5
807

PREM 19/806

PART 1 ends:-

5.5.82

PART 2 begins:-

6.5.82

**TO BE RETAINED AS TOP ENCLOSURE**

# Cabinet / Cabinet Committee Documents

| Reference | Date |
|---|---|
| CC (80) 33rd Conclusions, Minute 3 | 18.9.80 |
| E (EA) (80) 24th Meeting, Minutes | 17.12.80 |
| E (EA) (80) 64 | 15.12.80 |
| E (EA) (81) 4 | 2.2.81 |
| E (EA) (81) 6 | 2.2.81 |
| E (EA) (81) 5 | 3.2.81 |
| E (EA) (81) 7 | 2.2.81 |
| E (EA) (81) 1st Meeting, Minute 1 | 5.2.81 |
| E (EA) (81) 16 | 9.3.81 |
| L (81) 9th Meeting, Minute 1 | 11.3.81 |
| E (EA) (81) 17 | 9.3.81 |
| E (EA) (81) 23 | 9.6.81 |
| E (EA) (81) 12th Meeting, Minute 1 | 5.10.81 |
| E (EA) (81) 32 | 30.9.81 |
| E (EA) (81) 33 | 30.9.81 |
| E (EA) (81) 36 | 1.10.81 |
| E (EA) (82) 4 | 16.3.82 |
| E (EA) (82) 3 | 11.3.82 |
| E (EA) (82) 2nd Meeting, Minute 1 | 18.3.82 |
| CC (82) 19th Meeting, Minute 5 | 22.4.82 |
| CCU (82) 20 | 29.4.82 |
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The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed CM Wayland Date 12 May 2011

**PREM Records Team**

Original filed on TRANSPORT PB BR Cases

CONFIDENTIAL

Prime Minister (2)

To see. I have re-arranged the long-postponed BR/unions meeting for Tuesday when you will be able to take stock of the post McCarthy BR position. MCS 5/5

MR SCHOLAR

cc Mr Walters
Mr Ingham

The Threatened Dock Strike; and the BR/ASLEF Dispute

The Prime Minister may welcome two pieces of modest good news.

There will be no national dock strike starting on Monday 10 May as threatened. The Cabinet Office Contingencies Unit met this afternoon to prepare for one, but we heard in the course of it that Connelly (TGWU Docks Group National Secretary) has decided to recommend to the TGWU suspension of action to allow time for the preparation of specific and detailed proposals, as suggested by Mr. Waddington on 5 May. The first reaction of Transport and Employment officials to this news is that the TGWU have accepted the lifeline thrown to them to avoid a strike, but that their demand for the extension of the Dock Labour Scheme to non-scheme ports (notably Felixstowe and Dover) cannot be put off indefinitely. The next danger point will be when the TGWU come back with proposals, perhaps in eight to twelve weeks, but the process of consultation may be extendable for much longer. Nevertheless this has been a nasty scare: we have come perilously close to the first national docks strike for ten years. Officials are agreed that we need to look urgently at the options for withstanding one if necessary - which ought to be more practicable as the docks have become less labour intensive. We may need to put the docks higher on the list of priorities for MISC 57 type work, and in due course the Cabinet Office will put forward proposals.

According to reliable sources the McCarthy tribunal is going to come down clearly in favour of flexible restoring on the railways. The report will definitely be available to the Parties this Friday; and behind a lot of unnecessary verbiage, it will say that flexible rostering is essential to the survival of the railways in the twentieth century. It will provide

/clear

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clear pointers to further negotiations between BR and ASLEF; on the maintenance of earnings, taken week by week rather than day by day, and on the proportion of rosters (McCarthy thinks they will be less than 25%) that will exceed an 8½ hour day; on both of these ASLEF will no doubt seek guarantees. And McCarthy will say that the rosters must be negotiated depot by depot, which the media may present as a fudge, but is in fact the only way to do it and what is already happening with NUR. McCarthy will also say that there is no question of the 39 hour week until flexible rosters are in place. The issue may thus become whether ASLEF will accept the tribunal's findings, rather than BR's reactions to them: and it is highly relevant that ASLEF's annual conference begins the week after next. We should see a period of intense negotiation between BR and ASLEF before then.

5 May 1982

cc/JV Ind Pol

(2)

Prime Minister

The 10 May dock strike is off.

MCS 5/5

Caxton House Tothill Street London SW1H 9NA
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Switchboard 01-213 3000

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

5 May 1982

MS

Dear Michael

THREATENED DOCK STRIKE

TPM'd

In Barnaby Shaw's letter earlier today he reported on the meeting that Mr Waddington had last night with representatives of the TGWU at which he told them that the Government would be prepared to discuss and consider any specific and detailed proposals the union might want to make for particular ports or wharves, whilst giving them no encouragement to believe that an extension of the Scheme was likely to be justified. This position was confirmed in a letter to the union at their request.

We have now heard that the TGWU's National Docks and Waterways Committee have this morning recommended suspension of the strike threatened from 10 May to allow the union to prepare specific and detailed proposals for an extension of the Scheme to particular ports and wharves. This recommendation has to be endorsed by a recalled National Delegate Conference over the coming weekend. Mr Connolly is privately confident that this endorsement will be forthcoming. Officials here accept that assessment, but there must just remain some possibility that the Conference could take a different view or that that there might be some unofficial action on Monday which would be likely to be shortlived.

We have no indication of how long it might take the TGWU to come up with specific proposals and having now drawn back from a strike they may not want to do so at all quickly. Even when proposals are advanced there must follow a period of extensive consideration and consultation with interested parties. Nevertheless there still could come a time when the union will press for a decision on specific proposals and a refusal to meet their wishes and at least propose an order extending the Scheme will be met with a renewed threat of industrial action.


In further consultations the objective of the Department will continue to seek to persuade the TGWU that an extension of the Scheme is irrelevant to the industry's wishes and indeed to the interests of dockworkers themselves.

Copies go to those who received the earlier letters.

Yours sincerely

Marie Fahey

MISS M C FAHEY
Private Secretary

ks

NBPM

MCS 5/5

cc JD

Prime Minister (2)

No lifting of the May 10 strike threat.

MCS 5/5

SECRETARY OF STATE FOR EMPLOYMENT

Caxton House Tothill Street London SW1H 9NAF

Telephone Direct Line 01-213 6400

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GTN 213

Michael Scholar Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

5 May 1982

Dear Michael

THREATENED DOCK STRIKE

As foreshadowed in my letter of 28 April, Mr Waddington met representatives of the TGWU yesterday evening when they sought assurances that the Government would be prepared to extend the existing 1967 Dock Labour Scheme to non-scheme ports and wharves.

The TGWU representatives were left in no doubt that the Government was not persuaded that any extension of the Scheme could be justified. Nevertheless, they were told that the Government would be prepared to discuss and consider any specific and detailed proposals the union might want to make for particular ports or wharves. In doing this, the Government would need to be persuaded that there were real and practical benefits to be gained from the adoption of any proposal, and they would have to apply stringent tests. The views of all interests concerned, including those of employers, would be an important consideration. Care was taken not to mislead the union representatives to believing that any extension of the Scheme was likely.

The representatives are to report back to the union's National Docks and Waterways Committee this morning. They left the meeting saying that nothing had been offered which was likely to cause the decision for a national strike from 10 May to be changed.

They readily gave assurances that, in the event of a strike, dockers would ensure that all work in connection with the South Atlantic crisis was performed.

Copies go to those who have received my earlier letters on this.

Yours ever

Bernard Shaw

J B SHAW
Principal Private Secretary

CONFIDENTIAL

Ind Pol

PA.

MR. SCHOLAR

c. Mr. Ingham

Possible National Dock Strike on 10 May

The Prime Minister will not welcome this news, but I feel I should ask you to draw her attention to the possibility of a national dock strike beginning on 10 May, because events in the Falklands have meant that it has been given little prominence in the media.

The call for an indefinite strike stems from a resolution of the TGWU in support of the extension of a Dock Labour Scheme. Whether or not a strike will ensue will be clearer after a meeting between the Department of Employment and TGWU representatives on 4 May, but at present the Department of Employment rate the chances of a strike as quite high.

The CCU will be meeting at official level on 5 May to take stock of the situation and prepare any necessary advice for Ministers; I will of course attend.

J.M.M. VEREKER

29 April 1982

CONFIDENTIAL

SP

cc SV.

Prime Minister (2)

MCS 28/4


Caxton House Tothill Street London SW1H 9NAF
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Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

28 April 1982

Dear Michael

MS

THREATENED DOCK STRIKE

with PM 23/4/82

Since I wrote to you on 22 April the first threatened strike (over the National Dock Labour Board's proposals) has been withdrawn.

That leaves the threat in support of an extension of the Dock Labour Scheme. On this Mr Waddington has had an informal and private exchange with the National Secretary of the Transport and General Workers' Union Docks Group. Mr Waddington has agreed to meet with him and representatives of his Group on Tuesday 4 May at 4.30pm.

At that meeting we intend to give no encouragement to TGWU to think that the Government is in any way disposed to extend the scheme but will have to indicate that the Government would be ready, as it must be, to consider any detailed and specific proposal the TGWU might make to extend the scheme to a non-scheme port.

It is hoped that this might lead to the removal of a national strike threat from 10 May but a continuing threat of industrial action could well remain.

Mr Waddington was assured on behalf of the Transport and General Workers' Union that if industrial action did take place, the TGWU would ensure that full co-operation would be provided in the docks for any work associated with the crisis in the South Atlantic.

I am copying this as before to the Private Secretaries of members of E Committee and of the Secretary of State for Transport and Defence, of the Foreign Secretary and of Sir Robert Armstrong. As this matter was raised on the business statement last week I am also sending a copy to the Private Secretary of the Leader of the House.

Yours ever

Barnaby Shaw

J B SHAW
Principle Private Secretary

SP

10

Prime Minister (2)

MCS 23/4


Caxton House Tothill Street London SW1H 9NAF
Telephone Direct Line 01-213 6400 GTN 213
Switchboard 01-213 3000

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

22 April 1982

Dear Michael

THREATENED DOCK STRIKE

You are aware of yesterday's resolutions of the TGWU's National Docks Delegate Conference.

The first, calling for a strike from Monday 26 April unless the National Dock Labour Board withdraws its Consultative Document on internal reorganisation and economies, is a matter between the TGWU and the NDLB (on which employers and unions are represented in equal numbers). At a scheduled meeting this morning the Board discussed its proposals in the light of the extensive consultations which have taken place over the last few weeks, and agreed a revised document which effectively supersedes the original consultative proposals. This leaves the strike threat without a clear focus, but the situation may remain uncertain over the next few days. The possibility of some more unofficial action next week cannot be discounted, but widespread action seems unlikely. The unofficial one-day strike yesterday (on the same issue) was supported by less than half of the registered dockers and the ports of London, Bristol and the Tees worked normally.

To the best of our knowledge, in this and other recent local port stoppages work connected with the Falkland Islands situation has been unaffected. We would expect this position to continue.

Yesterday's Delegate Conference also called for an indefinite strike at all ports from May 10 in support of extending the Dock Labour Scheme. A somewhat similar resolution last year was given a low key response by Ministers, and led to nothing. The National Secretary of the TGWU Docks Group has asked to see my Secretary of State about this, and we shall keep you informed.

Copies go to private secretaries of E Committee members, and of the Secretaries of State for Transport and Defence, of the Foreign Secretary and of Sir Robert Armstrong.

Yours

Barnaby Shaw

BARNABY SHAW
Principal Private Secretary

Ind. Pol.

Prime Minister

(2)

To note.

MCS 24/3

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Prime Minister

STRIKE IN THE PORT OF LONDON

Earlier this week registered dock workers (rdws) employed by the Port of London Authority, and belonging to the National Amalgamated Stevedores and Dockers (NASD) (about one-fifth of rdws in the port), came out on strike. They are refusing to accept a recommendation from the port industry's own arbitration machinery of a 6% pay increase, plus improvements in bonuses representing up to 1% more for those eligible. We have just heard that the PLA's remaining rdws, who belong to the Transport and General Workers Union, have also voted to reject the offer, and it therefore seems likely that at a mass meeting on Thursday they will decide to go on strike as well. But as they are already refusing to cross NASD picket lines, (and, in consequence, not being paid by PLA), this is little more than a formality.

The union action has effectively halted all the PLA's cargo handling, including the grain and container terminals at Tilbury. Closure of the grain terminal as a result of the strike is unlikely to threaten food supplies in the forseeable future; last year the adjoining mills kept operating even though a dispute closed the terminal for six weeks. The strike currently is not directed at the private operators on the riverside wharves.

The financial implications of the strike could be very serious for the PLA. Not only is it likely to cost the Authority almost £1m a week, but there must be serious risk that they will lose traffic permanently if the strike continues for any length of time. On the other hand the PLA is in no position to improve on

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the arbitration finding, and has made this very clear to the workforce. The PLA's position is entirely consistent with the Government's requirement that they should break even in 1983. I will therefore continue to make it clear both to PLA, and in public, that the strike does not affect this remit. There seems little prospect of sympathetic action in other ports.

I am copying this letter to Cabinet colleagues and to Sir Robert Armstrong.

DH.

DAVID HOWELL

24 March 1982



2F

Ind Policy

Prime Minister

(4)

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

MCS 20/11

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1

20 November 1981

Dear Leon

PORT OF LONDON AUTHORITY

Thank you for your helpful letter of 18 November - attached replying to mine of 6 November. I have noted all that you say. I can confirm that I have asked the Port of London Authority to provide me with their Action Plan by the end of December, which should enable us to discuss very early in the New Year how best to achieve the objectives which we have set ourselves, namely to bring to an end as quickly as possible the drain on public funds.

As you know, Second Reading of the Transport (Financial Provisions) Bill is scheduled for next Tuesday. In introducing the Bill I shall make clear to Parliament the basis on which I have told the PLA and MDHC that I am prepared to make further assistance available, but that pending the receipt and consideration of their Action Plans I am not in a position to give any details of the steps, including specific manpower reductions, that they consider necessary and possible to meet my requirements.

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I am sending copies of this letter to the Prime Minister and to the other recipients of your letter.

Yours ever

David

DAVID HOWELL



CONFIDENTIAL

cc Mr Walter
Mr Vereker
Mr Duguid.

Prime Minister

MCS 19/11


Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

18 November 1981

Dear David,

PORT OF LONDON AUTHORITY

Thank you for your letter alerting us to possible industrial relation difficulties in implementing the agreed course (withdrawal from cargo handling) for securing breakeven by the Port of London Authority by 1983. I note that this has led you to explore alternatives to a withdrawal from own account cargo handling. I view this with the gravest misgivings.

Our earlier discussions and the recent history of the PLA's affairs leave me very sceptical about the alternative you have sketched out. Nor would I want the search for an alternative to become an excuse for inaction on the part of the PLA. But if you do decide because of a serious risk of a national dock strike to bring forward fresh proposals for collective discussion, there are at least three points on which I will need reassurance.

The first is that the alternative will be no more expensive than the option of quick withdrawal from cargo handling nor carry a significantly greater risk of higher expenditure. Second, that any action planned to achieve it is properly thought out and capable of being monitored and finally, that the management are equipped to put it into practice. I am sure all these points are common ground between us.

Finally, I think we need to set some time limit for resolution of these issues. I note that you are requiring the ports to prepare detailed action plans before any commitment to assistance during 1982 is settled. Presumably those plans will enable us to decide whether the alternative you are exploring meets the conditions set out above. I suggest therefore that you should

ask for the plans to be available in sufficient time to enable us to reach a conclusion in early January.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Industry and Employment, to other members of E(EA) and to Sir Robert Armstrong.

Yours ever

Leon

LEON BRITTAN

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NBPM


DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Ind Pol

The Rt Hon Leon Brittan QC, MP
Chief Secretary to the Treasury
Treasury
Parliament Street
LONDON SW1

6 November 1981

Dear Leon

I have agreed with Francis Pym and Michael Jopling that I should introduce the Transport (Finance) Bill next week, in order to help them with the Parliamentary timetable. In view of this I thought I should write to you immediately to put you in the picture now about the present state of my discussions with PLA and MDHC on implementation of the decisions we reached in E(EA) on future aid to both ports, even though I am still awaiting some important further information from PLA.

We all recognised when we discussed the problems of the Port of London Authority (PLA) and the Mersey Docks and Harbour Company (MDHC) in October at E(EA) that it could well be very difficult to handle the ports in a way which would avoid the risk of serious national industrial disruption. Patrick Jenkin warned of the dangers when he reported subsequently to the Prime Minister.

I have deliberately held back discussions with the two ports, because the first essential was to avoid any risk of a leak about the need for additional severances during the time of the special national severance offer; it would have done great damage to this if people had believed that there was to be another special scheme for these two ports next year. I have now had two discussions with the PLA Chairman, Victor Paige.

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I told him that the underlying requirement must be that the Government could not continue grant for revenue losses beyond the end of 1982. On the basis of the figures in their own plan, he interpreted this - as I had intended - as meaning that the PLA would have to give up virtually all their own-account cargo-handling. He readily understood that the PLA cannot expect the Government to finance the option recommended by his Board, which envisages losses continuing up to 1985 and beyond. But he is very firmly of the view that total withdrawal from own account cargo handling would be seen by the unions as a frontal attack by the Government on the National Dock Labour Scheme, and on security of employment in the docks. His judgement is that there would almost certainly be a national dock strike.

It is, of course, difficult to assess the likelihood or duration of national action, and it might be natural in all the circumstances for the PLA to overestimate the risk. But I have become aware from discussions between officials from my Department and Department of Employment of some other developments in the dock labour scene which, in combination with a row with the TGWU over PLA cargo-handling, could greatly increase the risk of a national dock strike. This is the possibility of a renewal of threats by the union to call a strike over the Government's failure to extend the Dock Labour Scheme to non-scheme ports as provided for in the 1976 Act, particularly as it now appears that the National Association of Port Employers are preparing to make common cause with the unions over extending the scheme to make ports like Felixstowe meet a share of the industry's redundancy bill.

In view of all this I thought it right to see if there was an alternative way of achieving our policy aim of bringing to an end the port's present reliance on operating subsidies.

Further work done by my Department and the accountants has shown that this may be feasible. Provided the PLA could reduce its manpower next year by some 700 more than the planned figure, and could achieve the corresponding productivity improvements, it should be feasible for them to continue much of their present own-account cargo handling but still achieve breakeven as a minimum in 1983. It may be necessary, to enable the PLA to remain viable, to relieve them of the burden of some short-term debt incurred to meet past losses: the case for this will depend on the figures. I discussed the figures with Victor Paige a few days ago, and he has promised to work on them, with Price Waterhouse, and to let me have a report early next week. I shall need to be fully satisfied that this alternative is not just a way of avoiding a hard decision, and my accountants will be looking critically at the figures with this in mind. The attraction of this course is not only the industrial relations aspects, but also that it could involve a smaller call on public funds, because fewer severances would be needed.

Sounds improbable? MCS

In the case of the Mersey, their existing plans should enable them to meet a broadly similar financial target of break-even by 1983.

None of this will affect the figures in the Bill, my basic message to the PLA and MDHC or what I shall say at Second Reading, which in essence is that we are not prepared to continue meeting revenue losses after the end of 1982. This will require further severances, and we will pay for those. We do not accept at this stage the case for the writing-off of any of their longer-term loans from the Government. Both ports will be required to prepare detailed action plans before any commitment to assistance during 1982 is settled.

But as you and other colleagues already know, all this depends on getting sufficient men to volunteer for severance. We shall need to talk further about the details of a new scheme soon.

Copies of this letter go to the Prime Minister, Patrick Jenkin, Norman Tebbit, the other members of E(EA), and Sir Robert Armstrong.

Yours ever

David

DAVID HOWELL

CONFIDENTIAL

R H

Ind Pol

Blind cc Mr Duguid
Mr Walters

12 October, 1981

Port of London Authority and Mersey Docks and Habbour Company

As I informed the Secretary of State for Transport's Office on the telephone this morning, the Prime Minister has seen and noted your Secretary of State's minute of 9 October.

I am sending copies of this letter to the Private Secretaries to other members of E(EA), the Lord President, the Secretary of State for Transport, the Chief Whip, the Minister of State, Department of Industry and the Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food and to Sir Robert Armstrong.

MICHAEL SCHOLAR

I K C Ellison Esq
Department of Industry

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Prime Minister

MCS 9/10

A. Duguid
A. Walters

MT

PRIME MINISTER

PORT OF LONDON AUTHORITY AND MERSEY DOCKS AND HARBOUR COMPANY

In my capacity as Chairman of the Economic Affairs Sub-Committee of the Ministerial Committee on Economic Strategy (E(EA)) I thought that you would be interested to know the conclusions which we reached on 5 October about the future of the Port of London Authority (PLA) and the Mersey Docks and Harbour Company (MDHC).

2 The proposals which the Secretary of State for Transport put before us (E(EA)(81)32 and 33) and which we approved were, unlike the interim action taken earlier this year, drawn up in the light of corporate plans prepared by the port authorities and evaluated by the Secretary of State's consultants - Price Waterhouse in the case of the PLA and Peat Marwick Mitchell in the case of MDHC. In neither case has closure been identified as a realistic option. Both authorities carry out some essential functions (e.g conservancy) and have some profitable activities (e.g the grain terminals). In addition the MDHC has a key role in the economy of Merseyside.

3 For the PLA we have approved the proposal which provides the best chance of profitability by 1985. This involves the PLA's giving up all cargo-handling on its own account and a reduction in its workforce of 60 per cent (3,500). The PLA Board and unions can be expected to resist this strongly and there must be a risk of industrial action most probably confined to the PLA. In the case of the MDHC withdrawal from own-account cargo-handling is not feasible since it handles about 55 per cent of Merseyside's non-oil traffic, as compared with the PLA's 10 per cent share. The only option for the MDHC is therefore to continue with minimum cash support with withdrawal from unprofitable operations where possible; manpower will need to be reduced by over 1,300 during the next four years.

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4 The major issue is how to achieve the manpower reductions. Compulsory severance would almost certainly require legislation to amend the National Dock Labour Scheme and the Sub-Committee accepted the judgement of the Secretaries of State for Transport and Employment that it would be likely to provoke an immediate and prolonged national dock strike. None of us felt that this would be a sensible course of action. We therefore agreed that voluntary severance payment above the £16,000 available at present under the National Voluntary Severance Scheme should be offered in London and on Merseyside and to the payment of a special Government grant to permit this. Port employers outside London and Liverpool would be unwilling or unable to pay the extra levy which would otherwise be necessary. The Secretary of State for Transport is to consider, in consultation with the Chief Secretary to the Treasury and the Secretary of State for Employment the level of severance payments which might be offered.

5 The course of action proposed is likely to involve additional public expenditure bids of some £90 million in 1982/83, £60 million in 1983/84 and £15 million in 1984/5. The Secretary of State for Transport and the Chief Secretary to the Treasury are discussing how these bids can be met in the context of the current public expenditure round. The Secretary of State for Transport has been given policy clearance for legislation to increase the statutory limit on financial assistance to the PLA and MDHC; there is already provision for this in the 1981/82 legislative programme.

6 Consideration of the special problems of the PLA and MDHC has demonstrated that there are some general issues affecting the ports which need to be looked into further. The Secretary of State for Employment will be looking into the future of the National Voluntary Severance Scheme and the Secretary of State for Transport will be arranging for a confidential inter-departmental study, on lines suggested by the CPRS and in which they will be involved, of some other issues including the operation of the National Dock Labour Scheme and the scope for further ports privatisation.

7 I am sending copies of this minute to the other members of E(EA), the Lord President of the Council, the Secretary of State for Transport, the Chief Whip, the Minister of State, Department of Industry and the Parliamentary Secretary, Ministry of Agriculture, Fisheries and Food and to Sir Robert Armstrong.

PJ

P J

Department of Industry

9 October 1981

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

Fwd Pol

cc David Walker

*From the Secretary of State*

The Rt Hon Norman Fowler MP
Secretary of State for Transport
2 Marsham Street
London SW1P 3EB

15 September 1981

Dear Norman,

PORT OF LONDON AUTHORITY

You sent me a copy of your further letter, of 10 September, to Leon Brittan about the closure of the Royal Group of Docks.

As you know from David Trefgarne's letter of 27 August, we have considerable difficulty with the proposal that the Government should agree to new investment at Tilbury in advance of Ministerial consideration of the future of the London Docks as a whole, and in the absence of economic justification. I note the PLA view that the limited investment now proposed is essential to reduce the risk of industrial action over the closure of the Royals. While I do not find this argument very convincing, it is important that we encourage the facing of realities by closing the Royals. But we ought not to agree to the Tilbury investment without strict conditions, and I strongly support your insistence that the investment approval should be conditional upon customer commitment to the new facilities. It is essential that the investment should be based on user need and commitment. I take it you will insist on the firmest possible user guarantees before funds are made available. If there is any doubt about customer commitment we could look at the matter again in E(EA).

I am copying this letter to the Prime Minister, E(EA) colleagues and Sir Robert Armstrong.

Yours
John Biffen

cc Walters
Duguid
Vereker


Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

14 September 1981

Dear Norman.

PORT OF LONDON AUTHORITY

You wrote to me on 10 September suggesting that we should commit ourselves to financing investment of up to £3m at Tilbury, subject only to the PLA management showing that sufficient customers were prepared to move from the Royals to justify the investment. The announcement of the PLA's intention to invest further at Tilbury would effectively commit us to financing it.

As you recognise, there is not the slightest financial justification for this investment. It is a straightforward demand from the PLA management to commit yet more funds in return for their co-operation in closing the Royals which should anyway have been closed a considerable time ago.

I recognise the dangers to which you refer of industrial action. Clearly this is something which we wish to avoid, just as we need to ensure that the closure of the Royals is announced as soon as possible. But there are many difficult decisions pending on PLA and the prospects of progress are slim if the PLA management are unprepared to take decisions of this sort without ransoming the Government for quid pro quo's at every step.

Nonetheless, I share your concern and think we should seek to make a helpful statement of some kind. For the reasons I have stated I would not favour going quite as far as you suggest. What I have in mind is that instead of saying that we authorise the £3m scheme at Tilbury on the basis that it can only go ahead if enough customers are prepared to move to Tilbury to justify the investment there, we will sympathetically consider the request for authorisation of the £3 million scheme. There would thus be no firm commitment at the time of the announcement, but equally, no basis for alleging that the Government has refused authorisation, and indeed a distinct possibility of authorisation in the near future.

I am copying this letter to the Prime Minister, members of E(EA) and to Sir Robert Armstrong.

Yours, Leon

LEON BRITTAN

CONFIDENTIAL

cc Sigmund Walker File

Mr Sanderson (with papers)

I have told my opposite number in the Ch. Sec's office of the urgency of this.

MAJM. 11/ix

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Leon Brittan QC, MP
Chief Secretary to the Treasury
Treasury
Parliament Street
LONDON SW1

cc PS/Mr Clarke
PS/Sir Peter Baldwin
Mr Holmes
Mr Gilmore
Mr Bray

10 September 1981

Dear Leon

PORT OF LONDON AUTHORITY

In my letter of 21 August I indicated that the PLA proposed to announce closure of the Royal Group of Docks, subject to assurances from the Government about the funding of severances, and investment at Tilbury.

I have now discussed the PLA Board's position with their Chairman, Victor Paige, in some detail. On severances I explained to him that I appreciated that if funds are not made available to sever the registered dock workers made surplus by closure, the PLA would be left to pay their wages. He accepted that at this stage I could not go any further to meet the PLA's condition on this point.

I also explained my difficulty over his Board's request for authority for investment at Tilbury in view of the fact that, as the Board accept, this cannot be justified on any normal financial criteria. The Chairman told me that, nevertheless, the PLA Board are very firmly of the view that a promise of new investment at Tilbury is essential to reduce the grave risk of industrial action over the Royals, either locally or nationally, particularly if traffic and jobs are

CONFIDENTIAL

lost as a result of closure - the new development would preserve 200 jobs. If I refuse permission for the investment the Board would probably, albeit reluctantly, feel obliged to go ahead with closure but my refusal of development would inevitably become known to the work force (there are two union men on the Board). They think there would then be a much greater risk that any resulting industrial action would be directed against the Government rather than the Authority.

I have made it clear to the PLA, however, that I am not prepared to authorise their £5.5 million scheme. In the light of this they have reduced the scale of their proposals to the bare minimum and have produced a cheaper scheme which would cost just under £3 million. They think there is a reasonable prospect that this might still be sufficient to persuade enough customers to transfer to minimise the risk of damaging industrial action over loss of jobs. However if discussion with their customers following the announcement of closure showed that not enough of them were prepared to move to Tilbury the PLA would not go ahead with these investment plans and make alternative arrangements within existing facilities at Tilbury to squeeze in those customers who were willing to transfer.

I am still unhappy about the case for this investment but I do not think we can ignore the PLA's warnings about the grave risk of a strike which would cost at least £1 million a week in direct costs, could lead to permanent traffic losses even bigger than those already forecast, and could risk prejudicing the response to the current severance offer. All this could cost us much more than the investment. I am therefore reluctantly forced to the view that we should agree - but only on the condition set out below.

I should have preferred to avoid the need for this decision at this stage particularly as we have yet to consider the options for the PLA, including the case for a total

withdrawal from cargo handling. However I am persuaded by the overriding need to secure an early announcement of closure of the Royals. No new work at Tilbury could start before the end of the year by which time we will have decided on our future policies for the PLA.

It is essential that sufficient customers presently catered for at the Royals make commitments to use the facilities at Tilbury. I would therefore propose to make my offer to the PLA conditional. I would tell them that the necessary funds will only be made available for development at Tilbury if it is made clear to me that enough customers are prepared to move there to justify the investment. Only on this basis would I be telling them that they could announce their intention to invest up to £3m on improved facilities at Tilbury.

If I can give an assurance of this kind to the PLA early next week, I understand that they would be able to announce closure of the Royals on about 21 September. I should therefore be grateful to have your agreement to what I propose as early as possible.

I am copying this letter to the Prime Minister, members of E(EA) and to Sir Robert Armstrong.

Yours Norman

NORMAN FOWLER

2nd Pol

cc Mr Duguid
Mr Walters

6

JJ

COPY No 8 OF 16 COPIES

SECRET


2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/17261/81

Your ref:

3 SEP 81

Dear Norman

I have seen a copy of your letter of 21 August to Leon Brittan, and his reply of 25 August. I support an immediate announcement of closure. But the poor Tilbury investment should be firmly resisted; and if we are driven to such an expedient it should be later rather than sooner from a tactical point of view.

Copies of this go to the Prime Minister, Members of E(EA) and to Sir Robert Armstrong.

Yours ever

MICHAEL HESELTINE

The Rt Hon Norman Fowler MP

SECRET

SECRET

CC ~~A. Duguid~~ A Wadleis

S


Treasury Chambers, Parliament Street, SW1P 3AG

The Earl of Gowrie
Minister of State
Department of Employment
Caxton House
Tothill Street
London SW1

3 September 1981

Dear Gowrie,

R.

PORT OF LONDON AUTHORITY: CLOSURE OF ROYAL DOCKS

I have seen a copy of your letter of 27 August to Norman Fowler raising the possibility of the costs of severance arising from closure of the Royals being met by special Government assistance.

To decide now on special assistance to PLA for this purpose would pre-empt the decisions we are to take later this month in E(EA). It would also effectively take PLA (and the Mersey Docks & Harbour Company) out of the National Voluntary Severance Scheme which is not a step we can take lightly. If you believe that the decisions we may reach on the future of the Ports of London and Liverpool may precipitate a financial crisis in the NVSS I hope you will ensure we have before us an assessment of the options for preserving the scheme when we come to take the decisions. In the meantime, the scheme remains a national scheme and I do not think there are grounds for treating severances from Royal Docks any differently from severances elsewhere in the country. Indeed, to do so can only enhance the risks of the Government being seen to be organising the closure and thus to maximise the risks of industrial action.

I am copying this letter to the Prime Minister, to Members of E(EA) and to Sir Robert Armstrong.

Yours ever
Leon

LEON BRITTAN

SECRET

1. Mr. Rickett
2. Mr. Lankester - on return

Mr. Fowler's proposals in his letter of 21 August to the Chief Secretary are to be discussed at a meeting of E(EA), to be chaired by Mr. Prior in Sir Keith Joseph's absence.

The Cabinet Office know that the Prime Minister does not dissent from Mr. Fowler's approach, subject to the views of colleagues. There should be no further need for her involvement, at least until after this collective discussion.

MCP

1 September 1981

2 PPS.

4

cc Walters
Mr Duguid

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 5902
SWITCHBOARD 01-212 7676

From the
Parliamentary Under Secretary of State

Rt Hon Norman Fowler MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

28 August 1981

Dear Secretary of State

PORT OF LONDON

I have had sight of your letter of 21 August to Leon Brittan. I agree with the course of action you propose, although I feel we must be careful to avoid implying that we accept the PLA's view that severance payments in excess of £16,000 may be needed in order to achieve the necessary reductions in surplus registered dock workers.

I am sending a copy of this letter to the Prime Minister, to members of E(EA) and to Sir Robert Armstrong.

Yours sincerely

Joanna Dawson

MICHAEL MARSHALL

[Approved by the Minister
and signed in his absence]

COPY No 1 of 9
Dtp Copy No 1013/2. 3A

SECRET





DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H OET
TELEPHONE DIRECT LINE 01 215 3781
SWITCHBOARD 01 215 7877

*From the*
*Parliamentary Under Secretary of State*

cc PS/Mr Clarke
PS/Sir Peter Baldwin
Mr Lazarus
Mr Sanderson
Mr Brown
Mr Grimsey
Mr Evans PTI
Mr Bray

The Rt Hon Norman Fowler MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

27 August 1981

F2

Dear Norman,

In John Biffen's absence, I am commenting on the proposal in your letter of 21 August to Leon Brittan that the closure of the Royal Group of Docks should be announced very soon.

For the reasons outlined in your letter, I am sure that your view is right. This closure nettle clearly has to be grasped. It is as you say important that the PLA should take full advantage of the initiative by the National Association of Port Employers. I have also considerable difficulty with the remarkable proposition that this port authority (only kept in operation by state subsidies) should propose new investment, not justified in economic terms, to "motivate management" and fudge the realities of the situation for all concerned.

Yours,

David

LORD TREFGARNE

SECRET

SECRET

c.c. Walker
August

3

Department of Employment
Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 5949 GTN 213
Switchboard 01-213 3000

*Minister of State*

Rt Hon Norman Fowler MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON SW1

27 August 1981

Dear Norman,

I have seen a copy of your letter of 21 August to the Chief Secretary about the Port of London Authority, and am replying in Jim Prior's absence on holiday.

Closure of the Royal group of docks has been seen as inevitable for some considerable time, and I can see the attractions in announcing this in time to take advantage of the enhanced severance payments which will be on offer nationally during September and October through the National Voluntary Severance Scheme. But the special national offer for September and October was aimed primarily at the serious labour surplus problems of other ports such as Bristol, Hull, Manchester and Southampton. The TGWU are committed to resisting further dock closures in London; and it would be unfortunate if the timing of this announcement had the effect of prejudicing the outcome of the wider severance exercise.

It is unsatisfactory that we should have to make snap judgements on such an important and sensitive issue. For my part I see no objections to your discussing the matter with the Chairman of PLA; but I think it would be unwise to get into the position of appearing to insist on an immediate announcement about the Royals against PLA's own closer judgement of the situation.

Whatever the outcome it seems to me that the funding of severances arising from the closure of a major docks complex needs separate consideration. It may be found convenient to use the machinery of the National Voluntary Severance Scheme, but at this stage I am by no means persuaded that the costs should fall on the NVSS, which is already heavily in deficit. The National Association of Port Employers, which is already under great internal strain, would be bound to resist this; and I certainly see no prospect

of other port employers agreeing to any further general increase in severance levies in the immediate future, after the 2% increase in January 1982 to which they are already committed. To preserve the viability of the NVSS and the support of NAPE it may well be necessary to consider direct financing of severances from the Royals as part of any wider package of financial support for PLA.

I am sending copies of this letter to the recipients of yours.

Yours,

Greg

LORD GOWRIE

SECRET

cc Mr Walters
Mr Ingrid


✓ MAP. 2

hd Pol

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1

25 August 1981

Dear Mr Fowler

PORT OF LONDON AUTHORITY (PLA)

You wrote to Leon Brittan (who is currently abroad) on 21 August about the possibility of an early announcement by the PLA that the Royal Group of Docks were to be closed.

It is good news that the PLA Board are at last facing up to the need to close the Royals and I am sure you are right to press them for as early an announcement as possible. As you say, it is vital to the success of the closure that it coincides with the special severance terms being offered nationally in September and October and the earlier in September an announcement can be made the better.

I am aware that if the PLA succeed in severing all the surplus registered dock workers in the Royals, the costs of the national special scheme may be higher than originally estimated. While further loans to the NDLB would be extremely unwelcome, I recognise that we may have to reconsider the position if these severances alone are responsible for the original estimates of the total number of expected severances being exceeded. It may of course be the case that additional severances at London are offset by shortfalls in expected severances elsewhere.

So far as the PLA's finances are concerned, I think your approach is broadly the right one. The cost of the severances will of course be met initially by the national scheme, so there is no question of these falling directly on the PLA. The financial indications of the success or otherwise of the closure will have to be taken into account in reaching decisions on the Port's long term future in September. On investment I agree that it makes sense to point out to the Board that decisions cannot be reached until after September when we have been able to consider their Corporate Plan. But I should say now that I do not regard this investment as worthwhile or something we could agree to in future, and it is therefore important that absolutely no commitments are entered into. I certainly do not think anything should be said to enable PLA to go as far as promising new investment at Tilbury as you suggest they will wish to do.

I have noted the threat of industrial action associated with closure. As you recognise, this is a risk we have to run if we are to make any progress with PLA, and I doubt there will ever be a better time to run it than now.

I am sending a copy of this letter to the Prime Minister, to members of E(EA) and to Sir Robert Armstrong.

Yours sincerely

Mark Fellstead

(Private Secretary)

NIGEL LAWSON

(Approved by the Financial Secretary & signed in his absence)

Copy 2 of 10.

SECRET

cc Mr Walters
Mr Ingrid

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

1.

Prime Minister

Mr Fowler's seeks authority to give PLA a steer on timing of a closure announcement for the Royals group - ahead of E(EA) discussion on longer-term PLA issues scheduled for late Sept.

Content, subject to views of colleagues?

MAP 24/VIII

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1

21 August 1981

Agreed
AT.

Dear Leon.

PORT OF LONDON AUTHORITY

In my paper E(EA)(81)23 I undertook to circulate a paper to the Sub-Committee in September on the options for the ports of London and Liverpool. However, following the recent decision by the National Association of Port Employers to offer improved severance terms to registered dock workers (rdws) for two months starting on 1 September, I think it is important that we should take a decision now about the future of the Royal Group of Docks in London, in order to secure the greatest possible advantage from the general severance scheme in tackling the particular, very severe problem of London.

The PLA Board recently took a decision in principle that the Royals should be closed soon, and all the options in their Corporate Plan assume this. I think that is altogether sensible. However, the Authority wants to delay announcing closure until the Government has agreed:

SECRET

i. to provide the funds needed to pay for the 300 extra rdw severances involved (they think that a figure substantially higher than the £16,000 available under the NAPE's special scheme may be needed);

ii. to authorise investment of £5.5m at Tilbury to enable traffic displaced from the Royals to be handled there. Although the PLA accept that the financial case for this investment is weak, they argue that it is necessary in order to motivate management and prevent trouble with the unions.

I do not think we can take a view on either of the PLA's points until we consider all of the options for the port in E(EA) in September. The PLA's current attitude therefore means that an announcement about closure of the Royals might not be made until the end of September or early October, by which time the NAPE severance scheme would already have been running for a month. This delay would greatly reduce the chances of the PLA securing a significant proportion of the severances they need, and increase the risk that a further special severance scheme, financed directly by the Government, would be needed to deal with the surplus in London.

The PLA argue that if they close the Royals without being sure that they can fund the necessary severances they will lose revenue but still have to bear the manpower costs. That is true and the Government would have no coice but to help in the short term. It does, also, ignore the evidence which suggests that announcement of a dock closure leads to a significant increase in the number of applications for severance. I therefore consider that there is a strong case for pressing the PLA to make an immediate announcement of closure of the Royals.

I have some sympathy with their view that if they cannot promise any kind of new investment at Tilbury, they will be in a difficult position in talking to their customers, as well as their own management and the unions. We cannot possibly decide anything in advance of having their Corporate Plan as a whole. But if I am to persuade the PLA - and that will not necessarily be easy - then I think that I shall have to undertake to consider a case for some minimum investment at Tilbury, but would make it clear that I could make absolutely no promises until we had had time to consider and take decisions on their Corporate Plan.

I cannot pretend that there are no risks attached to closure. The Transport and General Workers Union's official policy is that they will call a national dock strike if the Royals are closed. On the other hand closure is only a matter of time - as the PLA's own workforce must be well aware - so this is a risk which will have to be faced sooner or later. Furthermore, there was no industrial action nationally, and virtually none locally, when the PLA closed the India and Millwall Docks in March last year. An additional risk is that the union might try and persuade rdws not to apply for severance under the NAPE's national severance scheme; if this happened the financial position of other port authorities would continue to deteriorate. In my view however, these risks should not be over-estimated. On the contrary, there is an important counter argument against delaying announcement of closure until after the NAPE national severance scheme at £16,000 has run its course, or virtually done so: this would be more likely to provoke a national dock strike over the closure issue because either the London men would feel that they had been cheated of the chance to take advantage of the special terms or men in other ports would feel that London had held back in order to come up later with even better terms.

I therefore propose telling the PLA that I expect them to announce closure of the Royals early enough to take full advantage of the initiative by NAPE, and that I cannot take a final view on either of their proposed conditions until we consider the future of the port in September. I will remind the Authority that the Government is not at present committed to providing any assistance beyond the end of September, and that the PLA could not continue operating the Royals without such assistance. However, in order to reduce the possibility that the PLA, or the unions, might claim that the Government had forced their hand on closure, I propose telling the Authority that I recognise that there is a clear choice between paying for the severances arising from closure, and meeting the losses if the workforce is not reduced, and that I also recognise that the PLA does not have the resources to pay for either cost. I would also undertake to consider the case for some minimum investment at Tilbury in due course. I hope you, and the other colleagues to whom I am copying this letter, will agree to this course of action. Clearly it is important that the PLA should know the Government's position as soon as possible, and I would be grateful for your views (and any other colleague's) during next week.

I am copying this letter to the Prime Minister, to members of E(EA), and to Sir Robert Armstrong.

Yours Norman

NORMAN FOWLER

CONFIDENTIAL

Ind Pol.

TL seen 2pm 17/2

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

17 February 1981

The Rt Hon Norman Fowler MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1

Dear Norman,

FINANCES OF THE PORT OF LONDON AUTHORITY AND
OF THE MERSEY DOCKS AND HARBOUR COMPANY

Thank you for your letter of 11 February seeking comments from E(EA) on the proposal which has now been agreed between you, the Secretary of State for Employment, and the Chief Secretary, following the discussion in E(EA) on 5 February, for a special scheme of enhanced severance payments for registered dock workers in Liverpool and London. I think you can take it that colleagues on E(EA) are content for you to proceed as you propose; no doubt they will let you have any comments on your draft statement.

I am copying this letter to the Prime Minister, members of E(EA), Francis Pym, Michael Jopling and Sir Robert Armstrong.

Yours ever,

Keith

CONFIDENTIAL

Prime Minister

Tessa 17/2

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 7691
SWITCHBOARD 01-212 7676

*From the*
*Minister of State*
Norman Tebbit MP

Norman Fowler Esq MP
Secretary of State for
Transport
Department of Transport
2 Marsham Street
London SW1P 3EB

16 February 1981

Dear Secretary of State

will request it read

FINANCES OF THE PORT OF LONDON AUTHORITY (PLA)
AND THE MERSEY DOCKS AND HARBOUR COMPANY (MDHC)

Thank you for your report dated 11 February to Sir Keith Joseph on the question of Government support towards increased severence payments at both of these ports.

In the light of the information you have received I accept that the early introduction of an enhanced severance scheme is the best alternative before us. I do not have any objections to the course of action you propose.

Copies go to recipients of your letter.

Yours sincerely

P F Mus

pp NORMAN TEBBIT
(Approved by the Minister
and signed in his absence)

CONFIDENTIAL

Ind Pol


DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Arch-to en

R.

MS 10/2

Chancellor of the Duchy of Lancaster

FINANCES OF THE PORT OF LONDON AUTHORITY AND THE MERSEY DOCKS AND HARBOUR COMPANY

Thank you for sending me a copy of your minute of 4 February addressed to the Secretary of State for Industry.

You have had already my personal note, but I should like you to know the full picture.

Until very recently I had hoped that the PLA would be able to continue operating without exceeding the £70m limit on Government aid which was established in the Port of London (Financial Assistance) Act 1980. They should realise a substantial sum, perhaps £13m, for land on the Isle of Dogs which is to be vested in the London Dockland Development Corporation. However, on 21 January I learned from the accountants that I had put into the authority in December, that this would not be possible, and that the PLA would have to cease trading unless the Government was prepared to provide additional finance, in excess of the £70m no later than the beginning of April. I also found in the next few days that I could not rely on the Appropriation Act to pay over the limit or include a clause in my Transport Bill because it would be outside its scope. So it was not until 27 January that the prospect of separate legislation became clear.

CONFIDENTIAL

You have suggested that I might have made a contingency bid for this legislation when the 1980/81 programme was being drawn up last May. This was not possible. In May last year I was getting through Parliament the Bill that laid down the £70m limit for PLA. The Bill was on the basis that that limit would be sufficient to see the PLA through their difficulties. The depth of the recession overtook them much later in the year. As for the MDHC it was not until December that the depth of the recession overturned their earlier expectations of avoiding imminent cash flow difficulty.

I am copying this minute to all members of the Cabinet, to Michael Jopling, to Sir Henry Rowe, and to Sir Robert Armstrong.



NORMAN FOWLER

9 February 1981

Ind Pol.

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

V
MS

SECRETARY OF STATE FOR INDUSTRY

FINANCES OF THE PORT OF LONDON AND THE MERSEY DOCKS AND HARBOUR COMPANY

I shall be unable to attend tomorrow's E(EA) discussion about the finances of the Port of London Authority, the Mersey Docks and Harbour Company, and the National Docks Labour Board. I note that Norman Fowler and Jim Prior propose that a short Bill should be passed by the end of March to increase financial assistance to the two Port Authorities, and to raise the borrowing limit of the NDLB. If these proposals are accepted by the sub-Committee, the Secretaries of State concerned may take this minute as drafting authority for a single short Bill. I should want to be consulted again if there are any unexpected difficulties about covering both points in one Bill, or if there are any further developments likely to make the legislation more complex or controversial than at present forecast.

I must, however, register my strong dissatisfaction about the short notice with which these proposals have been brought forward. The legislative programme is well known to be under severe pressure, which is likely to get much worse if we have to find time, as we probably shall, for legislation on the Canadian Constitution. I understand that the need for legislation on the financial position of the ports has only just become apparent. The problems of the ports have however been well known for some time, but this item did not appear - as it might have - as a contingent bid for the 1980/1981 programme when it was drawn up last May. It is unrealistic to expect the business managers to run the programme in an orderly way unless Departments can be a little more far sighted about the demands which they may have to put on it

Contd .....

at short notice. This is water under the bridge as far as tomorrow's meeting is concerned, but I would be grateful if any of our colleagues who have even the remotest intention of asking for additional time this Session for Bills not already in the programme would let me know as soon as possible.

I am copying this minute to all members of the Cabinet, to Michael Jopling, to Sir Henry Rowe, and to Sir Robert Armstrong.

F.P.

4 February 1981

ce Duguid

Fnd PSR.


Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213.....6400.....
Switchboard 01-213 3000

GTN Code 213

MBM

Rt Hon John Biffen MP
Chief Secretary
Treasury
Great George Street
LONDON
SW1P 3AG

R
3/10

3 October 1980

Dear John

LOANS TO THE NDLB

You wrote to me on 22 September suggesting that I find offsetting savings for the extra loans of £13m at 1980 Survey prices to the NDLB. attached.

I am sure that we must confine the contingency reserve to those claims for which it is designed but these loans are exactly in that category. They could not possibly have been foreseen when the Estimates were drawn up. At our meeting with the Prime Minister we were agreed that it was necessary to make the loans to help avoid a docks strike; had there been a dock strike there would, of course, have been extra expenditure in a number of departments. Moreover, the loans are in a non-cash limited vote. I hope you will be able to consider again the eligibility of these loans as a claim on the reserve.

You repeat the proposal that the raising of the redundancy rebate should be delayed until next April to save £7m towards the extra loans. My previous agreement to a delay to meet an earlier loan of £1.5m was taken most reluctantly as I explained in my letter of 5 September.

However, my unwillingness to agree to a further delay requires explanation. The question of the rate of rebate which should be payable from the Redundancy Fund is now being viewed from several different angles. Originally the CBI and I were concerned at the way in which an embarrassingly large surplus in the Fund was growing steadily larger, and pressed for an increase in the rate of rebate from 41% to 60%. You will remember that last February we settled on a compromise figure of 50%, to be applied next November.

In fact the surplus reached a peak (of £144.7 million) in March and then started to decline slowly. The latest figure we have for it is £125.6m at the end of August. From the point of view of bringing the surplus down to a reasonable figure - say, £40m at most - without too much delay, I still advocate a rise in rebate to 50% from 24 November (that is, a postponement from 1 November designed to produce the saving of £1.5m I promised in my letter of 5 September). Postponing the increase to next April, as you are now proposing on public expenditure grounds, would mean that the surplus in the Fund at the end of next March would still be so large - perhaps about £90m - that we should find it hard to justify our inaction even in terms of the size of the surplus.

But in addition some of our colleagues, as you know, have now begun to canvass the merits of an increase in the rebate, to 60% rather than 50%, as a measure of industrial support. I can see the attraction of this, and I do not think it is affected by the fact that if the rise to 60% were applied from November (as I assume would be the intention) it would be necessary to increase the contribution rate from next April.

It will be clear from all this that there is much to be said for increasing the rebate from this November (to 50% both to get the surplus down more quickly, and as a measure of industrial support, or to 60% as a more marked measure of industrial support). The alternative you propose of leaving it at 41% until next April would certainly produce a saving in public expenditure, as this is calculated, but would run directly counter to both of the other two aims.

In these circumstances I think you will agree that since the question of industrial support is now bound up with that of the rebate we should not take a decision on the latter between the two of us, but should submit it to our colleagues collectively. I should make it plain, however, that though the cost of an increase to 50% from November is covered in my existing PES allocation, I could not agree that the additional cost of an increase to 60%, which would be a measure of industrial support, should be a charge on my Department.

Your other suggestion is that the level of compensation under the short time working scheme should be reduced. Changing the level of compensation cannot be separated from the review of special employment measures which we shall be discussing later this month and in which the scheme has an important role. The present level was announced for the current year and to reduce it now would prejudice our making an effective presentation of the special employment measures package on which we have yet to agree. Moreover, there is very little in it. If the level of compensation were reduced from 75% to 50%, which would be a major retreat, it would have to be confined to new entrants and would only produce an estimated £3m allowable savings in the rest of this financial year.


You also raise the question of increases in severance payments saying that there can be no question of automatic approval if they are proposed. The position is set out in my minute to the Prime Minister of 16 September. I proposed that the level of severance payments should be regarded as a matter for NAPE and that we should not resist any reasonable adjustment. I believe that was agreed between us and that is what NAPE have been told.

I am copying this to recipients of your letter and to colleagues in E(EA), to whom I am also sending copies of your letter of 22 September.

Yours ever

Tom

PQ VB

c Transport.
D/M.

Ind Pol

# 10 DOWNING STREET

*From the Private Secretary*

23 September 1980

In her absence on an official visit to Greece and Yugoslavia, the Prime Minister has asked me to thank you for your letter of 16 September informing her of a statement by the National Docks and Waterways Committee of the Transport and General Workers Union and endorsed by a National Docks Delegate Conference.

The Prime Minister was glad to learn subsequently that the threatened strike action was not proceeded with.

T. P. LANKESTER

Moss Evans, Esq.

Sd-ph tym

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

23 September 1980

Dear Tim,

As requested in the note from the Duty Clerk of 17 September, I enclose a draft reply to Mr Evans' letter to the Prime Minister.

I am copying this to Barbara Riddell (MoT).

Yours ever,

ANDREW HARDMAN
Private Secretary

DRAFT REPLY TO MR MOSS EVANS (TGWU) FOR PRIVATE SECRETARY SIGNATURE

1 In her absence on an official visit to Greece and Yugoslavia, The Prime Minister has asked me to thank you for your letter of 16 September informing her of a statement by the National Docks and Waterways Committee of the Transport and General Workers Union, and endorsed by a National Docks Delegate Conference.

2 The Prime Minister was glad to learn subsequently that the threatened strike action was not proceeded with.


Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon James Prior MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1

22 September 1980

Dear Jim,

LOANS TO THE NATIONAL DOCK LABOUR BOARD (NDLB)

At the meeting held by the Prime Minister on 16 September it was agreed that your proposals for improving the severance terms for dockers at a cost of about £13 million should be accepted, but no decisions were taken on how this cost should be financed.

You are well aware of the difficult position we face this year on public expenditure and on the PSBR. The contingency reserve is under severe pressure and it is necessary to seek offsetting savings whenever additional expenditure is proposed. In the minute which I sent on 16 September I proposed that the cost of the measures we are taking to avert a dock strike should be met by further deferring the proposed increase in the Redundancy Fund rebate. Deferment until next April should save about £7 million of the £13 million required. I suggested that it might be possible to offset the remaining cost of the loan by reducing the level of compensation offered under the temporary short time working scheme. But you may prefer to make the necessary offsetting savings in other areas.

In your minute of 16 September to the Prime Minister you said that you would be quite unable to meet the costs involved from your existing programmes. Whilst I appreciate your difficulties, we have to face up to the problem of controlling public spending and, in present circumstances, it is imperative to seek offsetting savings for additional expenditure. I can see the attractions of giving some help to industry's cash flow by an early increase in the Redundancy Fund rebate. As far as industry is concerned, however, it stands to benefit much more from our success in

avoiding a dock strike than it would have done from an additional £7 million of redundancy money or additional compensation for short term working. I hope therefore that, bearing these considerations in mind, you will be able to offer the necessary offsetting savings.

I should, perhaps, add that I should also have to seek additional offsetting savings if you were to be presented with a request for further sums for the NDLB to finance any further increase in the level of severance payments. I am sure that you will have conveyed to NAPE the thought that, whilst we will look sympathetically on any request which they may make for a further increase in severance payments, there can be no question of automatic approval because of the public expenditure consequences.

I am copying this letter to the Prime Minister, Keith Joseph, George Younger, Nick Edwards, Norman Fowler and Sir Robert Armstrong.

Yours
John Biffen

JOHN BIFFEN

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

*From the*
*Minister of State*

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

17 September 1980

Dear Prime Minister,

THE THREATENED NATIONAL DOCK STRIKE

As you know the Minister will not be able to attend Cabinet tomorrow because of his official visit to South America. It might be helpful therefore if I gave an assessment of the effects of a dock strike on food and animal feedingstuffs, on the assumption that this may be discussed under industrial affairs.

While there would be bound to be problems, there appears to be no immediate cause for concern and significant difficulties should be avoided for three or four weeks at least. At this time of year, with a record cereal harvest now in store and processing of the sugar beet harvest soon to begin, the situation on essential foods is better than at the time of the 1972 dock strike and probably better also than during the road haulage dispute of January 1979. There is considerable scope for coping with the difficulties which may arise, for example by adjusting formulations for animal feed and by increasing the proportion of home grown wheat used for breadmaking flour. Measures like these are available before it might become necessary to consider the use of any of the strategic reserves. In addition, there are cereal stocks in intervention and the EC reserve stocks of sugar, which could be drawn on after reference to the Commission.

As to publicity, the Department has been responding in a low key to press enquiries which have not been especially numerous. Naturally we shall work closely with the Central Press Unit if it should be activated.

Copies go to Members of the Cabinet and Sir Robert Armstrong.

Yours ever

Alick

Alick Buchanan-Smith

Ref: A03021

Ind Pol.

CONFIDENTIAL

PRIME MINISTER

Industrial Affairs: Possible National Dock Strike
(To be raised orally)

BACKGROUND

By the time that Cabinet meets you will be up to date on the state of play but most of your colleagues will not. The Industrial Affairs item is on the agenda partly to enable the Chancellor to report to colleagues on the general state of the economy and to set the scene for next month's Public Expenditure discussions, but it will provide an opportunity for discussion of the Docks situation should this be required.

HANDLING

2. You might begin by inviting the Secretary of State forEmployment and the Minister of Transport to report on the situation as it now stands. Unless it is certain that the threat of a Docks strike has been averted, you might also invite the Home Secretary to report on the state of readiness of the Government's contingency arrangements in relation to essential supplies and services in the event of a strike (the Home Secretary's Private Secretary wrote to Mr. Lankester, with copies to all Cabinet colleagues, on 17th September setting out the position, but the Home Secretary would, I am sure, also wish to report orally). Attention is likely to focus on the timing of Government action - declaration of a state of emergency, recall of Parliament etc. - should a strike occur.

CONCLUSIONS

3. Subject to discussion, conclusions may need to be recorded on:-

(i) any further steps to be taken in an attempt to avert a strike;

(ii) the timing of action, in the event of a strike, particularly as it affects Parliament;

(iii) publicity for the Government's attitude.

RTA

(Robert Armstrong)

17th September 1980

CONFIDENTIAL

Mr Ashburn
Mr Lyne

From: THE PRIVATE SECRETARY

CONFIDENTIAL

Prime Minister
Let's hope none of this is needed; but I thought you should see nonetheless.
TL
17/9

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

17 September 1980

Dear Tim,

THREAT OF NATIONAL DOCK STRIKE

In the light of your letter of 15th September to Richard Dykes at the Department of Employment, officials of the Civil Contingencies Unit met on 16th September to consider contingency arrangements in relation to essential supplies and services in the event of a national dock strike.

ASSUMPTIONS

The Unit agreed a set of planning assumptions on which to base contingency arrangements and estimations of endurance. However, Ministers will be aware that there is little hard evidence to support some of these assumptions at this stage and they may wish to indicate changes as the situation develops. The assumptions are:

a. All major cargo handling ports will be shut from 22nd September.

b. Non cargo handling, roll-on-roll-off ports will continue to operate at normal rates of activity. Owner drivers will be allowed freedom of movement to and from such ports.

c. Minor ports not affected by the strike are unlikely to make any significant contribution to the overall national import or export situation.

d. Senior docks managerial staff will remain on duty but the response of junior management and supervisory staff to strike calls cannot be predicted with accuracy.

e. The attitude of foreign dock workers to a United Kingdom docks strike cannot be predicted.

f. Picket lines will be set up at dock entrances of all affected ports. They will be effective in dissuading union members from moving cargo out of the ports by road or rail.

g. Non T.G.W.U. members employed in the docks (e.g. N.U.R. members at British Transport Docks Board ports) will continue to work.

h. No interruption in oil imports.

ENDURANCE

This report ignores discomforts and inconveniences arising from shortages of non-essential items, and economic/social damage caused by the disruption of industry. It concentrates only on C.C.U's proper remit, i.e. supplies and services essential to the life of the nation.

/On that

T. P. Lankester, Esq.

CONFIDENTIAL

On that basis, the area of concern is confined to supplies of food and animal feeding-stuffs. On the offshore islands there may be other commodities, such as aviation fuel, in short supply; but quantities are relatively small and emergency deliveries by air freight could bridge the gap.

Annex A shows how long present commercial stocks of key commodities would last; and how far these periods could probably be extended by using war reserve stocks. In addition, stocks already on-the-shelf at retail outlets would probably extend endurance of non-perishably items by about one to two weeks. Experience in the 1978/79 road haulage disputes shows that the food and agriculture industry has considerable flexibility and can meet critical shortages which may develop out of phase. Animal feeding-stuffs look like being the earliest point of difficulty.

Ministers will wish to consider in the event of a strike what publicity to give to these estimates and will wish to balance the benefits of extending endurance by appeals for restraint against the risk of causing panic buying.

SERVICE ASSISTANCE

There is a military plan (HALBERD) for unloading essential cargoes from ships. In view of the increasing mechanisation of the ports in recent years, it is now thought that about 4000 servicemen would be needed (compared to some 12,000 allowed for in earlier plans). They would need to operate sophisticated equipment, and so their effectiveness would depend critically on adequate instruction from management. Troops have not been deployed in the ports in recent times, and the full scale of the contribution that they could make can only be determined by detailed consultations with the port managements.

In view of the likelihood that transport from the ports will be blocked by picketing, the service plan will only assist in increasing national endurance if the goods can be moved from the quayside to the users. This could involve the use of the additional military plan (BEANSTALK) involving the provision of some 2000 four ton vehicles and drivers. If Emergency Powers are available, specialist vehicles could also be requisitioned. But Ministers will recognise that the use of troops in road transport may risk spreading the disturbance to road haulage generally.

A working group of officials from the Departments concerned, under Department of Transport lead, is urgently examining the extent to which the implementation of HALBERD, with or without BEANSTALK, could be expected to extend normal endurance in relation to critical food and feeding-stuff supplies.

If Ministers do decide to use troops, a period of ten days' notice would be required, covering deployment and training. This timetable would not be affected by the large N.A.T.O. exercise (CRUSADER) currently in progress.

/DECLARATION

DECLARATION OF STATE OF EMERGENCY

Although troops could in theory be used in a limited way without a State of Emergency, in practice Emergency Powers would be needed to allow the direction of ship movements within the ports. The two decisions would therefore have to be considered in parallel. Emergency Powers are proclaimed following a Privy Council meeting, and this would involve about 24 hours' delay following a decision to proceed. Within five calendar days of such a proclamation Parliament must be recalled, and within seven days must pass affirmative resolutions to confirm the Emergency Regulations.

PORT EMERGENCY COMMITTEES AND CONSULTATIONS

If Emergency Powers are implemented, and troops are used, the Minister of Transport can establish Port Emergency Committees under the chairmanship of the Chief Executive of the port concerned. In view of the untried nature of the military plans, and the changes in port technology in recent years, the Ministry of Defence recommend that if the strike materialises there should be the earliest possible consultations between the military, the police and the employers as represented by the potential chairmen of Port Emergency Committees, before a firm decision to introduce troops is taken. The authorisation of such consultation is a matter for the Minister of Transport.

CENTRAL PRESS UNIT

Advice from the Paymaster General's office is that the handling of Press relations should remain with the Departments of Transport and Employment for the time being. If it becomes clear that the strike is certain to proceed, the Central Press Unit should be activated to co-ordinate Press briefing.

Yours,

Stephen

S. W. BOYS SMITH

Annex A

Essential foods and animal feedingstuff endurance

(subject to further consideration by MAFF officials)

| Item | Estimated endurance | Remarks |
|---|---|---|
| North American wheat and flour for bread | 2-4 weeks stocks at mills | 5 weeks war reserve. Additional stocks in grain holders at ports |
| Home grown flour | 4 weeks | Not used for bread in normal circumstances |
| Oils and fats | 4 weeks raw materials<br>2 weeks finished products | |
| Sugar | 2-3 weeks | 3 weeks war reserve<br>Home grown beet harvest about to be processed |
| Animal feeding stuffs | 3-4 weeks | |

Ind Pol

See

PRIME MINISTER

Liverpool Port

Mr. Prior's officials saw the employers last night and explained our proposals for improving the severance payments. Mr. Fowler and his officials saw the Mersey Dock and Harbour Company and gave the assurance that we would take into account the costs of their temporarily taking on redundant dockers in the review which is currently being undertaken. As a result of these initiatives, MDHC have told us privately that they will accommodate the T&GWU and not introduce a Temporarily Unattached Register. The employers in the rest of the country will certainly welcome this, and the T&GWU will be told of the decision either tonight or at the National Joint Council meeting scheduled for tomorrow morning.

As a result of what was decided last night, therefore, it seems likely that the strike will be called off.

R.

17 September 1980

1

BF –

**10 DOWNING STREET**

Monday

Prime Minister

I have acknowledged. 18/9

Best not to reply until we know the outcome of tomorrow's talks.

MT

17/9

Prime Minister

I have sent a copy of this to Employment and Transport. I will get advice on how you should reply to him.

T.P. 16/9

2

# Transport and General Workers Union

TRANSPORT HOUSE · SMITH SQUARE · WESTMINSTER · LONDON S.W.1P 3JB.

OUR REF AME/AK/JS

TELEPHONE 01-828 7788 TELEGRAMS TRANSUNION LONDON SW1 TELEX No 919009

YOUR REF

September 16, 1980

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London SW1.

Dear Prime Minister,

Employment to TL of 11/9

No doubt you will have received a detailed report from the Under Secretary of State for Employment, Patrick Mayhew, following our meeting with him on September 9 when we discussed fully the current industrial dispute in the Port of Liverpool and its national implications.

A meeting of our National Docks and Waterways Committee was held yesterday, September 15, where the following statement was unanimously passed, and subsequently endorsed by our National Docks Delegate Conference. The Union's General Executive Council have formally given their support.

> "The National Docks and Waterways Committee discussed a report that at the Port of Liverpool the services of the 178 registered dock workers would be terminated on September 30 by the two registered port employers - consequent upon them ceasing cargo-handling activities and the refusal of the remaining individual employers to accept these men into their employment through allocation by the Liverpool Local Dock Labour Board - and considered that the action of the Liverpool Port Employers would extend nationally to other registered employers.

The action of the Port Employers is in breach of the Jones/Aldington Committee decision of July 25 1972: "that the Temporary Unattached Register be eliminated now and in the future", which was accepted by the NJC for the Port Transport Industry.

The National Committee therefore recommends that the General Executive Council sanction national strike action, to include Dock Labour Scheme and Non-Scheme ports, with effect from September 22, 1980, and that the official strike action shall remain in force until the National Port Employers agree that in future registered dock workers will not be returned to the TUR and they confirm in writing that the TUR is eliminated, except for the strict purposes of administering disciplinary procedures within the terms of the National Dock Labour Scheme."

You may be assured that we were very much concerned that we were left with little alternative but to endorse the decision, particularly having regard to the Port of Liverpool Employers not being prepared to accept the NDLB's recommendation, but nevertheless I should advise you that the Union is prepared to have discussions with the employers immediately or at any time in the near future.

Yours sincerely,

A. M. Evans

A. M. EVANS
General Secretary

The action of the Port Employers is in breach of the Jones/Aldington Committee's decision of July 25 1972: "that the Temporary Unattached Register be eliminated now and in the future", which was accepted by the NJC for the Port Transport Industry.

The National Committee therefore recommends that the General Executive Council sanction national strike action, to include Dock Labour Scheme and Non-Scheme ports, with effect from September 22, 1980, and that the official strike action shall remain in force until the National Employers agree that in future registered dock workers will not be returned to the GUD and they confirm in writing that the TUR is eliminated, except for the strict purposes of administering disciplinary procedures within the terms of the National Dock Labour Scheme.



You may be assured that we were very much concerned that we were left with little alternative but to endorse the decision, particularly having regard to the Port of Liverpool Employers not being prepared to accept the NJC's recommendation, but nevertheless I should advise you that the Union is prepared to have discussions with the employers immediately or at any time in the near future.

Yours sincerely,

A. M. EVANS
General Secretary

CONFIDENTIAL

File cc CSO
IND
TRANS
CO
HO
bc Paymaster General
Mr. Hoskyns
Mr. Wolfson
Mr. Ingham
Masto.

jfh
Ind Pol

10 DOWNING STREET

*From the Private Secretary*

16 September 1980

Dear Richard,

Liverpool Port

As you know, the Prime Minister held a meeting this evening with your Secretary of State, the Minister of Transport and the Chief Secretary to discuss the Liverpool port problem. The Secretary of State for Industry, the Minister of State, Department of Industry (Mr. Butler) and Sir Robert Armstrong were also present. They had before them Mr. Prior's and Mr. Biffen's minutes of today's date.

Mr. Prior explained his proposals. An immediate decision was needed because his officials were meeting the employers very shortly in advance of their meeting the following morning. The Employers' Association were keen to put pressure on the Liverpool employers to avoid a strike; and equally, the union wanted to avoid a strike if they possibly could. But there was no doubt that, if a temporary unattached register were introduced at Liverpool, there would be a strike. His proposals under (a) in his minute were intended to enable the employers to offer improved severance terms; proposal (b) would provide the Mersey Docks and Harbour Company with an assurance that their taking on laid off dockers who did not accept the improved severance terms would be taken into account in the current review of their financial position. This was the least that was required in order to prevent them from setting up a TUR. The dockers being laid off would probably accept improved severance terms in due course, though it would be for the employers to decided on how much they should be improved; but it was doubtful whether they would all accept on the time-scale required. By giving the MDHC the proposed assurance, this would enable them to be taken on temporarily rather than a TUR being imposed.

The Prime Minister said that a dock strike must be avoided particularly since it would appear to be caused by the employers breaking their 1972 agreement. She fully accepted the proposals under (a) to improve the severance terms. Her only doubts were about the proposed assurance under (b). She disliked the idea of the Government having to provide the MDHC with additional funds to finance employees whom they did not need. However, if the assurance was necessary to avoid a TUR and if the probability was that the dockers would only be taken on by the MDHC temporarily, she was prepared to go along with it. Mr. Fowler said that the

/Government would

CONFIDENTIAL

Government would have to be very careful in its presentation of what was being done: otherwise, it would look all too much like a defeat. He would see the Managing Director of MDHC later that evening and apprise him of the Government's position.

I am sending copies of this letter to Terry Mathews (Chief Secretary's Office), Anthony Meyer (Department of Transport), Ian Ellison (Department of Industry), David Wright (Cabinet Office) and also to John Halliday (Home Office), together with a copy of Mr. Prior's minute.

Yours ever,

Tim Lankester.

Richard Dykes, Esq.,
Department of Employment.


In seen

PRIME MINISTER

PR. 16/9

PORT OF LIVERPOOL

I have seen Jim Prior's minute of today's date about the steps it will be necessary to take to avert the threatened National Docks strike. I do not dispute his judgement about the steps which need to be taken although you will understand that in the present critical situation for public expenditure I am anxious to ensure that the costs are kept to a minimum. While I recognise, therefore, that we must take these steps if we are to avoid a docks strike, I believe it is important that offsetting savings should be found to meet the immediate consequences for public expenditure of providing the National Dock Labour Board with further loans totalling £13 million.

2. Jim has already agreed to defer the increase in the Redundancy Fund rebate for a sufficient time to offset the £1.8 million loan to the NDLB which we agreed to recently. I therefore suggest that he should further defer the proposed increase to next April which should save an additional £7 million. Further, it might be possible to reduce the level of compensation offered under the temporary short time working scheme to offset the remaining cost of the loan. Alternatively Jim may have other suggestions for identifiable savings.

3. I am also concerned that giving the port employers a carte blanche to increase the maximum level of severance beyond £10,000 if they judge it necessary is tantamount to writing an open-ended cheque on public expenditure. I accept Jim's judgement that this part of the package is essential but I hope that it can be expressed in such a way as to reserve to the Government an ultimate sanction

over the level of severance pay should the port employers ever propose truly unacceptable levels. But I agree that we should not get into the business of proposing precise figures.

I am sending a copy of this letter to Jim Prior, Norman Fowler and Sir Robert Armstrong.

R. Watts

pp JOHN BIFFEN

[Approved by the Chief Secretary
and signed in his absence]

16.9.80

CONFIDENTIAL

PM seen


PRIME MINISTER

PORT OF LIVERPOOL

I have been considering urgently how we should respond to the present docks situation, in the light of your Private Secretary's minute of 15 September.

We agreed yesterday that our essential objective is to avert a damaging national dock strike. At the same time, I am sure we need to avoid the Government becoming drawn into detailed negotiations between the port employers and trade unions. Norman Fowler is particularly concerned that we should also avoid at all costs any public presentation which implies that the Government is ready to change its basic policy towards uneconomic ports.

It is clear that the question of severance payments and funds is important. It is also clear that the question of the use of a temporarily unattached register in Liverpool is more immediately critical. The TGWU will in any event not withdraw its call for an official national strike from next Monday without a clear affirmation by the Liverpool employers that they will continue to stand by the Aldington-Jones agreement and absorb surplus dockers pending voluntary severance, rather than resort to a TUR. In all of this the position and attitude of the Mersey Docks and Harbour Company (MDHC) is the key factor.

I believe, therefore, that a double barrelled approach is needed and that we should proceed urgently on the following lines:

(a) we should privately tell the National Association of Port Employers (NAPE) that the Government will seek approval by the House of Commons immediately after the recess of an Order increasing the borrowing limit on the National Dock Labour Board (NDLB); that the NDLB's recent request for further loan facilities of some £13 million needed to fund rdw severances


between now and next April will be met; and that we shall not insist on any increase in levy income beyond that which we have already sought in relation to the £1.8 million loan facility ie an uplift of 2 percentage points on existing rates of levy on port employers. We should at the same time need to make clear to the port employers that we regard the level of severance payments as a matter for them: if in their judgement an increase beyond £10,000 at the maximum, either immediately or subsequently in the light of the response to an early increase to this figure, is needed, we should not wish to resist any reasonable adjustment. But I am sure that we should not get into the business of proposing precise figures. I believe that immediate assurances of this kind to the port employers will help to unite them in accepting that the Aldington-Jones agreement cannot be thrown overboard.

(b) We should indicate to the MDHC that the Government recognises the problems facing them and other employers in the port. We also accept that, if use of a TUR is ruled out in order to avoid a national dock strike, MDHC will inevitably have to take on rdws becoming surplus in the port. We should have to give MDHC an assurance that this factor would be fully taken into account when we come to consider next month the report on their financial situation on which they and the National Ports Council are currently working. The financial situation of the MDHC is already very serious and the addition of the charge for paying additional rwds in full - even assuming a substantial proportion take severance payments - could very soon force the company into receivership. If the Government accepts the liability -


for which there is at present no provision - to support them against that result, the whole of our policy towards our uneconomic ports would be in jeopardy, and we could find ourselves unable to avoid paying dockworkers from public funds to do no work. Norman Fowler feels, therefore, that it may be necessary to make it clear in the next few weeks that there is no question of the Government providing such support at Liverpool (or anywhere else) beyond the short time required to assess the financial prospects of the port in the light of its profitability study due next month. If there is to be temporary assistance to Liverpool it remains to be seen whether loans with guarantees would suffice. We should not accept commitments to grant at this stage.

It is difficult at this stage to assess precisely the likely costs of (a) above. This depends critically on the level of severance scales which the industry adopts. An increase in scales to a maximum of say £12,000 would bring the costs to some £16-18 million. This would, of course, be in public spending terms though we should expect the loans to be repaid in due course. I doubt whether there would be any direct repercussions on levels of redundancy payments in other industries, at least in the short-term, since maximum payments in eg coal and steel are currently well ahead of those in the ports.

I doubt whether in practice we could be confident that anything less than I have suggested will relieve the present difficulties. I have consulted the Chief Secretary and Minister of Transport, who agree that we should proceed on these lines, recognising that in a fast-moving situation we may have to adjust in detail as we go. I think it important that my officials should have private discussions later today with NAPE, and that the Department of Transport should approach the MDHC, in advance of tomorrow morning's meeting of the NAPE Executive.

CONFIDENTIAL


I have made it clear to the Chief Secretary that I shall be quite unable to meet the costs involved from my existing programmes. Equally, the Chief Secretary has made clear to me that he is unable to approve any net increase in public spending. This will need to be resolved later.

I am copying this minute to the Chief Secretary, Minister of Transport and Sir Robert Armstrong.

JP
16 September 1980

CONFIDENTIAL

cc: D/Transport
HMT HO
CO
Master

10 DOWNING STREET

*From the Private Secretary*

15 September 1980

As you know, the Prime Minister held a meeting with your Secretary of State and the Minister of Transport this afternoon to discuss the strike threat caused by the problem at the Port of Liverpool.

Mr. Prior described the problem (on the lines already set out in your letter of 11 September). Pressure had already been put on the Merseyside Docks and Harbour Company to accept re-allocation by the local Dock Labour Board of the dockers who were going to be made redundant. But the Company were playing it tough because they were already in financial difficulty and because they believed that they had been treated less well than the Port of London Authority. The risk of putting still further pressure on them was that they would then ask the Government to bail them out. There was a possibility that the planned increase in severance payments from £8,500 to £10,000 would persuade the dock workers concerned to accept redundancy; but the prospects did not look good, and there was a significant risk that a national dock strike would be called. Mr. Fowler added that if either of the other two private companies at Liverpool Port were to take on the Harrisons dock workers, they too would almost certainly collapse. He agreed with Mr. Prior's assessment that the prospect of achieving voluntary severance on the basis of the improved £10,000 severance pay was not good.

The Prime Minister said that she was very concerned to avoid a national dock strike. The best way forward would be to consider urgently how much higher the severance payments would need to be in order to obtain an adequate response. She would like your Department and the Department of Transport, in consultation with the Treasury, to consider this urgently so that a decision can be taken before a strike becomes inevitable. In reaching a decision, the Prime Minister will clearly need to know what will be the public expenditure implications, including any repercussions for redundancy payments in other industries.

/ I am sending

CONFIDENTIAL

I am sending a copy of this letter to Anthony Mayer (Department of Transport); copies also go to John Wiggins (HM Treasury) and David Wright (Cabinet Office), both of whom get copies of your letter of 11 September.

ditto Home Office.

L.P. LANKESTER

Richard Dykes, Esq.,
Department of Employment.

010

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Prime Minister

R

14/9

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

cc Mr Hoskyns

Tim Lankester Esq
Private Secretary
10 Downing Street

11 September 1980

Dear Tim

PORT OF LIVERPOOL

You will no doubt have seen press speculation in the last day or two that a national dock strike may take place as early as next week.

You may find it helpful to have the attached summary of the background to the current difficulties facing the Liverpool port employers in dealing with their surplus labour problems. Our assessment at this stage is that official industrial action must be regarded as probable unless the 10 registered dock workers currently employed by Bulk Cargo Handling Services are reallocated to other registered employers next week. The issue is being discussed by the National Dock Labour Board this morning, but a final decision may well be left to the local dock labour board meeting next Wednesday.

'temporary unattached register'

The issue of a possible TUR is not one in which the Department has any locus, and Mr Mayhew made this clear to the TGWU Docks and Waterways Committee when he met them on Tuesday. The Department has statutory power to make loan finance available to the NDLB for financing the industry's voluntary severance arrangements and the issue of longer-term support for these arrangements is to be discussed in E(EA) later this month. Mr Prior is however anxious that so far as possible the question of severance finance should not become an issue between the Government and the industry at this stage. There seems no reason why the present difficulties in Liverpool should not be resolved within the limits of financial resources already available to the NDLB and we have told the employers that it is for the industry's own judgement whether an early increase in severance scales is required.

We shall continue to keep you in touch with developments.

I am copying this letter to Tony Mayer (Department of Transport).

Yours ever
Richard Dykes

R T B DYKES
Private Secretary

PORT OF LIVERPOOL

1 Dockers at a number of ports, including Liverpool, Southampton, Glasgow and Hull, have indicated that they will support a national dock strike if a Temporarily Unattached Register (TUR) is introduced in the Port of Liverpool. The local dock labour board in Liverpool has discussed possible recourse to a TUR to accommodate 170 registered dock workers who will be displaced by the closure of T & J Harrisons on 30 September. A smaller registered employer in the port, Bulk Cargo Handling Services, which employs 10 rdws will also close on 16 September. The Mersey Docks and Harbour Company which is the registered employer is currently in some financial difficulty due to the recession and the port employers in Liverpool have said they are unable to accept reallocation by the local Dock Labour Board of rdws who are made surplus by these closures.

2 The Dock Labour Scheme provides for the use of a TUR. The Aldington/Jones report in 1972 recommended that the TUR should be eliminated and subsequently agreed that it would be used only "for the strict purpose of the dock labour scheme" (mainly discipline). At a meeting with Mr Mayhew on 9.9.80, the TGWU Docks and Waterways Committee indicated that a breach of this agreement by the employers in Liverpool would result in industrial action which would rapidly spread to other major ports. A national docks delegate conference is to be held on Monday, 15 September to discuss this issue and it will subsequently be considered by the TGWU National Executive.

3 Since employer and union members of the local dock labour board have been unable to reach agreement, they have referred the question of a TUR in Liverpool to the National Dock Labour Board, which is meeting on Thursday 11.9.80. The only effective alternatives if reallocation is ruled out are either a TUR or severance under the industry's National Voluntary Severance Scheme (NVSS). (Compulsory severance can be effected under the terms of the dock labour scheme

but it has for some years been accepted by employers and unions in the industry that all severance will be on a voluntary basis). The Government has no standing in the matter, which is entirely for the NDLB and local dock labour board.

4 The NDLB recently approached the Department of Employment with a request for substantial further loan facilities for severance purposes. After consulting the Treasury, the Department has indicated that it is willing to provide a further loan to the NDLB of up to £1.8 million, which is the maximum currently available under the ceiling laid down in s3 of the Dock Work Regulation Act 1976. The Department is currently discussing with the employers the conditions to be attached to such a loan. The port employers are also anxious to offer an early increase in the maximum rate of severance payment from £8,500 to £10,000 and the Department has indicated that it will not object to such an increase.

5 The TGWU leadership have so far given no indication whether any industrial action will receive their official backing. They are evidently seeking to retain some control over the dispute, rather than allow the initiative to pass into the hands of the unofficial National Ports Shop Stewards Committees. A good deal must depend at this stage on decisions to be taken by the local dock labour board and port employers in Liverpool. It is likely that some kind of industrial action will take place next week unless the 10 rdws employed by Bulk Cargo Handling are reallocated. The degree of support such action would receive among rdws generally remains to be assessed.

10 randomised pat 11

Consult notes on Friday –

Schools to receive

8,000 to 10,000 [illegible]

Ind PS


Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
London SW1

12 2/3

31 March 1980

Dear Norman,

MERSEY DOCKS AND HARBOUR COMPANY (MDHC)

Thank you for your letter of 31 March. I must admit to some surprise that the MDHC's financial position can alter so dramatically in such a short length of time. However, if you judge on the basis of the figures now available to you that the MDHC will be able to trade without a Government guarantee until the Autumn, when the results of the National Ports Council Study will be available, I am prepared to agree that lending should be resumed without a collective discussion.

I also agree that in these new circumstances it is not imperative to inform Parliament before lending is resumed. Given the uncertainties that still surround the MDHC's future, it would be preferable to make an announcement at some stage and I hope you will be able to find a convenient opportunity in the not too distant future.

I am copying this letter to the recipients of yours.

Yours

John Biffen

JOHN BIFFEN

CR

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon John Biffen MP
Chief Secretary
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

31 March 1980

Dear John,

MERSEY DOCKS AND HARBOUR COMPANY

In your letter of 27 March you referred to mine of 20 March and said that you could not agree that we should continue lending to the MDHC under Section 11 of the Harbours Act 1964 - apart from loans for the refinancing of existing debt - until we had considered collectively whether or not we are prepared to support the MDHC with a guarantee.

You should know that I have just received a copy of the most recent outturn and revised 1980 forecasts prepared for the MDHC Board. These show a significantly healthier position than the budget figures which I had before me when I wrote my letter of 20 March. The new figures suggest that at the end of March the Company's cash position will be about £2½ million better than budget (ie they will have a cash surplus of about £1 million instead of a forecast overdraft of £1.6m). These new forecasts do not suggest that they should need to draw on more than about £2m of their existing £3m overdraft facility until December when the forecast deficit is £2.3m instead

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of the £4m previously forecast. Indeed the £3m overdraft facility would not on these figures need to be used in full until well into 1981.

Accordingly it now seems much less probable that it will become necessary for us to consider backing an increased overdraft between now and the autumn, when we shall have the full report on their future financial prospects on which work is now in progress.

The biggest single factor in the improvement appears to be a reduction of about £3m in capital expenditure. The forecasts seem to be reasonably conservative in that they allow for a realistic pay settlement and for slippage in manpower severances and take no account of potential profit improvements not yet realised. The forecasts assume that I continue to make Harbours Act loans available in the normal way.

In these new circumstances I hope that you can agree that I should continue to make Section 11 loans and that it will not be necessary for me to inform Parliament of my decision to continue lending. I should naturally much prefer to avoid a statement in Parliament at present since it might well arouse speculation that there is something unusual afoot, damage confidence in the port and possibly invoke pressure from Merseyside MPs for decisions about the long-term future before we are ready to make them. It might even suggest that we were financing the current strike.

The new forecasts do not take account of any losses arising from the strike but so far as we can judge would seem likely to allow an adequate margin unless it lasts for considerably longer than now seems likely. I understand that talks are still going on between the two sides with

a view to a settlement - which may be helped by the apparent lack of support which the Liverpool dockers have received from other ports. If there is any change in the figures which seem likely to revive the possibility of my needing to back the Company's overdraft - in particular as the result of an extended strike - I will of course seek a discussion with my colleagues about the situation.

I am sending copies of this letter to the recipients of yours.

Yours ever

Norman Fowler

NORMAN FOWLER

Subject file 1 and FST
Jun 79 RA,


Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Norman Fowler MP
Minister of Transport
Department of Transport
2 Marsham Street
London SW1

27 March 1980

Dear Minister

PORT OF LONDON ( FINANCIAL ASSISTANCE) BILL

I have seen a copy of your letter of 20 March to the Lord Chancellor. I am content for the Port of London (Financial Assistance) Bill to be introduced on 27 March as you propose. I am however concerned about the position in respect of the Mersey Docks and Harbours Company (MDHC).

I appreciate your desire to resume Section 11 lending to MDHC pending the outcome of the National Ports Council's studies. But the current strike is likely to bring forward the time when the company will have to turn to the Government for a guarantee to enable it to continue borrowing from commercial sources. If the strike continues for any length of time, we would be lending to the Company in the certain knowledge that it could only meet its obligations with Government support. This would not only run counter to one of the usual conditions of borrowing from the National Loans Fund - that the recipient is able to service the debt - but could lead to strong criticism since we would be lending money knowing that it probably could not be repaid, and in advance of a decision to give long term support to the port.

In these circumstances I cannot agree unconditionally that we should continue Section 11 lending. I am prepared to accept that Section 11 loans should be made to refinance existing debt to avoid precipitating an immediate crisis - I understand that one such loan is needed by the end of the month. But I think we must consider collectively in the immediate future whether or not we are prepared to support the MDHC, with a guarantee if necessary, until the Autumn before undertaking further lending. Perhaps you could consider bringing forward a paper to the appropriate Cabinet Committee.

In view of the fact that even this limited lending will not fully satisfy the conditions on which National Loan Fund loans are usually made, I must also ask you to inform Parliament of your decision to continue lending when the next loan is made.

I am copying this letter to the Prime Minister, Norman St John Stevas and the other members of L, members of E(EA), the Paymaster General and Sir Robert Armstrong.

Yours sincerely

R. Biffen

pp JOHN BIFFEN
[Approved by the Chief Secretary
and signed in his absence]

Ind Pol

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

TL
24/3

Mike Pattison Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

24 March 1980

MT

Dear Mike

The Prime Minister will have seen the press reports of the dock strike in Liverpool in support of the steel workers and the threat by the Liverpool dockers to turn it into a national dock strike.

At Liverpool the docks are at a complete standstill. Since the tugboat men are out on strike no ships needing their services can enter or leave Garston or Manchester. The men who man the dock gates are also on strike and there are a number of ships trapped on the wrong side of dock gates.

Although there has been much talk of attempts by the Liverpool dockers to make this a national dock strike, we have just heard of a new development. Mr Alex Kitson (the senior TGWU official with responsibility for the docks) has been in touch direct with the Mersey Docks and Harbour Company to discuss a possible way of resolving the dispute. The Company are considering this.

We will keep you informed of developments.

Yours

Genie

MRS E C FLANAGAN
Private Secretary

subject file

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

Mr Fowler intends to introduce this Bill next Thursday. (The Bill was to have been introduced last autumn but was put off).

TL
21/3

The Rt Hon the Lord Hailsham
of St Marylebone CH FRS DCL
Lord Chancellor
Lord Chancellor's Department
House of Lords
LONDON
SW1

20 March 1980

Dear Quintin.

PORT OF LONDON (FINANCIAL ASSISTANCE) BILL

You will remember that I decided for tactical reasons to delay the introduction of the Port of London (Financial Assistance) Bill. The situation at both London and Mersey has now changed and I think the time is now right to introduce it.

I have kept colleagues broadly in touch with the PLA situation. I announced a tough financial limit on 7 December last. The Board made a considered statement on 28 January, which included a very clear warning that in order to manage within this limit, closure of the India/Millwall Docks for PLA cargo-handling operations would be inevitable in July unless the improvements in working practices and manpower reductions which were being discussed with the unions

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could be implemented in full and quickly. During February there was a strike of about two weeks over a pay offer (which has now been accepted). As a result of the financial losses from this, and the loss of some large customers, the Board decided on 3 March to go ahead with immediate closure of the India/Millwall Docks.

As I have indicated, the pay proposals have been accepted. It is too soon to be sure that the dock closure will go through without industrial action, particularly since the PLA's dockers have resolved not to cooperate on the transfer of the traffic to other parts of the port. This could all come to a head within the next week or two and lead to another strike. But I made it clear in my paper for the E(EA) Committee that the financial limit deliberately did not include any contingency provision for fear of undermining the financial discipline which is now beginning to work.

I am sure that we must still be seen to stand firm on the financial limit. When we discussed the provisions of the Bill in the Autumn, we agreed that notwithstanding the absence of a contingency allowance in the announced financial limit, it would be right to include a margin of £10m in the Bill above the £70m needed for the PLA. I now think this would be a mistake because the unions could regard it as a sign of weakness. I therefore propose to amend the figure in the Bill from £80m to £70m.

I am encouraged to do so by my belief that the Board have been doing everything they could, both on their stand over pay and on the decision to accelerate the dock closure,

to keep within the financial limit and that they have shown, and are continuing to show, commendable firmness with their unions and skill in handling them. Moreover, the Chairman has informed me that the benefits which they might reasonably expect to follow the dock closure and other management action could, if all goes well and there is no major strike, make up much of the recent losses though he cannot of course give firm guarantees at this stage.

I do not think that the fact that we have had to delay presentation of the Bill, and my recommendation that we should change the financial limit in the Bill, will of themselves involve any change in the handling of the Bill which we discussed in Legislation Committee towards the end of last year.

As regards the Mersey Docks and Harbour Company, they have agreed to carry out further studies, with the assistance of the National Ports Council, to explore how their financial position can be improved. The results of these studies should be available by the summer. At that stage it will be necessary for us to consider whether, and in what way, we should assist them to carry out the further steps needed to deal with their problems.

However I must warn my colleagues that although their present cash forecasts suggest that, if things go well, they can exist until the Autumn within their existing cash resources (which includes an agreed facility for an overdraft of up to £3m.), it could easily become necessary - particularly

if there is a strike or they lose a major customer - to provide immediate help by way of a Government backing for a larger overdraft facility pending the completion of these studies. I hope that will not prove necessary. But colleagues should be aware that the need could arise at short notice. I propose accordingly to introduce the Port of London (Financial Assistance) Bill next Thursday, with publication on Friday. I also propose, in the meantime, to continue making advances under the Harbours Act to both authorities.

I am sending copies of this letter to the Prime Minister, Norman St John Stevas and the other members of L, the members of E(EA), the Paymaster General and Sir Robert Armstrong.

Yours ever

Norman

NORMAN FOWLER

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Ind Pol

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

JL (OR)
to see
MS
4/1

The Rt Hon James Prior MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1

December 27 1979

Dear Jim.

Thank you for your letter of 13 December. I fully understand your opposition to grant aid to the Mersey Docks and Harbour Company to fund severance of registered dock workers. As I said in my letter of 10 December to Keith Joseph, grants are the last thing in my mind. However, until I have the NPC's report I cannot say what special help, if any, I shall be recommending.

As you say, the National Voluntary Severance Scheme appears to be unsatisfactory and I am glad you consider that the Port Employers' financing arrangements should be re-examined. It is interesting to note that although the ports of London and Liverpool have 52% of the national registered dock labour force they only handle about 15% of Great Britain's non-fuel traffic. It is clear therefore that they have the bulk of the severance

problem but insufficient revenue from which to finance severances. As the port employers have opted out of the application of the Redundancy Payments Act 1965, I am sure it would be right for them to finance properly their own scheme on a national basis.

I should perhaps add that I have recently been getting an increasing volume of representations from various parts of the ports industry, and from others such as shipowners about the need, as they see it, not only to resist any extension of the Dock Labour Scheme but to reduce its financial and administrative burdens on the ports industry. It is also suggested to me that the way in which the Scheme works has adverse effects on port efficiency. I have, of course, explained that the Scheme is your responsibility and not mine, but I undertook to pass these remarks on to you. I am expecting to receive some further views in writing and I will let you have these as soon as I receive them.

I am sending copies of this letter to the recipients of yours.

Yours ever,

Norman

NORMAN FOWLER

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Ind Pol.


Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Norman Fowler MP
Minister of State
Ministry of Transport
2 Marsham Street
LONDON SW1P 3EB

13 December 1979

Dear Norman

MERSEY DOCKS AND HARBOUR COMPANY

You sent me a copy of your letter of 10 December to Keith Joseph in which you say that you hope to be putting a paper to E(EA) early in the New Year about the request by the Mersey Docks and Harbour Company for assistance towards severance costs similar to that being given to the Port of London Authority.

I do not want to anticipate the E(EA) discussion. Nevertheless I ought to make clear at this stage that if there were to be any question of assisting the MDHC I would be opposed this being given in the form of grants to fund severances of registered dock workers.

We have carried on the assistance given to London port employers for this purpose, which was initiated by the last Government, because we have not wished to prejudice the progress of the PLA's second target plan. I understand that our predecessors accepted that PLA was a "special case" and that assistance for severance purposes was justified as a means of preserving the port from bankruptcy. We need to recognise, however, that if we were now to extend assistance in this way to Liverpool, and were unable to disengage from London, we should on past form find ourselves financing about two-thirds of all severances of registered dock workers. In these circumstances, it would be extremely difficult to resist pressures for similar assistance from other ports in financial difficulty. You will of course be aware of the attempts at the beginning of this year to secure financial assistance from Government towards the cost of severances at Fleetwood. Other ports such as Preston are also likely to be in the queue.

I am not of course directly concerned with assistance towards the severance costs of unregistered staff (which account for by far the greater part of the £35 million plus promised to London, despite highly misleading press reports last weekend). But severance of registered dock workers is a matter for the industry's own National Voluntary Severance Scheme. Registered dock workers were excluded from the application of the Redundancy Payments Act 1965 on the understanding that the industry would finance its own severance needs.


The NVSS in its present form seems very unsatisfactory and I think that the National Association of Port Employers may now need to re-examine the financing arrangements underlying the Scheme. If we give them any cause to believe we are seriously considering severance assistance for registered dock workers in Liverpool, this will only strengthen their reluctance to face up to their responsibilities.

I am copying this letter to receipients of yours.

cc AD

Ind Pol.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

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12.

10/12

The Rt Hon Sir Keith Joseph MP
Secretary of State
Department of Industry
123 Victoria Street
LONDON SW1

10 December 1979

Dear Keith.

MERSEY DOCKS AND HARBOUR COMPANY

As you will have seen from my Private Secretary's letter of 4 December to the Prime Minister's Private Secretary, the Mersey Docks and Harbour Company have told me that they are facing severe financial difficulties and are pressing for similar assistance to that which I am giving to the Port of London Authority.

The position is that the Chairman of the Mersey Docks and Harbour Company wrote to me on 23 November informing me that the financial position of the Company had seriously worsened since he saw me in August. This was the first indication he had given me that the Company were taking a radically different view of their traffic and financial forecasts for 1979 and 1980 from the forecasts they had previously put forward to me in the summer. He went on to ask me to reconsider my decision not to make grants available to the Company for voluntary severances.

I should explain by way of background that in August of this year I had offered, subject to certain conditions, to make available to the Mersey Docks & Harbour Company over the next few years, various loans to assist them while they were engaged in the restructuring and modernisation of the port, but said that I could not agree to their request for grants for

severance payments. In September the Company agreed to proceed with the various loan applications, but have not so far provided me with all the relevant information.

The letter of 23 November did not contain any detailed information about the Company's forecasts and their underlying assumptions. I saw the Chairman on Wednesday together with two other members of his Board and they left with me copies of the latest Company budget for 1980. On the face of it this suggests that their trading position has in fact deteriorated, at least so far as this year's expected results and next year's forecasts are concerned, and that in addition they need to spend much more than they had planned on severance payments to reduce their manpower in the light of the lower trade figures. The budget does however contain a great deal of detail about their expected trading and cash position which requires very careful analysis before I can draw any firm conclusions. I have asked the National Ports Council to carry out a rapid examination of this material and in addition, in conjunction with the Company, to review the trading and financial forecasts over the next few years in the light of the gloomier current results.

I hope to put a paper to my colleagues in the E(EA) Committee early in the New Year. I shall not be in a position to know whether I should recommend any kind of special help for the Company until I have received and considered the NPC's report - though I do not need to tell you that grant is the last thing in my mind.

In the meantime I have, as you know, postponed presentation of the Port of London (Financial Assistance) Bill so as to give time to consider whether any special financial assistance for the Mersey may be justified and if so whether we should aim to cover it in the same Bill.

I am sending copies of this letter to the Prime Minister, other members of the E(EA) Committee and to Sir Robert Armstrong.

Yours ever

Norman

NORMAN FOWLER

CONFIDENTIAL

Industrial Policy

Top copy filed on Industrial Policy (June 1979) 'Port of London Authority etc'

10 DOWNING STREET

*From the Private Secretary*

5 December, 1979.

This is to confirm that the Prime Minister is content, subject to other Minister's views, with the draft Written Answer on the Port of London Authority which you enclosed with your letter of 4 December.

The Prime Minister has also noted that your Minister will be circulating a paper on the Mersey Docks and Harbour Company in the light of representations received from Sir Arthur Peterson.

I am sending copies of this letter to the Private Secretaries to members of E(EA), the Chancellor of the Duchy of Lancaster, the Paymaster General, and the Chief Whip and also to Martin Vile (Cabinet Office), together with a copy of your letter.

T. P. LANKESTER

Mrs. E.C. Flanagan,
Department of Transport.

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Top copy filed on Ind. Pol (June 1979) 'Port of London Authority.'

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

The attached statement, which is in line with E(EA) conclusions which you agreed, seems alright.

Tim Lankester Esq
Private Secretary
No 10 Downing Street

4 December 1979

Yes MT Content subject to other colleagues views?

Dear Tim

My Minister has asked me to send you the attached copy of a statement he is making tomorrow, in answer to a Written PQ, about Government assistance to the Port of London Authority. This is in accordance with the decisions taken at E(EA) a couple of weeks ago and subsequently approved by the Prime Minister in the light of the minute to her from Sir Keith Joseph, as Chairman of that Committee.

Mr Fowler thinks the Prime Minister will wish to be aware that the Mersey Docks and Harbour Company are pressing for similar assistance. Mr Fowler saw the Chairman and other Board Members in August, and agreed then that he would make loans available for capital development. The Chairman, Sir Arthur Peterson, has now just written to say that there has been a severe fall in port [illegible] that the Port has no reserves (which Mr Fowler of course already knew), the Company has found that they needed considerably larger sums than they had expected to cover the cost of additional severances, and that they were facing severe financial difficulties. Mr Fowler has now written to Sir Arthur Peterson asking for more detailed figures as quickly as possible.

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Mr Fowler will be putting a paper to his colleagues as soon as he has these figures, and has been able to have them examined. This is bound to take a few weeks. In the meantime, the Prime Minister may have seen that Sir Arthur Peterson has written to The Times, following yesterday's speculative article by Michael Bailey in the business section, asking for similar treatment to that given to the PLA. The Minister will not be in a position to know whether he should recommend any special help for the Mersey Docks and Harbour Company until he has been able to look at the details of the Company's finances.

Flag A

The Minister had agreed with L Committee that he would introduce, later this week, the Port of London Financial Assistance Bill, designed to cover the agreed assistance for the PLA. He is writing to the Chancellor of the Duchy to explain that he will postpone presentation of this Bill for the time being, mainly in order to avoid giving any immediate cause for further public complaints by the Mersey Docks and Harbour Company, but also to give time to consider whether any special financial assistance for the Mersey may be justified and, if so, whether we should aim to cover it in the same Bill.

Copies go to the Private Secretaries of members of E(EA), and of the Leader of the House, the Paymaster General and the Chief Whip.

Yours
Genie

MRS E C FLANAGAN
Private Secretary

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Tim Lankester Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

18 October 1979

Dear Tim

Mr Fowler thought that the Prime Minister should be aware of the possibility of industrial action in the ports if, as we expect, Preston Borough Council decide in the next few weeks to close the Port of Preston. The Council's relevant Committee meets on Monday and a final decision is expected to be taken by the Council on 8 November.

Preston's decision follows the completion of a two year test of the port's viability which was assisted by a once-for-all £2m government grant under section 7 of the Industry Act 1972. The test, which ended on 30 September, showed that, although the port is now more efficient as a result of improved productivity and capital works undertaken during the test, it is still short of traffic and its losses are expected to continue.

After consulting his colleagues in E(EA) Committee Mr Fowler saw the Borough Council in July and told them that the future of the port was for them to decide and that after the test ended no further government aid would be available to help the port to stay open. He also saw a deputation of Preston dockworkers led by Tom Cronin of the TGWU to discuss the future of the port. The deputation told him that they would consider industrial action if they were faced with a decision to close this National Dock Labour Scheme port employing 345 people. Moss Evans has also said that he may wish to see the Minister.

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An earlier decision by Preston Council to close their port similarly provoked threats of industrial action in the ports and in 1977 there was a one day unofficial strike by dockers in the major National Dock Labour Scheme ports. The then Government subsequently decided to support the two year test at the port. The possibility of industrial action over a renewed decision to close the port cannot be ruled out and, while prolonged stoppages are perhaps unlikely, it is not yet clear how extensive or serious such action might be. The main risk perhaps is that the dockers may link the Preston issue with another issue such as the declining opportunities for registered dock workers in the ports industry and their wish to see the National Dock Labour Scheme extended.

We will keep you in touch with developments.

I am copying this letter to the Private Secretaries of other members of Cabinet and to Martin Vile.

Yours

Genie

MRS E C FLANAGAN
Private Secretary

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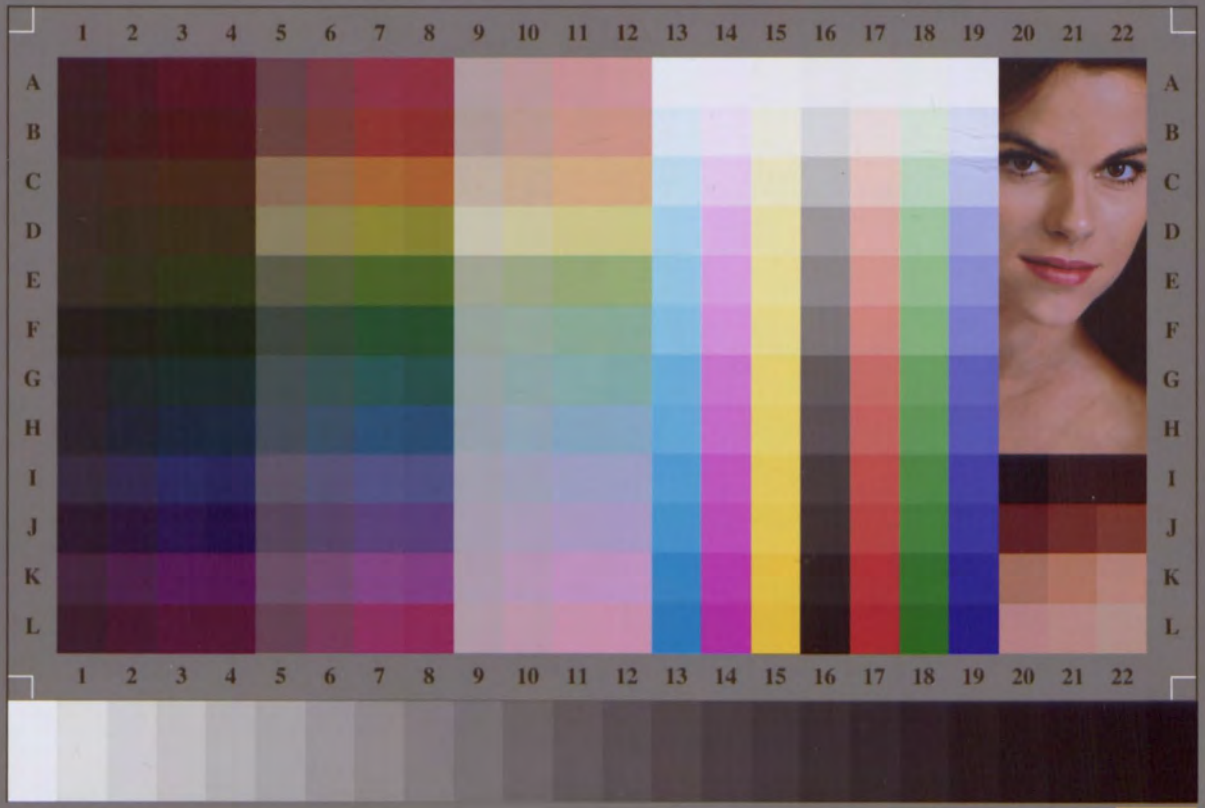


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