closed for more than about three weeks. If this assumption proved wrong - and the Department of Transport's judgement is that it will not, for the reasons given in paragraph 24 - the disruption after about 5 to 6 weeks could reach a level where there was pressure for a State of Emergency to be declared.

51. Another critical assumption is that oil supplies will be unaffected. This is because they are not handled by registered dockworkers, and oil terminals are mostly physically separated from other port activities. But the possibility of secondary action by tug crews or others employed on these operations (who are mostly TGWU members) cannot be ruled out, although it is not expected. As a contingency measure, Ministers may wish that there should be discussions in confidence with the Ministry of Defence as soon as the announcement is made, to explore the possibility of using servicemen to keep oil supplies running in this situation. There are no plans for this at present but we believe it could be done without the need for a state of emergency to be declared.

IMPACT ON THE ECONOMY

52. The Treasury have prepared an assessment of the impact of a docks strike: Annex J. Their main conclusions are that:

i. a strike along the lines envisaged by the employers will have only a marginal impact on economic activity, although output will be temporarily depressed and monitoring developments in the economy will be a little harder for several months;

ii. even on pessimistic assumptions the overall impact on activity, allowing for a surge in output once the strike was over, is likely to be small. Company profits might be reduced and there could be a loss of export markets. On the other hand importers might lose some of their market share;

iii. the impact on the exchange rate and - even more - on interest rates is likely to be small even in the worst case scenario;

iv. the timing of the strike during the year will have only a small effect due to the seasonal pattern of trade flows. Our net non-oil visible deficit is usually at its highest in the third quarter. A more important consideration is the amount of warning received by companies. If they could know in advance that a strike is likely they could build up stocks of required inputs thereby significantly reducing the adverse output effects of industrial action; but on present plans this is unlikely to happen;

v. these costs must be weighed against the benefits of abolishing the Scheme which would permanently improve the UK's supply side performance. Only very small permanent efficiency gains would be enough to offset very large temporary costs.

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LIST OF ANNEXES

- A - Principal ports of Great Britain
- B - Map of principal ports in Great Britain
- C - Provisional timetable for passage of the abolition bill
- D - Previous disputes in the docks
- E - Benefits for strikers' dependants
- F - Legal implications of industrial action in the docks
- G - Pay negotiations: Sensitive settlements due before the summer recess
- H - Ports of entry for food supplies
- I - Contingency plans for the use of servicemen
- J - Assessment of the impact of a docks strike on the economy

PRINCIPAL PORTS OF GREAT BRITAIN
(ports which handled more than 500,000 tonnes of cargo in 1987)

	<u>'000 tonnes handled 1987</u>	<u>Comments</u>	<u>Number of RDWs at 31.12.88</u> (NS = Non-Scheme)
Aberdeen	2437	Important supply base for many North Sea platforms.	178
Ayr	818	Mainly coal for N. Ireland.	16
Barry	857	Fruit.	66
Blyth	3227	Includes coal for Thames power stations	52
Boston	1486		88
Bristol	4026		485
Cairnryan	Approx 1000	P&O ferry to N. Ireland	NS
Cardiff	2615		170
Clyde (incl. Ardrossan)	8665	Includes ore and coal for Ravenscraig, and Ardrossan-N. Ireland ferry.	143
Colchester	993		NS
Cromarty Firth	1795	Mostly crude oil exports.	NS
Dover	10,644	Mainly ro/ro ferries	NS
Dundee	962		96
Exmouth	585		NS
Felixstowe	13,268	Mostly containers and ro/ro ferries.	NS
Fleetwood	1846	Mostly ro/ro to N. Ireland.	44
Flotta, Orkney	17,111	All crude oil	NS

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Folkestone	476	Sealink ferry to France	NS
Forth	30,049	85% crude oil, oil products and LPG.	273
Fowey	1702	All china clay exports.	44
Garston	1596	Includes container service to N. Ireland.	126
Goole	1766		165
Great Yarmouth	2248	Important supply base for North Sea platforms and ro/ro services to Netherlands and Denmark.	101
Harwich (a) Parkeston Quay) (b) Navyard)	2601	Mostly conainers and ro/ro.	NS
Heysham	1261	Isle of Man ferries and supply base for Morecambe Bay.	NS
Holyhead	1253	Mostly containers and ferry services to Ireland.	NS
Hull	5650	Important ferry services to Rotterdam and Zeebrugge.	684
Humber/Hull/Trent/ Ouse river wharves	11,713	Privately owned: include crude oil, minerals, coal, animal feed.	NS
Immingham/Grimsby	32,244	Feeds many heavy industries, including steel and petrochemicals.	718
Inverness	615		NS
Ipswich	4,581	Two-thirds containers and ro/ro to Belgium.	123
King's Lynn	1,408		54
Lerwick	641		NS

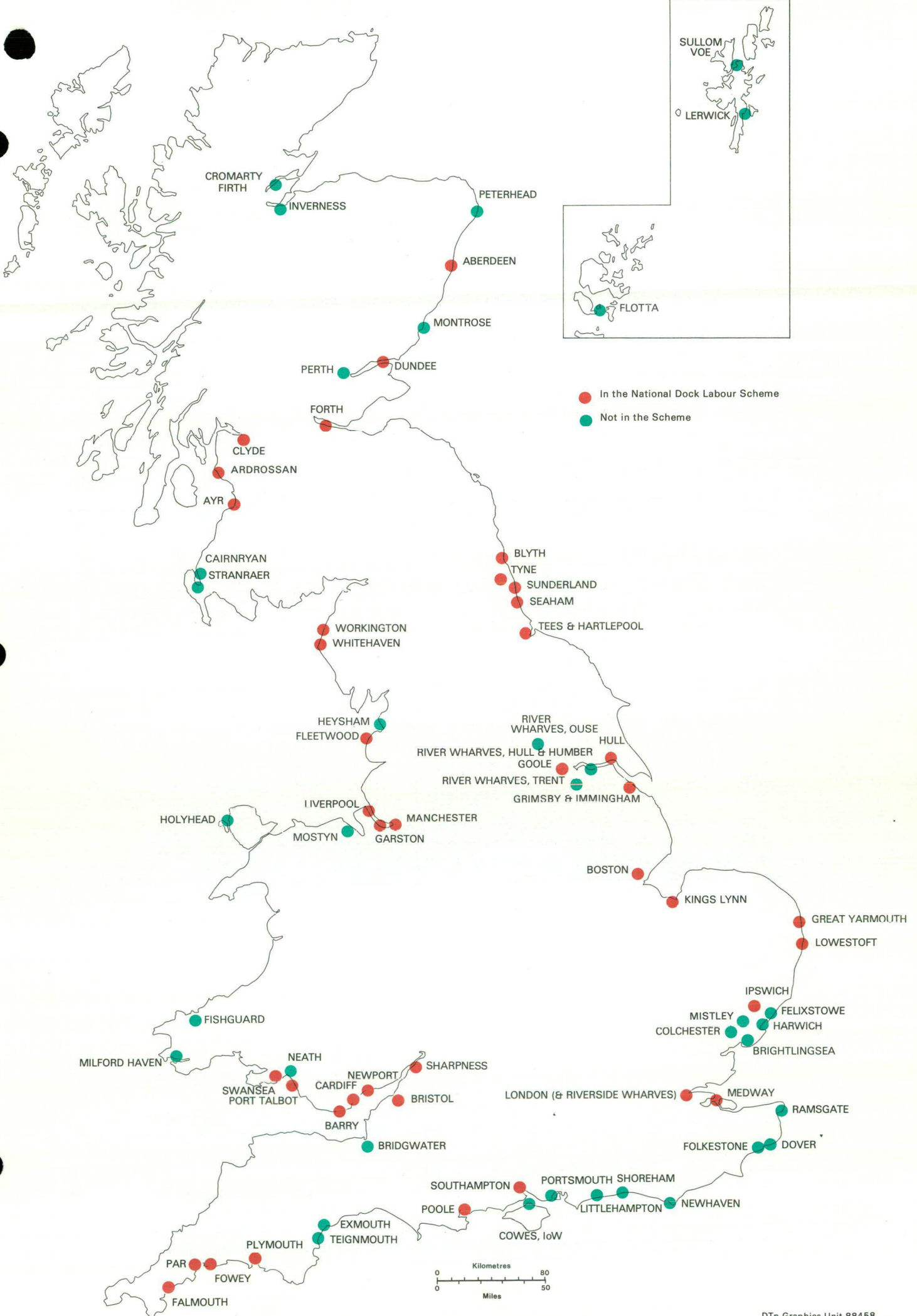
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Liverpool	10189	Crude oil for Stanlow refinery. Grain and animal feed imports. Container service to USA.	1,380
London (including private wharves)	48876	45% oil. 20% coal and aggregates. Tilbury important for containers and grain imports.	1,746
Lowestoft	578		30
Manchester	9157	60% oil - Stanlow refinery.	163
Medway (includes private wharves)	11628	50% oil and coal. Ferries to Netherlands, and Zeebrugge.	527
Milford Haven	32669	Almost all oil.	NS
Montrose	656		NS
Neath	774		NS
Newhaven	1794	Ferry to France	NS
Newport, Gwent	2660		209
Par	613	Almost all china clay exports.	28
Peterhead	918		NS
Plymouth	1524		30
Poole	1677	50% ferries to France and Channel Islands.	93
Portsmouth	2438	75% container and ro/ro Ferries to Channel Islands and France.	NS
Port Talbot	7616	All ore and coal for steelworks.	44
Ramsgate	1645	Mainly ferry to Dunkerque.	NS
Seaham	750		16
Sharpness	626		47

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Shoreham	2333		NS
Southampton	27212	Oil for Fawley, containers, vehicles, cereal exports predominate.	680
Stranraer	1535	Ro/ro. Ferries to N. Ireland.	NS
Sullom Voe, Shetland	50027	Almost all crude oil.	NS
Sunderland	1825	Chemicals and minerals predominate.	31
Swansea	5078	Mainly petro-chemicals	99
Tees & Hartlepool	33899	Feeds many heavy industries - steel, petrochemicals. Ferry to Scandinavia.	563
Tyne	7057	55% coal, especially for Thames power stations.	118

PRINCIPAL PORTS OF GREAT BRITAIN



● In the National Dock Labour Scheme
 ● Not in the Scheme



Tentative Timetable for the Docks Bill

COMMONS

First Reading	Wednesday 5 April
Second Reading	Tuesday 18 April
Committee Stage begins	Tuesday 25 April
Report and Third Reading	Week Beginning Monday 22 May

LORDS

First Reading	Week Beginning Monday 22 May
Second Reading	Friday 9 June
Committee	Monday 26 June or Tuesday 27 June
Report	Monday 10 July or Tuesday 11 July
Third Reading	Tuesday 18 July
ROYAL ASSENT	Wednesday 19 July

Notes

1. A guillotine will almost certainly be required in the Commons.
2. No time has been allowed for Commons consideration of Lords amendments, or for any further stages, as no amendments to the Bill are envisaged. A guillotine in the Commons will help to speed passage of the Bill before the summer recess if any Lords amendments have to be considered in the Commons.

DISPUTES IN THE DOCKS

1. Since 1970 the main strikes, actual or threatened, affecting the docks (scheme and non scheme) have been as follows:

i. In 1970 (14 July - 4 August) there was a three-week national strike over pay. A State of Emergency was proclaimed (16 July - 4 August). The strike ended with the report of Pearson Court of Inquiry.

ii. In 1972 (21 July - 21 August) there was a four-week national strike over claims that the stuffing and stripping of containers should be the preserve of registered dock workers. A State of Emergency was proclaimed (3 August - 2 September).

iii. In 1975 (20 January - 5 April) there was a ten-week unofficial strike in London over cargo handling at non-Scheme container depots and cold stores;

iv. In 1977 (March) a one-day unofficial strike was supported by about 70 per cent of dockers over the proposed closure of the Port of Preston (which was closed in 1980).

v. In 1980 (autumn) there was a threatened official national strike over action by Liverpool employers (later withdrawn) which would have breached the 1972 Aldington-Jones Agreement that surplus dock workers, whose employers failed, should be re-allocated to other employers in the port pending voluntary severance.

vi. In 1981 (July) a national strike (which did not materialise) was threatened unless the Government brought forward a new dock labour scheme under the 1976 Dockwork Regulation Act.

vii. In 1982 (April) there was an unofficial one-day strike, supported by about half of registered dock workers, against proposals to scale down the activities of the National Dock Labour Board. A threat of an indefinite strike was withdrawn after concessions.

viii. In 1982 (May) a threat of a national strike, in support of extension of the 1967 Dock Labour Scheme to non-registered ports and wharves, was dropped, without concessions, after discussions with a DE Minister.

xi. In 1984 there were two strikes linked with the miners strike:

- a national strike (9-20 July) obeyed in scheme ports but patchy elsewhere, over the use of non-registered labour at Immingham to load iron ore into lorries after the rail union's blockade of steel works. It ended without concessions, after pressure from dockers at Felixstowe and Dover (non scheme ports);

- a national strike (August 24 - September 18), effective in Scotland but not elsewhere, against the use of British Steel of non registered labour to dock a collier on the Clyde to supply Ravenscraig. An unprecedented number (up to a third) of registered dock workers crossed picket lines. No concessions were made.

x. In 1987 (June) a ballot of all dock workers about a national strike over closure of the Greenock Container Terminal and plans to place workers on the TUR, produced majority of over 2 to 1 in favour, though with 27% abstentions. It was averted by the agreement of the Clyde Port Authority to re-engage those workers who refused voluntary severance.

Conclusions

2. Since 1980, on the two occasions when the Dockers have been called on to strike nationally in support of TGWU policy to defend all aspects of the scheme and Jones Aldington, the response was patchy and less durable than before, especially in non-scheme ports. But that was in the special context of the miners strike, when the scheme itself was probably not seen to be under threat by the temporary arrangements to overcome the miners' dispute.

3. The only strike ballot of all dockers (scheme and non-scheme) in 1987 under recent industrial relations legislation on the key issue of recourse by the employers to the TUR, produced a large majority in favour, though the no vote and abstentions almost equalled the yes vote. The proportion of abstentions was not unusual for such ballots, however.

4. Local strikes in scheme ports in the 1980s, at Southampton, Tilbury and Tees have been long lasting (from 7 to 15 weeks) and well supported. This suggests that Registered Dock Workers remain strongly committed to the scheme.

5. By past standards the overall level of disputes in scheme ports has been low since 1985, though it remains well above the national average for all workers. Employers have tended to concede under threat of national strikes (eg at Greenock and Liverpool), instead of pressing ahead with plans for local flexibility in the application of the scheme.

BENEFITS FOR STRIKERS' DEPENDANTS

1. Strikers have no entitlement to unemployment benefit or social security payments for themselves. However, it has been the case for many years that they have been able to claim benefit for dependants who satisfy the relevant conditions. Until April 1988, the benefit payable was supplementary benefit; thereafter it was income support.
2. A range of factors is taken into account in calculating the benefit due. Persons involved in a trade dispute are generally not entitled to income support for the first 7 days they are on strike.
3. In 1980, in fulfilment of a 1979 manifesto commitment, the Government introduced (under the Social Security (No 2) Act 1980) provision for deduction from supplementary benefit (now income support) paid to strikers' dependants of a "specified sum". This was introduced to establish a fairer balance between the responsibilities of the state and the individual in caring for his dependants.
4. The deduction applies to any claimant involved in a strike and does not depend on the payment of strike pay or whether the strike is official or unofficial. However, in calculating benefit due, any strike pay received up to the value of the "specified sum" is disregarded; anything over the "specified sum" is taken into account.
5. In accordance with the provisions of the 1980 Act, the deduction is uprated whenever there is a general uprating of social security benefits. In 1980 the deduction was £12 and is now £17.70. It will be further uprated in April 1989 to £18.50.
6. A striker in receipt of income support for dependants will receive the appropriate dependancy rates plus appropriate housing costs (and may also qualify for housing benefit which is administered by local authorities). "Housing costs" include mortgage interest, paid at 50% of the interest for the first 16 weeks. Thereafter 100% is paid.
7. The payment is normally made direct to the claimant along with other benefit due but the DSS have the power to make mortgage interest payments direct to the Building Society (or other lender) if this is thought to be desirable in the interests of the claimant. General guidance is issued on the sort of circumstances which would warrant such a move; for example, where the mortgage payments have fallen into serious arrears because the claimant has used the benefit paid for other purposes (this is not illegal) and there is a threat of eviction.

8. Sickness benefit is not affected by strike action by the claimant. For the period of sickness he/she can receive all benefit which would have been normally due including dependants' benefit, income support (including appropriate housing costs). Deduction of the "specified sum" does not apply.

9. Payment of benefits such as disablement and related benefits, war pensions and related allowances, mobility allowances, maternity allowances and family credits are not normally affected if the recipient goes on strike.

LEGAL IMPLICATIONS OF INDUSTRIAL ACTION IN THE DOCKS**Who can do dockwork?**

1. Until Royal Assent to a Bill ending the Scheme the employment of anyone, other than a registered dockworker, on dock work in a scheme port is a criminal offence. If circumstances lead to the declaration of a State of Emergency and the making of Emergency regulations, the Secretary of State for Transport could require or authorise the employment of others on dockwork. A question which arises is whether these powers enable the employment of others on activities not connected with the circumstances that justified the state of emergency in the first place (ie could they unload car parts, and non essential foods as well as oil and essential foods?) The emergency regulations themselves imply no such restriction but Law Officers views might be sought. This could be done in the period between any announcement and the laying of Emergency Regulations.

Could rdws on strike be dismissed?

2. In effect they could not, before the Bill abolishing the Dock Labour Scheme was brought into effect. Only the Dock Labour Board (50/50 union/employer) can remove a dockers name from the register.

Industrial action and the law

3. Under common law it is unlawful to induce people to break their contract or to interfere with the performance of a contract or to threaten either of these things. Industrial action will usually involve both. But under legislation, which has varied considerably in detail over the years, where a trade union, or an individual, organises industrial action, it or they may have special protection (or immunity) from action in the courts. Circumstances in which that immunity may be lost are discussed below (paragraphs 8 to 9).

4. Where immunity does not apply those damaged, or fearing damage, by industrial action which interferes with contracts may seek an injunction (or an equivalent in Scotland) ordering the action to be called off. It is also possible to claim damages (in the case of a union with 100,000 or more members the limit for damages is £250,000 for each specific case brought against the union).

5. If an injunction is not obeyed those who sought it can have those concerned declared in contempt of court, a process which can lead to cumulative fines or an eventual seizure of assets.

6. These procedures played a significant part in the miners strike (the NUM's funds nationally and in the Welsh area were seized), in the Wapping dispute (after SOGAT's assets were seized they obeyed injunctions against endeavouring to spread the News International dispute to distributors) and the P and O ferry dispute (NUS assets were seized because of their failure to obey injunctions against secondary action).

7. The National Association of Port Employers (NAPE) have told us that member firms would make full use of the law in the event of a strike in the docks. ABP, the largest scheme port employer, has confirmed this. NAPE are circulating all members with a leaflet setting out (not unfortunately entirely accurately) the grounds on which recourse might be made to the Courts.

Challenges the employers might make

A. If action confined to scheme ports

i. A political strike?

8. In order to qualify for immunity industrial action must be "in contemplation or furtherance of a trade dispute". Such a dispute must be "between workers and their employer" and must be "wholly or mainly" about employment related matters.

9. Against this background if the TGWU (or anyone else) were to call for industrial action following any announcement about legislation to repeal the Dock Labour Scheme, it is possible that some employer (or other injured party) might seek an injunction on the grounds that the dispute was political and did not qualify for immunity.

10. There is certainly quite a strong case to be argued but those concerned (a) could mount a defence against it and more importantly (b) could so arrange matters that, in scheme ports at least, there was a genuine and immunity securing dispute between employers and workers. A defence might be on the lines that the dispute was "in contemplation" of a dispute with employers over terms and conditions once the scheme was ended, and moreover they might draw attention to the fact that legislation (TULRA 1974 29 (2)) specifically provides that a dispute between a Minister of the Crown and any workers which "relates to matters which cannot be settled without that Minister exercising a power conferred on him..." shall be treated as a dispute between workers and their employer. They may have some difficulty in this context in pointing to any relevant power.

11. On balance, although the possibility cannot be ruled out, little reliance should be placed on the possibility of anyone securing an injunction on the grounds that a strike against the end of the scheme was a political not an industrial dispute.

ii. Not properly balloted

12. Industrial action does not attract immunity for a trade union unless it is supported by a majority of those voting in a properly conducted secret ballot. The rules on balloting are quite specific and complex, and unions sometimes fall foul of them on technical grounds. Few employers have seen fit to challenge ballots on technical grounds as shortcomings are usually irrelevant to the outcome and could be corrected in a re-ballot. However some employers might seek an injunction if the unions did err. The possibility of reballoting would mean that such a challenge would be unlikely to have a significant and lasting effect on the strike unless the majority for strike action was small. In the circum

stances considered in this note the majority would probably be substantial.

13. The port employers seem to think that the 1988 Employment Act means that the unions would lose immunity if they called out a particular scheme port where there was no majority for strike action, even though there was a majority among all those voting across all scheme ports. This is a false view - the 1988 Act provisions only come into play where the union is contemplating selective action - which would not be the case if it was calling on all rdws to take industrial action.

iii. Picketing

14. Pickets and their organisers now normally have immunity from civil law proceedings only if the picketing is at or near the picket's own place of work and the purpose is peaceful communication or peaceful persuasion of a person not to work. Union officials directly involved may accompany an otherwise qualified picket. The Code of Practice on picketing gives guidance (eg: only six at any one gate) which while not itself providing legal obligations is taken into account by Courts determining whether or not picketing attracts immunity.

15. Picketing may also involve other civil wrongs (trespass) or criminal offences (obstruction, intimidation) for which no immunity exists.

16. In a dispute of the kind which might follow any announcement of legislation against the Dock Labour Scheme there is a very high chance that unlawful picketing would occur and it would be quite difficult for the unions concerned to demonstrate that they had effectively repudiated the unlawful action. Intimidatory and/or secondary picketing at ports which continue to work might well give port employers, or those trying to do business through those ports, ground for securing an injunction.

B. Action in Non-Scheme Ports

17. The trade unions involved would be almost bound to attempt to involve non-scheme ports in industrial action following any Government announcement. Any such action would need to satisfy the provisions on balloting and those on picketing outlined above. In addition, though, provisions on secondary action come into play.

i. Secondary Action

18. If there is a trade dispute between an employer and his workforce the organisation of industrial action by workers of another employer in support of the workers in dispute will usually be secondary action. Not all secondary action is unlawful. However immunity for interference with commercial contracts by secondary action is maintained only where action is taken by those who work for a supplier or customer of the employer in dispute and the action is directed at the business being conducted between the supplier or customer and the employer in dispute. Special provisions also permit, under certain circumstances, action where an employer in dispute transfers work normally done by his own employees to an

associated employer such as a subsidiary company.

19. Since non-scheme ports employers are neither customers of, nor suppliers to, nor associated employers of the scheme port employers industrial action in non-scheme ports over the abolition of the scheme would almost certainly be unlawful industrial action and would not attract immunity. It would fall to someone whose commercial contract with a non-scheme employer was interfered with to bring a case; the non-scheme employer would not succeed with a case on interference with employment contracts.

ii. Dismissal

20. If non-scheme port employees were to strike in sympathy, or indeed on any other grounds such as an opportunistic claim of their own, they could be dismissed for breaking their contract. No redundancy pay would be payable. Such dismissal could only be challenged as unfair if it discriminated between those on strike at a particular time.

C. Other Sectors

21. Opportunist strike action in other sectors has to be treated essentially as if there was no other dispute in progress. But many groups operate in and around ports or handle goods to or from ports. Examples include crews of ships, separate tug companies, lorry and train drivers, customs and immigration staff, and those in the 'goods in' and 'goods out' departments of manufacturing companies. All of these would be vulnerable to disciplinary action if they took action in breach of their employment contract. Moreover with the exception of some port services (eg tug companies) it is most unlikely that any of those concerned would be direct customers or suppliers to port employers in dispute. Thus anyone inducing them to take industrial action would probably not have immunity for breach of commercial contracts (see paragraph 18 above). In all cases anyone who has a commercial contract interfered with by such action could bring a case against those doing the inducing.

D. Conclusions

22. All cases depend on the particular circumstances and courts interpretation of them. But the following general assumptions can be made.

i. While there might be cases brought claiming that a strike against any decision to end the scheme was political and not industrial, it is highly likely that the unions would find grounds for an industrial dispute in scheme ports without losing their immunity.

ii. In non-scheme ports it is unlikely that industrial action in support of rdws would attract immunity for inducing breaches of commercial contracts.

iii. Apart from possible technical faults on balloting, the unions' most vulnerable area is expected to be the organisation and conduct of picketing, particularly at non-scheme ports where there could be plenty of scope for action, including injunctions, against secondary and/or intimidatory picketing.

iv. Supportive action by others in and around ports would be unlikely to attract immunity.

v. Except for rdws, anyone breaking their contract would render themselves liable to dismissal.

PAY NEGOTIATIONS: SENSITIVE SETTLEMENTS DUE BEFORE THE SUMMER RECESS

1. Outstanding settlements - British Gas manuals
2. April settlements date
 - Electrical Supply Industry manuals
 - Water Service manuals
 - Post Office - postmen, postal officers
 - British Rail - clerical, drivers, station staff
 - NHS - most non-review body groups especially ancillaries and ambulance staff
 - Primary and Secondary School Teachers
3. June settlement date
 - Building and Allied Trades JIC
 - Building and Civil Engineering JIB
4. July settlement date
 - Local Authority APT and C grades
 - Industrial Civil Service

PORTS OF ENTRY FOR FOOD SUPPLIES

Bulk Cereals - the most important grain import terminals are at Tilbury, Liverpool and Leith (Forth). There are smaller facilities at Southampton, Bristol, Glasgow, Fleetwood, Goole, Kings Lynn, Ipswich, Teignmouth and a few smaller NW and East coast ports.

Animal Feeds; Oils and Fats; Oilseeds - main ports: London, Liverpool, Hull, Bristol and Humber and Trent wharves. Others (mainly animal feed and soya) - Exmouth, Sharpness, Colchester, Garston, Kings Lynn.

Raw Cane Sugar - London and Greenock.

Refined Sugar (from EC) - Felixstowe, Southampton and Tilbury.

Fruit and Vegetables - London, Medway, Dover, Newhaven, Southampton, Portsmouth, Felixstowe, Harwich, Manchester, Barry, Exmouth, Teignmouth, Poole, Plymouth and Avonmouth.

Dairy Products - London, Grimsby and Inmingham, Harwich, Great Yarmouth, Bristol, Poole and Fleetwood.

Tea and Coffee - London, Avonmouth, Liverpool, Hull, Felixstowe, Poole and Plymouth.

New Zealand and other lamb - Tilbury (most), Avonmouth, Sharpness, Liverpool and Glasgow.

Beef - As above plus Southampton, Newhaven and Holyhead.

Bacon - Felixstowe, Grimsby and Harwich.

Contingency Plans

1. A Military Assistance to Civil Ministries (MACM) plan HALBERD is designed as a last resort to keep a number of dock facilities in operation in the face of a strike. The plan involves some 3,255 servicemen and was updated in the mid 1980s in the light of Ministerial decisions following the reports prepared by the Official Group on the Docks (Misc 78). It was issued in its present form in January 1986 and is currently undergoing a routine review which should be completed during March.

MACM Plan HALBERD

2. The current edition of this plan would provide the following capability:

1. Operation of 38 Roll on-Roll off (RO-RO) ports by 46 full teams, each of 15 men and 24 half teams each of 9 men. One or more full teams would be required to operate Hull, Immingham, Great Yarmouth, Felixstowe, Harwich (Parkstone Quay), Sheerness, Ramsgate, Dover, Folkestone, Newhaven, Portsmouth, Southampton, Liverpool, Stranraer, Cairnryan and Aberdeen. Half teams would be needed to operate, Newcastle, Tees, Grimsby, Ipswich, Harwich (Navy Yard), Weymouth, Plymouth, Penzance, Milford Haven, Fishguard, Holyhead, Heysham, Fleetwood, Ardrossan, Oban, Ullapool, Scrabster, Stornoway, Stromness, Lerwick, Belfast and Larne.
2. Break bulk cargo operations, 10 teams each of 107 men.
3. Container operations, 6 teams each of 32 men.
4. Tug boat operations, 70 teams each of 9 men.
5. Lock gate operations, 18 teams each of 17 men.
6. Foy boat operations, 35 teams each of 2 men.
7. Oil rig supply base operations, 6 teams each of 10 men.

The plan is designed to provide the maximum level of flexibility in that, with the possible exception of RO-RO ports the teams can be moved from one location to another and thus operate in the ports where their expertise can be best used in relation to current priorities. RO-RO teams could also be re-deployed but as the intention is to man all significant RO-RO ports in relation to

SECRET and PERSONAL

their normal traffic patterns such a need is less likely to arise unless the traffic patterns change.

3. For the plan to be operable it would be necessary for:
 - a. sufficient port managers and supervisory staff to be available to identify cargo in ships and containers and produce unloading programmes as well as to give general directions and explain the working of intricate equipment;
 - b. there to be unrestricted access to docks and other facilities required;
 - c. unloaded cargo to be removed from the docks ie. not be blacked by road haulage drivers or railway staff.
4. Servicemen are at seven days notice for deployment on any MACM plan. To this must be added any additional time needed for training on specialist equipment (say up to seven days in some cases) before the service teams can be expected to work effectively.
5. A further MACM plan BEANSTALK involving some 20,000 servicemen driving up to 10,000 requisitioned civil road transport vehicles to move essential supplies might be required if road haulage drivers strike in support of dockers. The plan was issued in October 1986 and is due for review later this year. Each vehicle would have a driver and mate. The plan is drafted in very general terms and is unlikely to require major change in advance of implementation. MOD would need to confirm that plans HALBERD and BEANSTALK could be implemented concurrently. It has previously been accepted that it might be difficult for two major MACM plans to be implemented at the same time.
6. As has already been indicated it is currently illegal for non RDWs to undertake dock work. This means that servicemen could not legally undertake dock work in scheme ports, although there are provisions in the emergency regulations that would be introduced once a state of emergency under the Emergency Powers Act 1920 (EPA 1920) had been declared to overcome this problem. But provided port managements made the necessary equipment available and shipowners co-operated in sending their ships to ports where service teams were operating ie. powers of requisition and direction were not required, servicemen could undertake dock work at all non scheme ports without a state of emergency being required. A Defence Council Order under the Emergency Powers Act 1964 is all that is needed to authorise this employment for the servicemen involved.

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7. In these circumstances plan HALBERD would permit:
- a. the RO-RO ports of Felixstowe, Harwich, Ramsgate, Dover, Folkestone, Newhaven, Portsmouth, Milford Haven, Fishguard, Holyhead, Heysham, Stranraer, Oban, Ullapool, Scrabster, Stornoway, Stromness, Lerwick, Belfast and Larne to be kept in operation;
 - b. the container facilities at Felixstowe/Harwich to be worked by specialist teams, (all other container facilities are in scheme ports);
 - c. break bulk teams to be deployed to those smaller ports through which a proportion of such cargoes as bulk cereals, animal feeds, fruit and vegetables and sugar might be moved. It is not possible to estimate the daily tonnages likely to be handled by servicemen, there are too many variables.
8. If the situation reached the stage at which Ministers decided to declare a state of emergency plan HALBERD caters for all the RO-RO ports listed in paragraph 2 to be operated. It would be possible to deploy break bulk and container operations teams into those scheme ports with the best facilities for handling bulk cereals, animal feeds, oils and fats and oil seeds and other goods that are essential to the life of the community.

Declaration of a State of Emergency

9. To declare a state of emergency under EPA 1920 two conditions have to be fulfilled. Events must have occurred, or be about to occur of such a nature that:
- a. They will interfere with the supply and distribution of food, water, fuel or light or with the means of locomotion;
- and
- b. Thereby deprive the community or any substantial portion of the community of the essentials of life.

Emergency regulations made under a state of emergency, must be designed to preserve the peace, secure and regulate the supply and distribution of food, water, fuel, light and other necessities, to maintain the means of transit and locomotion and for any other purposes essential to the public safety and the life of the community. A state of emergency lapses after one month unless renewed. Emergency Regulations are subject to affirmative resolution of both Houses of Parliament within seven days of being laid.

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10. Because EPA 1920 does not cover threats to the economic life of the nation a draft amending bill was prepared in 1983. The effects of the bill once enacted would be to:

a. Add fire, health, sewerage and sewage disposal services and communications to the first condition (as well as clarifying the terminology by substituting "transport and electricity" for "means of locomotion and light" respectively.)

b. Significantly widen the second condition in two respects. First by broadening the reference to the community to cover "the community or any substantial or particularly vulnerable part of the community". Second by expanding the provision relating to deprivation of the essentials of life to include events calculated to "cause serious disruption of its (the communities) life or put its health or safety seriously at risk.

c. Introduce a new condition under which the Act could be invoked, namely the occurrence of events of such a nature as to be calculated "to cause grave damage to the economy, or any sector of the economy of Great Britain, or to the economy of any area of Great Britain; or to any industrial or commercial undertaking whose continued operation appear to Her Majesty to be essential to the National Interest".

Consequent changes are also proposed to the section dealing with Emergency Regulations to achieve consistency. Ministers agreed in April 1983 to hold the amending bill in reserve for introduction in the event of an emergency which cannot be dealt with under EPA 1920 as it stands.

11. A state of emergency would need to be declared for Plan BEANSTALK to be implemented because civil vehicles would need to be requisitioned to be driven by service drivers.

The Economic Impact of Industrial Action

1. This section describes the Treasury's assessment of the impact of a docks strike on activity in the economy, the balance of payments, exchange rates and interest rates.

I. Real activity

2. The UK is an extremely open economy and a number of industries depend upon imported raw materials, semi-finished goods and components. Any interruption to the supply of such goods would result in a temporary fall in industrial output and hence GDP. Many firms would attempt to replace imported goods with domestically produced substitutes which would probably be available only at a higher cost. This would give a purely temporary stimulus to inflation.

3. The adverse effect on output would clearly be greater in those industries that depend heavily on imported inputs, eg the steel industry. However the strike's effect might also vary depending upon how aggressively managers in particular firms seek to find ways round any industrial action. Firms operating in highly competitive markets would probably be more successful in diverting their trade to unaffected ports.

4. In the 'worst case' scenario diversion to other ports would not be possible to any significant extent. Multi-national firms would be able to shift production to firms in other countries, but would be reluctant to leave their UK factories idle. Other firms would face severe problems, but at the moment company profits are at an unusually high level and most firms could probably survive a 4 month strike. If it were possible to give them advance warning, this would enable them to build up stocks in anticipation of industrial action.

II. Current account

5. The UK is currently running a non-oil visible deficit of around £22 billion. Non-oil imports are around 30 per cent larger than non-oil exports. Hence the direct effect of an interruption to trade flows would necessarily be to reduce imports more than exports. But there may also be indirect effects which work in the opposite direction; some potential exports may be diverted to the home market and, in time, exports would be adversely affected by the reduction in imports of raw materials and semi-finished goods. But stocks of these materials should be sufficient to maintain export production for a few months. It would also be possible to obtain some of the necessary imports by using ports which were not affected by strike action. In 1984 this process was apparently quite successful with ports outside the Dock Labour Scheme increasing quite quickly their share of the volume of non-oil trade from 30 per cent to 50 per cent.

6. The initial impact on the current account would therefore be favourable, although this improvement would be temporary and would be largely unwound after the strike. There could be a longer lasting effect if consumer tastes were affected because of a change in consumption patterns during the strike. This effect could go either way as some consumers would be forced to try domestic substitutes due

to the unavailability of certain imported goods while others would choose to purchase foreign goods in place of a domestic good, the production of which was affected by a shortage of imported components.

III. Effects on Exchange Rate and Interest Rates

7. The effect of a dock strike, caused by initial Government action to abolish the Dock Labour Scheme and thus improve the country's economic performance, on confidence in sterling is difficult to judge, since it would largely depend on the market's view of whether the Government or the strikers would ultimately achieve their objective. In the event of a temporary adverse effect, any downward pressure could be resisted by the use of our substantial reserves, or - if necessary - by raising short-term interest rates. But given all the other factors bearing on the exchange rate, it is unlikely that any adverse effect would be substantial.

IV. Impact on Statistics

8. Industrial action, even on the limited scale envisaged by the port employers, could well distort the trade statistics for a number of months and render them virtually useless for monitoring purposes. The imports figures are useful at the moment as they provide a guide to the level of domestic demand, which is not particularly well measured by the quarterly investment and consumption data.

9. The financial markets currently place a great deal of weight on each month's figures. They would be forced to moderate their reactions to the numbers if they were heavily distorted and this would not be altogether unwelcome. The more astute brokers would doubtless spend a great deal of effort attempting to discover what was happening to 'underlying' trade flows, but any such estimates would necessarily be subject to wide margins of error.

10. The trade figures are an important constituent of the expenditure measure of GDP (known as GDP(E)). This series has recently proved highly unreliable and therefore plays virtually no role in monitoring the economy. The output measure of GDP (GDP(O)) is a much more reliable indicator of short term trends in economic activity and this measure would not be seriously affected by the absence of reliable trade data.

V. Seasonal Sensitivity

11. The seasonally unadjusted non-oil visible trade deficit tends to be greatest in the third quarter. There is also some tendency for exports and imports to be unusually high in the fourth quarter of the year. But the differences between quarterly flows are not sufficiently great for this effect to merit much consideration. In any event the 'normal' seasonal pattern of trade flows would probably be disrupted if there were a widespread belief that industrial action was likely. Companies would attempt to build up stocks of required imported inputs thereby altering the traditional seasonal pattern of trade flows.

Conclusions

12. i. A strike on the scale which Departments think it prudent to assume would have only a marginal impact on economic activity, although output would be temporarily depressed and it would make monitoring developments in the economy a little harder for several months.

ii. Even in the worst case scenario the overall impact on activity, allowing for a surge in output once the strike was over, is likely to be small. Company profits might be reduced and there could be a loss of export markets. On the other hand importers might lose some of their market share.

iii. The impact on the exchange rate and - even more - on interest rates is likely to be small even in the worst case scenario.

iv. The timing of the strike during the year would have only a small effect due to the seasonal pattern of trade flows. Our net non-oil visible deficit is usually at its highest in the third quarter. A more important consideration is the amount of warning received by companies. If they know in advance that a strike is likely they could build up stocks of required inputs thereby significantly reducing the adverse output effects of industrial action.

v. These costs must of course be weighed up against the benefits of abolishing the Scheme which would permanently improve the UK's supply side performance. Only very small permanent efficiency gains would be enough to offset very large temporary costs.

SECRET

FROM: A R WILLIAMS
DATE: 7 FEBRUARY 1989

CHANCELLOR ✓

cc: Chief Secretary
Financial Secretary
Sir P Middleton
Mr T Burns
Mr Sedgwick
Mrs Case
Mr Mortimer

*Ch. Content ?
(Rec'd in a letter
Paul Gray)
7/2
OK in
signature*

DOCK LABOUR SCHEME

At the Prime Minister's meeting on 19 January it was agreed that the Cabinet Office should report on the industrial action likely to follow an announcement to abolish the Dock Labour Scheme, on its impact on the economy, and on the readiness of contingency measures.

The Cabinet Office have asked us to prepare the section on the economic impact. I attach a note drafted by EA. The references to scenarios A and B and to the "worst case scenario" are taken from Department of Employment assessments of the extent and length of industrial action. Scenario A would be a strike lasting 2 or 3 weeks in Scheme ports generally, significantly longer in the more militant ports, but with only token action lasting a day or so in non-Scheme ports. It is the port employers' assessment of what would happen. Scenario B would involve most Scheme ports out for 5 or 6 weeks, and non-Scheme ports for a week or so. The "worst case" scenario, which DEm and DTp consider unlikely, would involve all Scheme ports out for 4 months and non-Scheme ports for 2 months.

The Cabinet Office propose to include our note as it stands in their report, with the comment that it represents the Treasury's view. Are you content for the note to go forward on that basis?

A. R. Williams

A R WILLIAMS

ECONOMIC IMPACT OF INDUSTRIAL ACTIONI Real activity

2. The UK is an extremely open economy and a number of industries depend upon imported raw materials, semi-finished goods and components. Any interruption to the supply of such goods would result in a temporary fall in industrial output and hence GDP. Many firms would attempt to replace imported goods with domestically produced substitutes which would probably be available only at a higher cost. This would give a ^{purty} temporary ^{boost} stimulus to inflation.

3. The adverse effect on output would clearly be greater in those industries that depend heavily on imported inputs, eg the steel industry. However the strike's effect might also vary depending upon how aggressively managers in particular firms seek to find ways round any industrial action. Firms operating in highly competitive markets would probably be more successful in diverting their trade to unaffected ports.

4. In the 'worst case' scenario diversion to other ports would not be possible to any significant extent. Multi-national firms would be able to shift production to firms in other countries, but would be reluctant to leave their UK factories idle. Other firms would face severe problems, but at the moment company profits are at an unusually high level and most firms could probably survive a 4 month strike, particularly if there were some warning which enabled them to build up stocks in anticipation of industrial action.

II Current account

5. The UK is currently running a non-oil visible deficit of around £22 billion. Non-oil imports are around 30 percent larger than non-oil exports. Hence the direct effect of an interruption to trade flows would necessarily be to reduce imports more than exports. But there may also be indirect effects which work in the opposite direction; some potential exports may be diverted to the home market and in time, exports would be adversely affected by the reduction in imports of raw materials and semi-finished goods. But stocks of these materials should be sufficient to maintain export production for a few months. It would also be possible to obtain some of the necessary

Imports by using ports which were not affected by strike action. In 1984 this process was apparently quite successful with ports outside the NDLS increasing quite quickly their share of the volume of non-oil trade from 30 percent to 50 percent.

6. The initial impact on the current account would therefore be favourable, although this improvement would be temporary and would be largely unwound after the strike. There could be a longer lasting effect if consumer tastes were affected because of a change in consumption patterns during the strike. This effect could go either way as some consumers would be forced to try domestic substitutes due to the unavailability of certain imported goods while others would choose to purchase foreign goods in place of a domestic good, the production of which was affected by a shortage of imported components.

III Effects on Exchange Rate and Interest Rates

7. The credible announcement of a dock strike might have a limited adverse effect on overseas confidence in sterling. However some commentators might argue that because a strike could have a beneficial effect on the current account - by reducing imports more than exports - and hence on the required level of sterling inflows, it should push up the exchange rate. The most likely outcome is that there would be little sustained effect on the exchange rate at least for the first few weeks as the strike would be expected to be temporary. In the 'worst case' scenario there might well be some downward pressure on sterling. The authorities' response would depend largely on what was happening to overall economic activity. For example, if domestic demand and inflation were judged to be at excessive levels then it is likely that the downward pressure would be resisted, if necessary, by raising interest rates. But it should be stressed that the side effects of the strike would probably never be more than a marginal consideration when deciding upon the appropriate level of interest rates.

IV Impact on Statistics

8. Industrial action, even under Scenario A, could well distort the trade statistics for a number of months and render them virtually useless for monitoring purposes. The imports figures are useful at the moment as they provide a guide to the level of domestic demand,

Replace
with
'A',
(PWS)

which is not particularly well measured by the quarterly investment and consumption data.

9. The financial markets currently place a great deal of weight on each month's figures. They would be forced to moderate their reactions to the numbers if they were heavily distorted and this would not be altogether unwelcome. The more astute brokers would doubtless spend a great deal of effort attempting to discover what was happening to 'underlying' trade flows, but any such estimates would necessarily be subject to wide margins of error.

10. The trade figures are an important constituent of the expenditure measure of GDP (known as GDP(E)). This series has recently proved highly unreliable and therefore plays virtually no role in monitoring the economy. The output measures of GDP (GDP(O)) is a much more reliable indicator of short term trends in economic activity and this measure would not be seriously affected by the absence of reliable trade data.

V Seasonal Sensitivity

11. The seasonally unadjusted non-oil visible trade deficit tends to be greatest in the third quarter. There is also some tendency for exports and imports to be unusually high in the fourth quarter of the year. But the differences between quarterly flows are not sufficiently great for this effect to merit much consideration. In any event the 'normal' seasonal pattern of trade flows would probably be disrupted if there were a widespread belief that industrial action was likely. Companies would attempt to build up stocks of required imported inputs thereby altering the traditional seasonal pattern of trade flows.

Conclusions

12.(i) ~~The economic impact of a~~ strike along the lines of Scenario A or ^{B₂} would have only a marginal impact on economic activity, although output would be temporarily depressed and it would make monitoring developments in the economy a little harder for ~~many~~ ^{several} months;

- (ii) even in the worst case scenario the overall impact on activity, allowing for a surge in output once the strike was over, is likely to be small. Company profits might be reduced and there could be a loss of export markets. On the other hand importers might lose some of their market share;
- (iii) the impact on the exchange rate and ^(- even more - in) interest rates is likely to be small even in the worst case scenario;
- (iv) the timing of the strike during the year would have only a small effect due to the seasonal pattern of trade flows. Our net non-oil visible deficit is usually at its highest in the third quarter. A more important consideration is the amount of warning received by companies. If they know in advance that a strike is likely they could build up stocks of required inputs thereby significantly reducing the adverse output effects of industrial action;
- (v) these costs must of course be weighted up against the benefits of abolishing the NDLS which would permanently improve the UK's supply side performance. Only very small permanent efficiency gains ~~are required to~~ ^{would be enough to} offset very large temporary costs.

adverse effect on & substitution.

adverse effect on & substitution. It is unlikely that it is enough to offset very large temporary costs.

Adverse effect on & substitution. It is unlikely that it is enough to offset very large temporary costs.

(A) 7. The effect of a trade strike, caused by government action is almost the same as a strike. It has a similar impact on the country's economic performance, on confidence & trade, since it is largely identical to a strike. It is difficult to say whether or not the world economy would be any better off if any downward pressure could be substituted for the strike. It is likely that the world economy would be better off if the strike were replaced by a temporary increase in government expenditure - by...

show given all the other factors from which it stems or the fact that it is...



FROM: J M G TAYLOR

DATE: 8 February 1989

MR A R WILLIAMS

ppp

cc PS/Chief Secretary
PS/Financial Secretary
Sir P Middleton
Sir T Burns
Mr Sedgwick
Mrs Case
Mr Mortimer

DOCK LABOUR SCHEME

The Chancellor has seen your note of 7 February. He is content for the note on the economic impact of a Dock Labour Scheme to be included in the Report on the basis that it represents the Treasury's view. He would, however, like the following amendments to be made:

- (i) paragraph 2, last sentence: amend to read: "This would give a purely temporary boost to inflation";
- (ii) paragraph 7: ^{whole paragraph} recast to read: "The effect of a dock strike, caused by initial Government action to abolish the Dock Labour Scheme and thus improve the country's economic performance, on confidence in sterling is difficult to judge, since it would largely depend on the market's view of whether the Government or the strikers would ultimately achieve their objective. In the event of a temporary adverse effect, any downward pressure could be resisted by the use of our substantial reserves, or - if necessary - by raising short-term interest rates. But given all the other factors bearing on the exchange rate, it is unlikely that any adverse effect would be substantial.";



- (iii) paragraph 12(i): recast to read: "A strike along the lines of scenario A or B would have only a marginal impact on economic activity, although output would be temporarily depressed and it would make monitoring developments in the economy a little harder for several months";
- (iv) paragraph 12(iii): recast to read: "The impact on the exchange rate and - even more - on interest rates is likely to be small even in the worst case scenario";
- (v) paragraph 12(v), last sentence: recast to read: "Only very small permanent efficiency gains would be enough to offset very large temporary costs."

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J M G TAYLOR

SECRET AND PERSONAL

FROM: A R WILLIAMS
DATE: 27 FEBRUARY 1989

CHANCELLOR —

cc: Chief Secretary
Sir P Middleton
Sir T Burns
Mr Anson
Mr Monck
Mrs Case
Mr Mortimer
Mr Burr
Mr O'Donnell

DOCK LABOUR SCHEME (DLS)

1. The small group of Ministers considering the DLS is due to meet again on 1 March. Papers have been provided by the Secretary of State for Employment (minute of 24 February to the Prime Minister) and the Cabinet Office. Much of the material is for information only but there are a few issues for decision, noted below, of which the most difficult are compensation and the legislative timetable.

Compensation

2. At the Prime Minister's meeting on 19 January, the details of a compensation scheme for former registered dockworkers (RDWs) were left to be sorted out with the Chief Secretary. This was done: Mr Channon proposed, and the Chief Secretary accepted, a scheme involving severance payments of £30,000 a head to those RDWs made redundant in the first year after abolition of the DLS, tapering off over a four year period.

3. Since then the Prime Minister has, apparently, revived the idea of paying all ex-RDWs (whether made redundant or not) compensation for loss of rights under the DLS. This idea was considered and rejected by Ministers last year. Mr Fowler's minute sets out the reasons why he continues to oppose it. We recommend that you strongly support him. Compensation for all would probably be very expensive, perhaps running into hundreds of millions of pounds, and paradoxically it could well make the strike worse, by giving RDWs an issue (bidding up the level of compensation) on which, unlike abolition, they might realistically hope to win. The arguments are set out in detail in the annex.

4. Unfortunately Mr Fowler's soundness on the compensation question is not complete. He has reopened the agreement between Mr Channon and the Chief Secretary on the level of compensation for redundant workers by suggesting that the maximum figure of £30,000 a head should be available until "some date in 1991" instead of for one year after the DLS comes to an end (ie to mid-1990). He has not costed this new proposal but if £30,000 were to be available until the end of 1991 it could push up the cost of redundancy compensation from the £24m estimated for the proposal agreed between Mr Channon and the Chief Secretary to something not far short of £30m^x (assuming in both cases the 2000 ex-RDWs are made redundant).

5. The way the level of this compensation keeps getting pushed up is irritating (Mr Fowler's own original proposal was for only £25,000 a head in the first year after abolition). It is not at all clear that the Government will gain anything by extra generosity. It is highly unlikely that many strikers will be much moved by offers of redundancy compensation - the great majority will, after all, hope to retain their jobs. So we recommend that you press for the Channon/Chief Secretary agreement of £30,000 for one year to be confirmed. If colleagues generally cannot be persuaded to go along with this, a fallback would be to extend the maximum rate of compensation until the beginning of 1991, effectively an 18 month period.

6. The costs of compensation will fall to Mr Channon. Any extension of the period would increase expenditure chiefly in 1990-91 and 1991-92, implying an additional bid in the next Survey.

Legislative timetable

7. The critical question on the legislative timetable is not brought out clearly in any of the papers. It is whether special steps should be taken to accelerate the passage through Parliament of the Bill abolishing the DLS. Mr Fowler has apparently discussed this with the Lord President who took the line that any special procedure was undesirable because of the risk to the rest of the Government's legislative programme.

^x these figures refer to the Government's contribution only; the post employers would have to put in the same amount

Show in focus of poster etc

8. But we think that this is a sufficiently important issue that it needs to be talked through in the Prime Minister's group. The fact is that acceleration of the abolition legislation is the main weapon the Government has for mitigating the effects of a dock strike. It is quite possible that the strike will crumble before the Bill is passed, but we cannot be sure. On the other hand, once abolition is a fait accompli, the dockers' leaders (who are not unrealistic) will see that there no longer be the slightest hope of the Governing backing down. Even more important, port employers will be able to recruit new workers to do the jobs of ex-RDWs (while the DLS is still in place this is a criminal offence). Other things being equal, therefore, it is in the Government's interest to get the abolition Bill passed as quickly as possible.

9. The normal legislative procedures limit what can be done. Royal Assent could not take place until some 3½ months after First Reading (the timetable in the Cabinet Office paper suggests First Reading on 5 April and Royal Assent on 19 July). If industrial action were causing serious economic problems, it would be very unsatisfactory to have the Bill plodding through the House of Lords for 2 months. Clearly the Government has other important legislative priorities (eg water and electricity privatisation) which you will wish to protect. But we recommend that you probe the Lord President on exactly what risks there would be to the rest of the programme if DLS abolition were to receive special legislative treatment, and on what, if any, options would be open to the Government for speeding up matters if the abolition Bill were introduced in the normal way but it becomes clear after a few weeks that the dock strike was having a particularly severe effect.

10. A secondary point on the legislative timetable is raised in the Cabinet Office paper, where it is suggested that the abolition Bill should be brought into force immediately after Royal Assent (there is a gap of 2 months with most Bills) and that the Law Officers should be asked to confirm that this will not need lead to legal challenge. Both these points are clearly right.

Other points in Mr Fowler's minute

11. There are no other difficult issues in Mr Fowler's minute. He seeks agreement that work on preparation for the abolition of the DLS should continue, with a view to a further Ministerial meeting before Easter to confirm that an announcement should be made on 4 April. He also proposes that formal clearance of the Bill by "L" Committee should be dispensed with.

12. As part of the Government's announcement of its intentions, Mr Fowler intends to publish a White Paper. A draft is attached to his minute. We saw it at an earlier stage and consider that it makes a persuasive case. You might have personal views on its tone and style but, that aside, there are no points which we think that you need to raise. Mr Fowler will be circulating further proposals on the public relations angle of the announcement. The essential point, both for the dockers and the markets, will be to leave no one in any doubt at all of the Government's determination to see through abolition.

13. Finally, Mr Fowler suggests that machinery for settling strategic issues, monitoring developments etc once the announcement has been made should be considered. We have no particular views on this and suggest that officials from the two lead Departments (Employment and Transport) should be asked to bring forward proposals.

Cabinet Office Paper

14. The Cabinet Office paper picks up the remit from the Prime Minister's meeting on 19 January to respond on the extent and impact of a dock strike. Like similar reports in the past, the paper is clear that there will be widespread industrial action, that it will cause disruption in some sectors of industry, but that the consequences would not be impossible to live with. Critical factors will include the attitude of dockers in the non-Scheme ports and the security of oil movements (where RDWs are not involved). On both of these, officials in the Departments responsible (Transport especially) are reasonably sanguine.

15. You will recognise Annex J on the impact on the economy as the note which you cleared. Its conclusions are repeated, as a Treasury view, in paragraph 52 of the main paper. Some of the Cabinet Office officials involved in preparing the paper questioned whether the Treasury not did not make unduly light of the economic consequences of a dock strike (I would add that this was a gut feeling not one based on special knowledge). Perhaps some Ministerial colleagues might feel the same. A number of points can be made in response to this: the impact on sterling and interest rates will depend on market confidence which will be largely determined by whether the markets believe that the Government is determined to win. Short term disruption, even if it goes on for many months, should have only a temporary effect on economic activity; allowing for a surge in output after the strike ends, the medium to long term negative effect will be marginal (witness the miners' strike). And small permanent gains in efficiency would be enough to offset very large temporary costs.

16. Perhaps the most worrying new problem identified in the paper is the coincidence between the start of industrial action in the ports and a difficult pay negotiation with railwaymen. The NUR is unlikely to want to make common cause with the dockers but may use the fact of action elsewhere to press their own claims. The Government might feel obliged to accept a more generous settlement for railwaymen than would otherwise be the case in order to avoid action on two fronts. A letter from Mr Channon on the railway pay question is expected. *behind.*

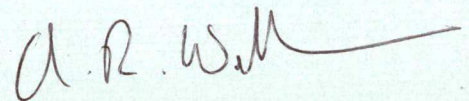
17. The Cabinet Office paper identifies several areas where further work could be put in hand if Ministers wished. They are:

(i) Consulting the Law Officers on bringing the abolition Bill into force (see paragraph 10 above).

(ii) Setting in hand plans to present a convincing case for abolition. This overlaps with one of Mr Fowler's proposals and is clearly desirable.

(iii) Taking the view of the Law Officers on whether legal action by port employers against industrial action in Scheme ports would be successful. Worth doing, although the probability must be that a strike in Scheme ports would be legal. The proposals to abolish the Scheme have made this assumption. If it is wrong then the Government is in a much better position than expected.

(iv) Exploring the possibility of food stockpiling by MAFF and drawing up contingency plans by MOD to use servicemen to keep oil supplies running in the unlikely event that they are interrupted. The argument against such contingency planning is that it increases the risk of a leak. On the whole we think that the risk is worth taking. The drafting of the Bill and White Paper is now sufficiently far advanced that the Government would not be taken completely off-guard by a leak. Indeed speculation about Government intentions, although it would precipitate unofficial action by some RDWs prematurely, might not be all bad, as it would give firms a chance to stockpile.



A R WILLIAMS

ANNEX

COMPENSATION FOR ALL RDWs

The arguments against paying compensation to all RDWs for the abolition of the DLS are set out fully in Appendix B of Mr Fowler's minute.

There is no justification for such payments in terms of loss of "rights". The DLS provides a framework for the management of employment within the ports industry; it does not confer "rights" on individuals. The expectation by RDWs of a job for life, whether or not there is work for them to do, arises from a separate industrial agreement (the Aldington-Jones agreement) rather than from the Scheme itself. This agreement was forced on employers partly because of the Scheme, but the inability to make an RDW compulsarily redundant is properly seen as an abuse of union power than a right intended by Parliament. There is no more justification for buying out the abuse than there was for buying out the closed shop.

Paying compensation as a bribe to RDWs not to strike would not work. A relatively modest sum, say £5000 a head, would not be enough to persuade dockers to give up the Scheme without a fight. Indeed an offer along these lines would probably make the strike worse, for three reasons:

- (i) it would look like a sign of weakness on the part of the Government
- (ii) it would give the strikers a realistic fallback aim when the Government did not concede on abolition: they would stay out until they felt they had squeezed out as much compensation as possible.
- (iii) the strikers willingness and ability to live off credit would be increased if they knew that they would get a lump sum at the end.

To try to avoid some of these problems by offering compensation only to RDWs who did not strike would look even more like weakness and would not be credible to dockers: once compensation was on the table they would stick out for payments to all.

*of payment non-scheme dockworkers
 + same on part employees*

Compensation for all could and probably would turn out to be very expensive. Having conceded the principle, the Government would be in a weak bargaining position. A payment of £25,000 a head - the sort of figure RDWs can be expected to hold out for - would cost about £240 million. As Mr Fowler says, this is an absurdly high price.

Paying compensation to RDWs as a way of preventing them from securing the backing of public opinion and other workers is unnecessary: there is unlikely to be a lot of sympathy from outside. Indeed (a point not made by Mr Fowler) it could be counter-productive. Dockworkers at non-Scheme ports could be so irritated by payments to RDWs who were merely being put on the same footing as they (dockers not in the Scheme) had always been on, that they might feel inclined to take action on their own account.

SECRET

FROM: A R WILLIAMS
 DATE: 28 FEBRUARY 1989

CHANCELLOR

cc Chief Secretary
 Financial Secretary
 Sir P Middleton
 Mr Anson
 Mr Monck
 Mrs Case
 Mr Kelly
 Mr Moore
 Mr Mortimer
 Mr Burr
 Mr Call

[see below]

DOCK LABOUR SCHEME: EFFECT OF PAY NEGOTIATIONS IN OTHER INDUSTRIES

As expected, DTp have written about the implications for legislation on the Dock Labour Scheme of BR's pay negotiations (letter of 27 February from Mr Channon's Private Secretary to Paul Grey). The issue was mentioned in paragraph 16 of my brief. The letter also refers to CAA pay negotiations. Mr Channon's conclusion is that neither of these factors is sufficient to warrant postponement of the introduction of the ports legislation. We accept that assessment, but we expect that Ministers will want to talk through the potential problems at the meeting on 1 March.

BR Pay

2. The unions submitted a pay claim on 23 February. The Board propose to begin negotiations in mid-March. The settlement date is 16 April. The Board's aim is to settle at 6.5% plus extra London allowances. They believe that the railwaymen will accept this: they are not apparently in a particularly militant mood. But even if there is reasonably fast progress with negotiations in March (as the Board hope), the unions will still have to ballot their members and this will take a couple of weeks. So the issue will be unsettled when the Government announces its intentions on ports (on the timetable currently envisaged) and there is some risk of disruption of the railways at the same time as a dock strike.

SECRET

3. It is impossible to believe that there will be any time in which abolition of the Dock Labour Scheme does not coincide with some potentially difficult development elsewhere. Mr Channon's assessment of the BR pay negotiations makes them appear to be less of a problem than we were originally led to believe. None of the options for clearing them out of the way is very attractive. Mr Channon rightly rejects instructing the BR Board to settle before 6 April on any terms that the unions are seeking: this would be much too costly. The unions would not go along with any attempt to postpone the negotiations. Indeed as soon as they got wind of what was afoot they would surely increase their demands. Bringing forward the ports legislation would entangle it with the Budget and might lead to industrial action affecting the ferry ports over the Easter Weekend. Letting both the BR negotiations and the ports legislation proceed on the timetables originally envisaged therefore looks like the best course.

CAA Pay

4. The settlement date is 1 April. The Chairman of the CAA would like to make an offer which would cost up to 8.5% on the pay bill. He believes he has a good chance of getting an immediate settlement.

5. Mr Channon has written separately to the Chief Secretary asking him to agree to the CAA's proposed package. There are arguments for doing so quite apart from the acute problems which would arise if air services were disrupted at the same time as a dock strike. Those in Pay who will be advising the Chief Secretary are aware of the sensitivities and will recommend that the CAA proposed offer is accepted.

6. This note has been agreed with Pay and PE.

A. R. Williams
A R WILLIAMS