

S
808

PREM 19/1065

● Port of London Authority (PLA)
 Closure Plans. Possible Docks
 Strike. Finances of the PLA

INDUSTRIAL
POLICY

JUNE 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
11.6.79							
15.6.79							
22.11.79							
5.12.79							
7.12.79							
23.1.80							
24.1.80							
30.1.80							
31.1.80							
7.2.80							
14.2.80							
21.2.80							
22.2.80							
29.2.80							
3.3.80							
20/5/80							
16.12.80							
19.12.80							
22.12.80							
20/2/81							
12.5.83							
13.5.83							

PREM 19/1065



10 DOWNING STREET

NOTE FOR TOP OF FILE

A lot of papers on Port of
London finances will now be
found on Ind Pol: Oct 79:
Industrial Action in the Ports, Future
of Money Socks.

Money Socks and P.L.A. finances
now being treated together.

20/2/81



ZPP 5 2

Prime Minister

Mus 13/5

Treasury Chambers, Parliament Street, SW1P 3AG

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

13 May 1983

David

PORT OF LONDON AUTHORITY (PLA)

Naturally we must avoid making the dock labour regime a major issue in the next few weeks. That is why I said we should not openly take steps in relation to the PLA Board until the end of June; and that in the meantime PLA should take the necessary steps to continue trading without disruption. If additional overdraft guarantees are required before the end of July then of course such land sales as are necessary to back up these guarantees should go ahead, but only such sales.

I welcome your agreement that, despite the difficulties, we must review the position after the Election. The Board do not appear to be ready to meet the conditions we agreed should be fulfilled for further financial assistance. I am sure you will agree that their performance over the pay issue, and more recently over their future business plans, has been lamentable.

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


 LEON BRITTAN

13 MAY 1983



CONFIDENTIAL

C. N. O.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434



The Rt Hon Leon Brittan QC, MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

Prime Minister

MCS 12/5

12 May 1983

Dear Leon

PORT OF LONDON AUTHORITY (PLA)

Of course I share in many respects the deep concern in your letter of 10 May (which you copied to Norman Tebbit and Tom King) about the present position on the PLA. I think however you may under-estimate the problems the Authority must face, even with a united and resolute board, in achieving the changes we want to see, within the financial straitjacket we want to maintain. And I do not agree that it makes the slightest sense now to change the Chairman.

Certainly we must review all these issues - and this must include the dock labour regime - urgently after the election. We shall have to decide what to do about the Board, recognising that I have no power to dismiss or to force the resignation of the Board singly or collectively. But meanwhile, I repeat what I said before that the position is bound to continue uncertain and difficult and potentially very explosive. We certainly must not push the Authority into precipitate action in the next few weeks which could cause widespread disruption.

CONFIDENTIAL

The Authority's own plans are themselves interim, and for review in June, and they now propose only such land sales - the Royal Victoria Dock - as will secure their position to the end of July. I am clear that we cannot now reject that. To accept it does not undermine our general policy, nor weaken our future position in dealing with the PLA.

Any other course carries the high risk of making the dock labour regime a major issue in the next few weeks. I am sure we are all agreed that we must consider that after the election, but not stir it up before.

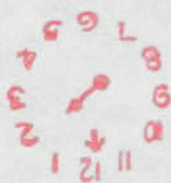
I must now confirm to the PLA that we will make available the additional overdraft guarantee now that the PLA and the LDDC have set up the necessary land transaction.

I am sending copies of this to the Prime Minister, the members of E(EA), Norman Tebbit and Tom King and to Sir Robert Armstrong.

Yours ever

David

DAVID HOWELL



12 MAY 1983

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

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

10 May 1983

Dear Secretary of State,

PORT OF LONDON AUTHORITY (PLA)

will request is required.
I am extremely unhappy about the position described in your letter of 9 May.

PLA appear to be retreating from a withdrawal from cargo-handling and prevaricating about land sales. This is unacceptable. We agreed that if we are to bail them out once more, conditions must be imposed to prevent recurrence of the problem. This means complete withdrawal. I include in this the grain terminal which, like land, is one of the few profitable assets PLA can realise.

Nor do you report in your letter the Chairman's views about procuring the resignation of the Board. This was a second condition of giving any assistance. No money can be forthcoming until we have commitments to both.

The pay settlement reached by PLA calls into question whether these steps would be sufficient. The size of the offer is beyond any justification. Why PLA accepted a non-binding recommendation of such magnitude escapes me - even the end of industrial action is a mixed blessing since the Board have not reached final decisions on next steps.

It confirms my worst fears about the ability of the Board. I can no longer see grounds for placing any confidence what so ever in this Board. The cooperation of the Chairman does not seem to be getting results. I conclude that we should dispense with him and the Board as soon as practicable. As a minimum, this means laying the ground work for the replacement of the Board by end-June, taking the risk if necessary of a public confrontation at that time if individual members refuse to go.

We must then consider with the new Board whether or not the strategy of a withdrawal over 9 months or so from cargo-handling

is feasible or whether faster withdrawal is necessary. This review will need to be conducted extremely quickly because I think it imperative to make announcements about the future of PLA as soon as possible after the new Board is in place in order that the necessary changes to the business are clearly linked to the recent industrial action.

In the meantime I cannot agree that we should proceed with our earlier plans to write-off a proportion of PLA's debt. There will be small additional interest costs but set against the uncertainties of the current position, I believe these are worth bearing. Nor do I see any point in this Board concluding deals with the LDDC about major land sales and they will therefore have to take what measures are necessary within the national agreements to keep their overdraft within the existing limit until mid-June.

Finally, it is clear that the costs of any assistance to PLA are going to be considerable - possibly some £70 million above the existing PES provision. This represents a massive bid on the Contingency Reserve which is already under extreme pressure and of smaller size than in recent years. I am by no means certain that such a bid can be accommodated. It is crucial therefore that a rigorous review is conducted of other port expenditure, and elsewhere within your programmes - railways and roads - to seek offsetting savings. We shall need to take this up later in June.

I am copying this letter to Norman Tebbit and Tom King.

Yours sincerely
PL

BY LEON BRITTAN
(approved by the Chief Secretary
& signed in his absence).

13 MAY 1963



Final Paid



Treasury Chambers, Parliament Street, SW1P 3AG

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

22 December 1980

Dear Norman,

Handwritten initials and signature

PORT OF LONDON AUTHORITY (PLA)

You wrote to Geoffrey Howe on ¹⁹ December confirming that the financial difficulties foreshadowed in your letter of ¹⁶ December had indeed materialised and that not only had the longer term prospect of returning the PLA to viability receded but the Port is unable to stay in business even until January 1981 without further Government assistance under the 1980 Act. Subject to the views of other members of E(EA) I agree that the most reasonable way of protecting the Government's interest would be, as you propose, to guarantee the minimum additional overdraft required by the PLA to stay in business until January when you will have received the Price Waterhouse Report and we will be able to reach a considered decision about the Port's future. I am also satisfied that it would be proper to give this assistance by way of guarantee despite the Port's insolvency since statutory powers exist to provide grants to the PLA in order to fulfil our commitments under the guarantee.

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

Handwritten signature of John Biffen

JOHN BIFFEN

22 DEC 1980



Mr August

CONFIDENTIAL

Ind Pd



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

2 pp

The Rt Hon Sir Geoffrey Howe MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1

19 December 1980

Geo Geoffrey

August

PORT OF LONDON AUTHORITY

I sent John Biffen a copy of my letter of 16 December to Keith Joseph about the problem looming with the PLA, and said that the PLA bankers were still considering whether they were prepared to allow them to use their existing overdraft facility pending time for proper consideration by the Government of its attitude to the PLA. As you will see from the attached copy of a letter which I have just had from the Chairman, the bank have insisted that the current overdraft facility, which has in practice been limited to about £2m, should be cut for the next month to £½m, with no commitment beyond that. I had intended to put a paper to E(EA) about the PLA at the same time as I circulated papers about the general docks scene, and about the Mersey Docks and Harbour Company, and I am on the point of receiving a full report from Price Waterhouse about the PLA. But this decision by the National Westminster Bank makes it necessary for us to consider how we can hold the position until we have time for proper consideration.

CONFIDENTIAL

CONFIDENTIAL

I saw the Chairman of the PLA a few minutes ago, and in the light of that discussion, I cannot be confident that if we refuse any kind of help the PLA Board will not decide, when they meet on Monday, either to resign, or to request the court to appoint a receiver. I judge that these are risks which we ought not to accept.

Under the terms of the Port of London (Financial Assistance) Act of this year, I have powers to make a further £5m available to the authority, either by way of grant or, as I told the House I intended to do, by means of Government guarantee for an overdraft facility. I have been reluctant to take either course, because once we make further assistance available, in the knowledge of the Board's probably insolvency, we shall be morally committed to provide whatever is necessary to enable them to meet all their creditors. Nevertheless, confronted as we now are by this new action by the Bank, I have myself concluded that we must give sufficient assistance to preserve the position until the second or third week in January, by when we should be able to come to a considered conclusion on our attitude to the PLA, and the other ports issues we discussed earlier in the week at E(EA).

If we are to give assistance, it seems to me that the least harmful step to take would be to guarantee an overdraft of approximately the size the Authority were seeking from the National Westminster Bank.

As I said in my letter of 16 December to Keith Joseph, this is a course that it would not in the ordinary way be proper

CONFIDENTIAL

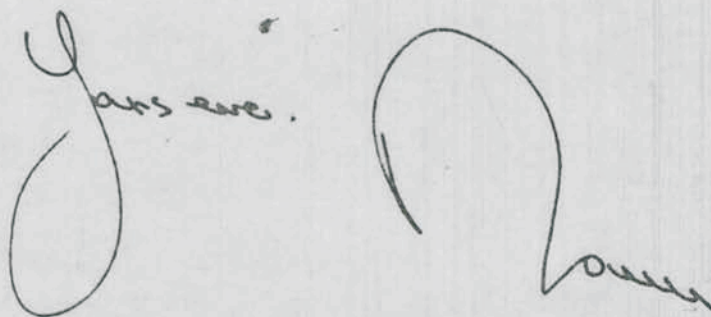
CONFIDENTIAL

to take when we cannot be satisfied as to the PLA's ability to repay the overdraft. But in the circumstances we now face I believe that a guarantee of this amount is justified to maintain the status quo until we can reach a considered decision in the light of all the facts. The alternative of making a grant would effectively close options now. Moreover, it might weaken the pressure on the PLA to take the urgent action needed.

We are checking the position urgently with the Authority, but it seems likely that the minimum required will be about £3m. We shall naturally insist that the overdraft is at no more than $\frac{5}{8}\%$ above the syndicated base rate.

I shall of course need to make a statement by way of written answer to an arranged Parliamentary Question as soon as the House resumes.

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

A handwritten signature in black ink, appearing to read 'Norman Fowler', with a large, stylized initial 'N'.

NORMAN FOWLER

CONFIDENTIAL

Telephone: 01-476 6900



2

PORT OF LONDON AUTHORITY,
LONDON DOCK HOUSE (SOUTH),
1 THOMAS MORE STREET,
LONDON E1 9AZ.

CHAIRMAN'S ROOM

PERSONAL AND CONFIDENTIAL

19th December 1980

Dear Minister

During our recent meeting and in correspondence, the last dated 25th November, we have set out the precarious financial situation of the PLA. The stark situation is now:-

- (a) We applied for a Treasury guarantee to a £5m. increase to our bank overdraft facility to date as from 15th December. This has not yet been agreed. We are informed that a decision will be made within one month from now.
- (b) We therefore sought a temporary overdraft facility from the bank of £2.7m. Your officials intervened with the bank in support of this. It would just have coped with the end-December cash requirement.
- (c) We learned late yesterday that the bank have agreed an overdraft facility of £500,000 for one month. As a consequence we cannot pay the Inland Revenue bill for £1.6m. to cover PAYE which is payable today. We are in discussion with Inland Revenue about this. In addition there will be £600,000 of other payments which will not be made. We have already delayed payments to the limits of commercial prudence.
- (d) Studies this morning reveal that by Monday evening, after the payment of cheques already issued and salaries and pensions, we will be in overdraft to approximately £450,000. We will then make no further payments out until revenue receipts enable us to do so. Christmas week and the following week may not produce significant revenue receipts. It is therefore inevitable that we shall not pay many creditors. The knowledge that we are not making payments will inevitably become public. In addition we are incurring liabilities which, prima facie, we may not be able to meet. Our Legal Adviser tells us that this leaves individual Members of the Board open to the possibility of a charge of "obtaining pecuniary advantage by deception". All this throws into question whether or not we should continue to trade.

There is a PLA Board meeting on Monday morning. There must be a possibility that the Board will conclude that it should cease trading.

Yours sincerely,
Victor Paige.

V. G. PAIGE

Rt. Hon. Norman Fowler, MP,
Minister of Transport,
Department of Transport,
2 Marsham Street,
London, SW1P 3EB.

11 9 DEC 1980



~~SECRET~~
CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



at the [unclear]

Ind Pol.

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

16 December 1980

Yes Keith.

R. [unclear]

FINANCES OF THE PORT OF LONDON AUTHORITY

Before we meet in the E(EA) Committee on Wednesday to discuss the finances of the Mersey Docks and Harbour Company I thought that I should let you and other colleagues have an early warning of serious problems affecting the PLA which I shall need to discuss with the Committee in January.

You will recall that when we discussed the problems of the PLA at E(EA) on 19 November 1979 (E(EA) ~~(79)~~ 22nd meeting), we decided that the £70m of assistance we would provide (under the Port of London (Financial Assistance) Act 1980) should be made by way of grants of up to £35m, (plus an inflation factor of up to £5m), guarantees for commercial loans of £25m and a guarantee of an overdraft of up to £5m.

CONFIDENTIAL

CONFIDENTIAL

The £5m overdraft guarantee was to be provided if and when the PLA showed that it was necessary. They recently applied for me to guarantee the overdraft. I had in anticipation of this set in train a review by Price Waterhouse of the Authority's finances and last week my officials had a sight of their preliminary draft conclusions. They have so far advised that though the PLA might be able to survive 1981 with the aid of this £5m (provided they receive at least £15m from the transfer of surplus docklands to the Urban Development Corporation) they would be unable to continue thereafter without further assistance.

This change in the PLA's situation results in the main from the fact that economic circumstances have changed radically since it was decided that Government assistance should be limited to £70m. The PLA have taken vigorous action this year, including the closure of the India/Millwall Docks and have managed to sever substantially more registered dock workers and staff than they had originally planned but, even so, these reductions have not compensated for the disastrous drop in their traffic. They now need to get rid of still more people and will probably need to close even more of their facilities. This will certainly involve the need for further funds for severance which they do not have.

They will in any case need the injection of the further £5m authorised by the Act early in the new year if they are to continue trading and I can see no way in which I can refuse to give them the balance of the £70m aid given the terms

CONFIDENTIAL

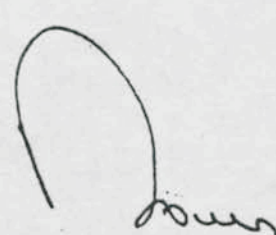
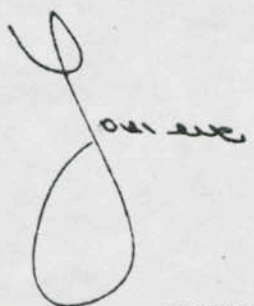
CONFIDENTIAL

of my statement last year. But, in the light of the accountants' views so far, I think I should have to make this available by way of grant, rather than by overdraft guarantee, because it would clearly be improper to guarantee the overdraft or lend money myself when there seems to be no reasonable prospect of repayment. I would have adequate statutory authority under the existing Act for providing the £5m by way of grant.

I would prefer not to have to take this step until I have received the Price Waterhouse report (which I expect before Christmas) and have had time to study it and put considered proposals to my colleagues. The PLA's bankers are still considering whether they are prepared to allow them to use their existing overdraft facility (which, barring accidents, should be sufficient to see them through for the first few weeks of the new year) pending time for proper consideration by the Government of its attitude to the PLA. My officials have explored the position and have told them that there is no reasonable chance of a decision before January.

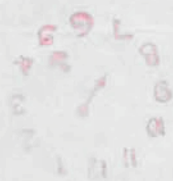
As you will see there are some points in common between the problems of the PLA and the MDHC, in that both of them have been seriously affected by traffic losses and they both have similar problems of surplus manpower. It was for this reason that I thought I should give you and other colleagues advance notice of the PLA situation so that it could be borne in mind during discussion of the problems of the Mersey Docks.

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



NORMAN FOWLER

CONFIDENTIAL



16 DEC 1980



cc Ind (S)
MDHC
Dor 29
ind P87

Treasury Chambers, Parliament Street, SW1P 3AG

Booth

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. W. A.

PP JOHN BIFFEN

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

27 MAR 1960



FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



CONFIDENTIAL

HOUSE OF LORDS,
SW1A 0PW

26th March 1980

The Rt Honourable
Norman Fowler, MP
Minister of Transport
Department of Transport
2 Marsham Street
London SW1P 3EB

My dear Norman:

PORT OF LONDON (FINANCIAL ASSISTANCE) BILL

Thank you for your letter of 20th March about this Bill. I note your intention to reduce the financial limit in the Bill from £80 million to £70 million, and also what you say about the position of the Mersey Docks and Harbour Company. If colleagues have any comments on these points no doubt they will let you know.

You will by now have ^{Parliament - legislation} received a copy of the Chancellor of the Duchy's letter of 24th March to the Energy Secretary in which he suggested that this Bill should be dealt with as a separate measure and should be brought forward as soon as possible. So far as Legislation Committee is concerned, therefore, there is now no reason why you should not introduce the Bill in accordance with the authority given last year. It will, of course, be for you to agree with the Chief Whip on the precise timing of its introduction.

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

Yrs:

FROM: THE RT. HON. LORD HAILSHAM
OF ST. MARYLEBONE, CH, FRS, DCL

27 MAR 1960



and 17 Dec 79 MDHC

CONFIDENTIAL

Ind Ref 2



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

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

Prime Minister
Mr Fowler intends to
introduce his Bill next
Thursday. (The Bill was to
have been introduced last
autumn but was
20 March 1980 put off).

PL
2/3

Yes *Scientia* *not*

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

CONFIDENTIAL

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.

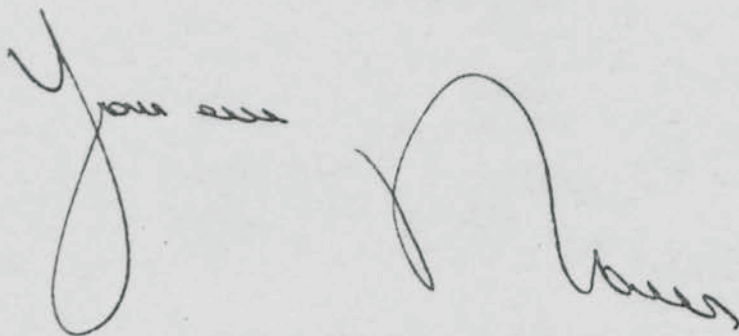
I do not think that the fact that we have had to delay presentation of the Bill, and my recommendation that we should change the financial limit in the Bill, will of themselves involve any change in the handling of the Bill which we discussed in Legislation Committee towards the end of last year.

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.

You are


NORMAN FOWLER

11 12 1
2
3
4
5
6
7
8
9
0

21 MAR 1980

CONFIDENTIAL

Ind Pol 2



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

cc Mr bylan

Prime Minister

*This closure was foreshadowed
in the letter before the
weekend.*

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

3 March 1980

Dear Tim

and

*T
3/3*

Genie Flanagan promised in her letter of 29 February about the Port of London Authority that we would let you know as soon as we heard the outcome of today's Board meeting.

The Chairman has just told us that the Board are announcing, at 1 pm today, that they will be closing the India/Millwall Docks beginning this month and to be completed as soon as possible. The Managing Director will be announcing this to a mass meeting at the Docks at 1 pm today, the Board will be issuing a notice to the Press, the Chairman is writing to the MPs, and an individual letter will be going overnight to all the dockers and staff.

The Minister assumes that there will almost certainly be a PNQ tomorrow. We will supply later today briefing for Prime Minister's PQs tomorrow. In the meantime we shall be taking the line that this decision is a matter for the Board. The Government announced last December that they were putting a limit on financial assistance to the PLA. The Board announced in January that this closure would be necessary in July unless the programme of severances and changes in working practice agreed with the Unions last summer could be expedited. Since then the Board have had to face the consequences of a two week strike about pay, as well as the consequences of a reduction in trade (including the loss of some major customers) and have decided that the closure of India/Millwall Docks is now essential if they are to try to live within the financial limits settled by the Government.

The Board recognise the substantial risk that this decision could affect the TGWU ballot on the new pay offer, but have

CONFIDENTIAL

CONFIDENTIAL

decided that further delay in announcing a decision would be wrong. We do not think that, in the light of their deteriorating financial situation, they had any other option.

I am sending copies of this letter to the Private Secretaries of members of E(EA) and of Sir Robert Armstrong.

Yours

Sassani

MRS B E RIDDELL
Private Secretary

CONFIDENTIAL

13 - MAR 11 1920

9 10 11 12 1 2 3 4 5 6 7 8

Faint, illegible text, possibly bleed-through from the reverse side of the page.

Computer

CONFIDENTIAL

(nd) PDL

✓



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Pamela Austin

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

P. Austin

29 February 1980

ms

Dear Tim

The Prime Minister will wish to be aware of the latest position on the Port of London Authority.

Following the revised pay offer mentioned by Mr Fowler in Cabinet on 21 February the port resumed working this week. The National Amalgamated Stevedores and Dockers' members accepted the pay offer without strings, but in the case of the Transport and General Workers Union members the return to work was subject to the outcome of a ballot on the new offer. This was to have been held yesterday but we understand that it will now be held on the 6 and 10 March, with a decision becoming available on 11 March.

In these circumstances it is probable that the PLA Board at the meeting on Monday, 3 March, will decide to announce the closure of the India/Millwall Docks without waiting for the result of the ballot on pay, in view of the deterioration in their financial position as a result of the strike. Such an announcement may itself provoke further strike action but the PLA will no doubt make full play of the extent to which the decision has been brought about by the unions' own actions.

We will let you know as soon as we hear the outcome of the PLA Board meeting and keep you in touch with any further developments.

I am sending copies of this letter to the Private Secretaries of members of E(EA) and of Sir Robert Armstrong.

Yours

Blair

MRS E C FLANAGAN
Private Secretary

CONFIDENTIAL

29 FEB 1980





Ind PPA 2
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Ann Amish

good news.

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

22 February 1980

R
242

mb.

Dear Mike

PORT OF LONDON: INDUSTRIAL ACTION

We have just heard that the mass meeting of the National Amalgamated Stevedores and Dockers (the Blue Union) this morning accepted the PLA's revised pay offer, and agreed to return to work on Monday. The Talley Clerks are holding a mass meeting this afternoon, when there is a reasonable chance that they will accept the advice of their union officials and end their strike. It therefore seems fairly likely that the port will be working normally by Monday.

Joan

Gene

MRS E C FLANAGAN
Private Secretary

22 FEB 1960

11 12 13 14 15
16 17 18 19 20
21 22 23 24 25

CONFIDENTIAL

Original on
Not Ind (Water Pay)

Ref. A01273

PRIME MINISTER

Cabinet: Industrial Affairs

BACKGROUND

You agreed that for the time being we should list "Industrial Affairs" as a standing item on the Cabinet agenda. This will give an opportunity for any Minister who wishes to raise any immediate problems. We shall make a quick check each week of the items which Ministers are likely to raise. There are three this week:

HANDLING

2. I suggest you call for oral report on these three: steel; water; Port of London.

- (a) Steel. Secretary of State for Industry to report. You will be familiar with the latest position from your meeting on Wednesday evening.
- (b) Water. Secretary of State for the Environment to report. Our information is that there is, at present, nothing new. Negotiations have been resumed on the basis of an increased offer. The next meeting is on Friday. There is a reasonable prospect of a settlement, though at a high price. The Home Secretary will confirm, if asked, that the Contingencies Unit continues to keep the situation under review.
- (c) Port of London. Minister of Transport to report. The position at present is that the PLA have given notice of their fear that it will be necessary to close the Millwall/West India Docks, starting on 1st July, if there is not a dramatic improvement in the unions' response to the original "concentration plan", which would allow both these docks and the Royal Group to be held open. Although the Minister has reported to you that there is a risk of fairly early union reaction, there are no signs of this so far. The Secretary of State for Employment may wish to comment. He is reviewing separately with the Minister of Transport the whole

CONFIDENTIAL

question of the future of the National Dock Labour Scheme (for which he, not Mr. Fowler, is responsible) and will be bringing forward proposals shortly.

CONCLUSIONS

3. I doubt if any formal conclusions, other than "take note", will be necessary under this heading.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

30th January, 1980

Ind Pdr.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

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

30 January 1980

Dear Tim

MBM

R 30/1

We warned the Prime Minister last week of the possibility of industrial action following an announcement by the Port of London Authority of the probably closure of the India and Millwall Docks.

The PLA Board met on Monday and made an announcement very much on the lines we expected. The reaction from staff and unions has so far been quiet, although of course it is too early to know what they will ultimately do. We will keep you in touch with developments.

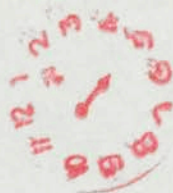
I am sending copies of this minute to John Wiggins, Ian Ellison, Ian Fair, Garth Waters and David Wright.

Jones

Bevine

MRS E C FLANAGAN
Private Secretary

30 JAN 1960



Prime Minister ②

SOP the Duty Clerk 24.1.80

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



[Handwritten signature]

CONFIDENTIAL
*He puts in total of 100 cash units
Name on the cash units*

1nd PS

Tim Lankester Esq
Private Secretary to
Prime Minister
10 Downing Street

24 January 1980

*R
2.7.1*

Dear Tim

Mr Fowler minuted the Prime Minister yesterday about the possibility of industrial action at the Port of London. He has now received a further letter from Mr Victor Paige, the PLA Chairman, which he thinks the Prime Minister should also see at once. Attached to it is a copy of the notice the PLA propose to issue to their staff on Monday, if the Board accept the Chairman's proposals.

Copies of this letter go to Tony Battishill, Ian Fair, Ian Ellison and to David Wright.

Yours ever

Sabara Riddell

PP MRS E C FLANAGAN
Private Secretary

CONFIDENTIAL

CONFIDENTIAL

Telephone: 01-476 6900



PORT OF LONDON AUTHORITY,
LONDON DOCK HOUSE (SOUTH),
1 THOMAS MORE STREET,
LONDON E1 9AZ.

CHAIRMAN'S ROOM

CONFIDENTIAL

24th January 1980

Dear Mr. ...

As you know, we have been considering within PLA the implications of the cash limits set out in your letter of 7th December 1979. Management have been carrying out a detailed review of the options open to us, and their recommendations are to be put to the PLA Board on Monday next, 28th January. It is impossible to be sure about the outcome of that meeting, but I hope the proposals will be generally accepted.

I felt I should let you know informally the general background to what has been done, the principal recommendations to the Board, and our view about the possible implications of it. I will of course reply formally to your letter of 7th December once the Board has reached its decision.

We have carried out our review of the implications of the cash limits against the background of failure in the Second Year Short Term Plan on both manpower reductions and improvements in working practices, continued industrial disputes in various key areas of the port, our consequent failure to improve service in the light of the first two considerations, and the early reactions we are getting to our 1980 pay policy. The latter involves a general pay increase of 10%, with a 2% productivity element which would be entirely paid for out of manpower reductions, so that overall we will contain our payroll costs to a 10% increase.

In the light of these factors we consider that there will have to be a very substantial recovery in the present programme for the Second Year Plan agreed with the unions, which runs up to June, if we are to stay on the Concentration Option. To achieve this, we are intending to tighten up on certain aspects of the operation of our current agreements so that we increase control and obtain more flexibility to enable us to improve our service to customers. This will not be well received by the trades unions, but it is something that has to be done. In parallel with this, we are going to set deadlines on negotiations on various organisational proposals which have become protracted. We also intend to make a break with past practices for dealing with "non-registered" voluntary severance applicants, in which we waited for union agreement on structures and manning levels before we implemented severance. This will enable us to achieve greater reductions more quickly. We are cutting our heavy bill on supplies and services, and are also considering the possibility of a further charges increase in the second half of the year. The management will pursue these matters with energy.

CONFIDENTIAL

Rt. Hon. Norman Fowler, MP.

CONFIDENTIAL

If we were completely successful in catching up lost ground on the Second Year Plan, and implementing these other measures, we would have great difficulty in staying within the cash limit in the period up to the end of 1980 without a significant increase in traffic. Thus in taking a realistic view about our prospects and in particular the likelihood of achieving all that is necessary, we are forced to the conclusion that we will probably have to go for a dock closure. Because of the constraints imposed by the cash limit and necessary capital expenditure, it would not be prudent to implement the Transfer Option set out in the Strategic Plan of transferring PLA operations from the Royal Docks to India & Millwall and Tilbury. Hence we would opt, of necessity, for an India & Millwall closure.

The proposal to the Board is that we will seek trades union co-operation to accelerate the measures necessary for the Concentration Option, but that if there is insufficient performance during the next few months, we will have to switch on 1st July to the transfer of all PLA cargo handling operations from the India & Millwall Docks to the Royal Docks and Tilbury.

In industrial relations terms we are likely to get an early and sharp reaction to any suggestion of a planned dock closure. This could of itself precipitate the implementation of a closure decision even before 1st July.

Undertaking firm management action and a closure will give us a prospect of staying within the cash limits. However, we cannot be certain of this - much depends on the industrial and customer reaction to announcing the possibility of a closure, and on how much management can achieve in terms of improving working practices and reducing manpower without the co-operation of the trades unions. We will obviously keep in close contact with your Department on the progress we are making, and of the difficulties, current and prospective, that we are facing.

The other important feature of the recommendations is the potential impact on the local communities. We are very sensitive to this, and I hope to see the Leaders and Chief Executives of the Boroughs, and MPs, most immediately concerned, on Monday afternoon.

We are planning to announce the Board's decision during the first 24 hours after our meeting, and will keep you in touch.

I hope this general picture of what, with Board agreement, we plan to do will be helpful to you in keeping your colleagues informed on PLA affairs. Obviously there are many hazards implicit in the policy recommendations to be considered on Monday. It is however essential that we face up to them. Ideally I would have liked more time to establish firmer relationships with the management, employees and the trades unions. But we do not have time. I hope we will have your understanding and support.

John Sumner
V.G. Paige
V.G. PAIGE

Rt. Hon. Norman Fowler, MP,
Minister of Transport,
Department of Transport,
2 Marsham Street, London, SW1P 3EB.

CONFIDENTIAL

CONFIDENTIAL



Port of London Authority

LONDON DOCK HOUSE
1 THOMAS MORE STREET LONDON E1 9AZ
TELEX 897477 TELEGRAMS POLA LONDON E.1

Tel: 01-476 6900

28th January, 1980

PLA - The Next Steps

At their meeting on the 28th January 1980, the PLA Board reviewed the implications of the Government's cash limits as they affect the PLA. The Board considered the progress that has been made in moving PLA towards viability and the action necessary for PLA to manage within those cash limits up to 1983 (the period covered by the PLA Strategic Plan), and most particularly in the coming months.

The chosen strategy in the PLA Strategic Plan submitted to the Government in June 1979, was progressively to concentrate activities within both the Upper Docks (the Concentration Option). The manpower reductions and improved working practices required under this policy for the year to 30th June 1980 were agreed between the PLA and the trades unions and incorporated in the PLA Trade & Manpower Target Plan 1979-80 (the Second Year Short Term Plan).

Progress on the Second Year Short Term Plan has been insufficient. There has been progress in manpower reductions, although in total the reductions remain below the target numbers. There has been very little success in introducing improved working practices. Furthermore, a number of other factors have combined to work against the success of the Concentration Option policy; unofficial disputes, the depressed economy, high interest rates and the Government decision not to implement a PLA capital reconstruction at this stage.

Nevertheless the Board will continue its commitment to the Second Year Short Term Plan in a final effort to see whether the required changes can be achieved by the end of June 1980. The Board recognises that this will need a dramatic improvement to make up the shortfall in the Plan targets and also consider that more must be done to compensate for the ground that has been lost. PLA management are committed to achieving this and will shortly be putting specific proposals to the trades unions and employees. Because of the shortfall the revised programme will inevitably be extremely difficult to achieve, but no effort will be spared in trying to make it work.

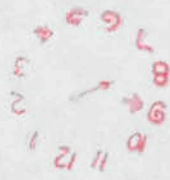
Reluctantly, however, the Board believe that in the present difficult circumstances there must be a strong possibility that the necessary measures will not have been fully implemented by the end of June 1980 and that we will not be able to keep within the cash limits. If that is so the Board could not continue with the Concentration Option as originally planned as the means of achieving viability.

CONFIDENTIAL

The Board have decided that, in the event of failure to achieve this programme, PLA will, from the 1st July 1980, proceed with the transfer from India & Millwall Docks of all PLA cargo handling operations to either Royal or Tilbury Docks. (A transfer from India & Millwall rather than Royals has been chosen because of the tight financial limits given by the Government and the long lead-time and heavy capital expenditure needed to transfer from the Royals.) Adequate facilities exist for the traffic to be relocated and PLA will be undertaking full customer consultation. It will also be giving even more thrust to its marketing activities.

The PLA Board emphasises the tight financial limits set by the Government in accordance with the policy of restraining public expenditure. It regrets the Government decision not to introduce a capital reconstruction at this stage. It believes such a reconstruction will be necessary.

The Government have said that it is for PLA to determine the policy necessary to return to viability within the financial limits set by the Government. PLA Board believe that the policy of continuing its commitments to the Concentration Option and the Second Year Short Term Plan, and, concurrently, establishing a contingency plan to be implemented speedily should they fail to achieve the needed results is, in the circumstances, in the best interests of the Authority, its employees, the local communities and its customers.



24 JAN 1980

CONFIDENTIAL

Industrial Policy



(2)

Prime Minister

Phms

PRIME MINISTER

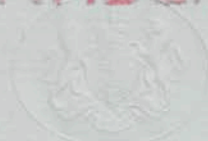
I thought I should warn you that there is a possibility of industrial action at the Port of London.

I made a statement on 7 December about Government assistance for the Port of London Authority and about the PLA's Five Year Strategic Plan. The decision was to set the Authority a financial limit on the total of Government assistance. Subject to minor adjustments, this was at the same level as promised by the last Government. My object was to bring the PLA under a tight financial discipline, but not to dictate to them what steps they should take to achieve viability - in particular whether or not they should close one of their Upper Docks. I had warned my colleagues that an early dock closure was a likely consequence of the financial limit and that this could lead to major industrial action by the PLA's work force, and possibly more widely in the ports.

The PLA Board are likely to be taking decisions on Monday 28 January on the way forward. They will probably be making a public announcement on Tuesday, which will be preceded by informal intimation to local Members of Parliament, the local authorities, main customers and unions affected. The proposals which are going to the Board are that the PLA should try between now and the summer to accelerate progress on the improvements in working practices and manpower reductions under their current Short Term Plan, and take much more vigorous management action to enforce the specific targets in the Plan, including better working practices, even in the absence of union agreement. They will be

CONFIDENTIAL

CONFIDENTIAL



giving a clear warning now that in the absence of full achievement of this Plan on timetable (i.e. by the end of June) they will go for immediate closure of one of the Upper Docks, probably India and Millwall (rather than the Royal Docks as previously proposed).

This announcement will be taking place against the background of difficulties in their current negotiations on dockworkers' pay, where one of their unions (the National Amalgamated Stevedores and Dockers) has already given notice of official strike action in three weeks' time, and the other (the TGWU) is having difficulty in preventing a series of unofficial one day strikes. Added to this the clerical section of the TGWU has just made it clear that they are not going to co-operate on some necessary steps to reduce manpower under the Plan. The combination of these factors is going to make it appear more probable that, in the absence of a turn round by the unions, the dock closure will in fact take place. It could even be accelerated if there is serious industrial trouble over pay or other matters. It therefore seems quite possible that there could be early strike action by some, if not all, of the PLA's work force as soon as the new policies are announced.

This assessment of course assumes that the PLA Board, several of whose members are new, will accept the recommendations which the Chairman and management have put to them.

The PLA will be keeping me in touch with developments over the next few days and I will in turn let you and my colleagues have the latest news as it comes in.

CONFIDENTIAL

CONFIDENTIAL



I am sending copies of this minute to Keith Joseph,
Jim Prior and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Fowler', written in a cursive style.

NORMAN FOWLER

23 January 1980

CONFIDENTIAL

Laboratory is developing impact test procedures to ensure that those proposed for legislation are effective and based on sound principles. A series of angled barrier and other tests has been carried out using several makes of car, each representative of a different layout. Information on the tests and summaries of the results are contained in TRRL Leaflet LF 689, and other more technical papers, all of which are obtainable from the Laboratory. I am sending copies to the hon. Member.

It is not possible to isolate the costs of the vehicle tests but the cost of the area of research of which they are part has been in the order of £165,000 per annum for the last three years.

Port of London Authority

Mr. Moate asked the Minister of Transport if he is yet in a position to make a statement about the Port of London Authority's strategic plan 1979 to 1983.

Mr. Norman Fowler: As I told the House on 27 July, I can now announce my decision on the Port of London Authority's five-year strategic plan 1979-83. In considering the plan, I have had the benefit of advice from Price Waterhouse and Co.

The plan itself presents options. The choice between them is a matter for the authority. The Government can only agree to maintain the minimum level of financial assistance to the authority that it will need to continue with the most rapid possible run-down of manpower, and to plan for the quickest possible return to viability at least cost to the taxpayer. I therefore propose to set a strict financial limit on the total of Government assistance. Subject to adjustments to come with inflation and the latest forecasts, this is set at the level promised by the previous Government.

The details are as follows:

- i. I reaffirm the undertaking given by the last Government to make grants towards the cost of severance of surplus manpower. (In the case of registered dock workers these grants are only payable up to the end of February 1980.) On current estimates, the total will slightly exceed the £35 million promised by the previous Government in 1978.
- ii. I will continue to stand behind the £10 million commercial loan facility, of which the PLA has already used £2 million. I will also, of course, honour the previous

Government's undertaking to stand behind the earlier £15 million loan which was used in 1977 and 1978.

In addition, in the light of revised forecasts, I am prepared to stand behind the PLA in negotiating an agreement to postpone the £3 million loan repayment due in 1980 and the similar repayment due in 1981. I will also, but only if the authority satisfy me that it is necessary, stand behind its existing overdraft facility up to a total of £5 million for a period.

I have told the PLA that within this tight limit it is for it, and not the Government, to decide on the detailed steps necessary to achieve viability. But I shall require it to report to me at intervals that it is satisfied with the progress it is making. It will know that it will have my full support in taking all necessary steps to achieve this end.

The PLA's strategic plan calls for a capital reconstruction under which there would be a substantial write-down of the authority's outstanding debt to the Government, but the Government can see no justification in present circumstances for such a write-down, since it would be incompatible with our view that assistance from public funds must be kept to the minimum need to recover profitability.

I shall shortly be introducing a Bill to provide the necessary statutory authority for this assistance. I will, of course, continue to provide Harbours Act loans for capital works subject to the usual criteria.

Motorway Service Areas

Mr. David Mellor asked the Minister of Transport what is his policy for the development of new motorway service areas.

Mr. Norman Fowler: I have accepted the recommendation of the Prior committee of inquiry into motorway service areas that my Department should abandon its policy of siting MSAs at 25-mile intervals in favour of a more flexible approach of deciding each case on its merits. I would not normally expect gaps of more than the maximum of about 30 miles recommended by the committee, but I recognise that there may be exceptional circumstances where a longer interval might be acceptable.

The first priority in my development programme will therefore be to look at the gaps of more than 30 miles in the

existing and planned motorway network. But I am ready to consider the development of additional sites in the light of the adequacy of services at adjacent existing MSAs and the benefit the consumer will gain from greater variety and choice.

Future sites will be offered for development to private companies on the same terms that are being offered to existing MSA operators. These companies would be fully responsible for developing the sites and for obtaining detailed planning permission.

A41 (Eastham)

Mr. Porter asked the Minister of Transport if he will give the reasons for erecting public toilets on the A41 at Eastham; how many similar projects exist in the current programme; and what steps he proposes to take to stop such expenditure.

Mr. Kenneth Clarke: My right hon. Friend is not, in fact, proceeding with the scheme to which my hon. Friend refers. Since powers were first obtained in the Highways Act 1971, only 25 toilet blocks have so far been provided by the Department on trunk roads in England. They cost around £25,000 each at today's prices. Another 19 are projected, subject to planning considerations and other practical factors and to competing claims for funds. Roadside toilets are a worthwhile provision and are provided only where alternative commercial or local authorities facilities are not readily available.

AGRICULTURE, FISHERIES AND FOOD

Green-top Milk

Mr. Woolmer asked the Minister of Agriculture, Fisheries and Food if, in view of the food poisoning incidents due to milk-borne salmonellosis, he proposes to ban the sale of untreated green-top milk.

Mr. Buchanan-Smith: My right hon. Friend is considering the Government's policy towards untreated milk, and will announce his decision in due course.

Intervention Board for Agricultural Produce

Mr. Body asked the Minister of Agriculture, Fisheries and Food if he will give details of the latest estimates he has made

of expenditure in 1979-80 by the Intervention Board for Agricultural Produce on market regulation under the common agricultural policy, together with comparable figures for 1978-79.

Mr. Peter Walker: Following are details of the latest estimates for the financial year 1979-80, together with comparable figures for the outturn in the financial year 1978-79.

EXPENDITURE BY THE INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

	Latest estimate of outturn 1979-80	Actual outturn 1978-79 £ million
Cereals ...	40.9	28.9
Beef and Veal ...	-14.8	-20.8
Pigmeat ...	0.5	0.2
Sugar ...	55.1	84.7
Herbage Seeds ...	2.6	1.4
Hops ...	1.3	1.1
Processed Products ...	36.4	21.0
Milk Products ...	262.0	198.4
Others ...	22.1	15.3
	<u>406.1</u>	<u>330.2</u>

Expenditure by the Intervention Board for Agricultural Produce includes the beef variable premium scheme, refunds on imports and exports, certain production subsidies, the butter and school milk subsidies, the gross cost of aids for private storage and animal feed and the net cost of commodities bought into intervention and subsequently sold.

Of the estimated outturn for 1979-80, £386.8 million is expected to be financed from the guarantee section of the European Agricultural Guidance and Guarantee Fund (EAGGF), the balance being financed from Exchequer funds; in 1978-79, £305.1 million was financed from EAGGF. Some of the expenditure shown above benefits consumers and overseas exporting interests rather than United Kingdom producers.

The estimate of expenditure for 1979-80 also includes £12.9 million deferred from 1978-79 as a result of industrial action.

Mackerel Fishing

Mr. John Townend asked the Minister of Agriculture, Fisheries and Food what further conservation measures he proposes to take to prevent the overfishing of stocks of mackerel by deep-sea trawlers.

CONFIDENTIAL



Ind Pol

10 DOWNING STREET

From the Private Secretary

5 December, 1979.

cc Ind Pol (Dec 79) 'Future of the Mersey Docks and Harbour Company.'

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.

CONFIDENTIAL

41

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



Tim Lankester Esq
Private Secretary
No 10 Downing Street

see Ind Pd (Dec 79) 'Future of the Mersey Docks
and Harbour Company.'

Prime Minister

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

4 December 1979

Dear Tim

Yes no

Content subject to
other colleagues views?

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.

R
4/12

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 traffics, 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.

CONFIDENTIAL

CONFIDENTIAL

Fig A | 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.

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

CONFIDENTIAL

DRAFT MINISTERIAL STATEMENT ON THE PORT OF LONDON AUTHORITY

a little
drafting
change needed
to make it
a written answer
MS

1. As I told the House on 27 July, I can now announce my decision on the Port of London Authority's Five Year Strategic Plan 1979/83. In considering the Plan, I have had the benefit of advice from Price Waterhouse and Co.
2. The Plan considers two options: the Transfer Option under which the Royal Docks would be closed to PLA traffic by the middle of 1981, and the Concentration Option under which both the Upper Docks would be kept open, but traffic concentrated into a smaller number of berths. The Plan holds out no prospect that the Concentration Option would enable the PLA to return to viability within the 5 years, and it would therefore involve deficiency financing with no reasonable prospect of repayment. The Transfer Option, on the other hand, holds out a prospect of sufficient profitability to enable the PLA to meet their loan repayment obligations.
3. The Government can only agree to maintain the minimum level of financial assistance to the Authority that they will need to continue with the most rapid possible run-down of manpower, and plan for the quickest possible return to viability at least cost to the taxpayer. I therefore propose to set a strict financial limit on the total of Government assistance. Subject to minor adjustments to cope with inflation and the latest forecasts, this is set at the same level as was promised by the last Government.
4. The details are as follows:
 - i. I reaffirm the undertaking given by the last Government

CONFIDENTIAL

CONFIDENTIAL

to make grants towards the cost of severance of surplus manpower (in the case of registered dock workers these grants are only payable up to February 1980). On current estimates, the total will slightly exceed the £35m promised by the last Government in 1978.

ii. I will continue to stand behind the £10m commercial loan facility of which the PLA has already used £2m. I will also of course honour the previous Government's undertaking to stand behind the earlier £15m loan which was used in 1977 and 1978.

5. In addition, in the light of revised forecasts, I am prepared to stand behind the PLA in negotiating an agreement to postpone the £3m loan repayment due in 1980 and the similar repayment due in 1981. I will also, but only if the Authority satisfy me that it is necessary, stand behind their existing overdraft facility up to a total of £5m for a period.

6. I have told the PLA that within this tight limit it is for them, and not the Government, to decide on the detailed steps necessary to achieve viability. But I shall require them to report to me at intervals that they are satisfied with the progress they are making. They will know that they will have my full support in taking all necessary steps to achieve this end.

7. The PLA's Strategic Plan calls for a capital reconstruction under which the Authority's outstanding debt to the Government (now over £60m) would be written off. But the Government can see no justification in present circumstances for such a write off, since it would be incompatible with our view that assistance from public funds must be kept to the minimum needed to recover profitability.

8. I shall shortly be introducing a Bill to provide the necessary statutory authority for this assistance. I will of course continue to provide Harbours Act loans for capital works subject to the usual criteria.

CONFIDENTIAL

to make grants towards cost of avoidance of surplus manpower (in the case of the 1980-81 period) on current grants are only £250 million. On current estimates, the total amount of grants to be provided by the last Government in 1978.

BBB
8
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

11. I will continue to support the £100 million loan facility of which the FIA has already used £25 million. I will also of course honour the previous Government's undertaking to stand behind the earlier £150 million loan which was used in 1977 and 1978.

12. I will continue to support the £100 million loan facility of which the FIA has already used £25 million. I will also of course honour the previous Government's undertaking to stand behind the earlier £150 million loan which was used in 1977 and 1978.

13. I will continue to support the £100 million loan facility of which the FIA has already used £25 million. I will also of course honour the previous Government's undertaking to stand behind the earlier £150 million loan which was used in 1977 and 1978.

14. I will continue to support the £100 million loan facility of which the FIA has already used £25 million. I will also of course honour the previous Government's undertaking to stand behind the earlier £150 million loan which was used in 1977 and 1978.

15. I will continue to support the £100 million loan facility of which the FIA has already used £25 million. I will also of course honour the previous Government's undertaking to stand behind the earlier £150 million loan which was used in 1977 and 1978.

Extract from The Times
dated 4 December 1979.

Sharing the cost of docks redundancies

From Sir Arthur Peterson

Sir, Shortly before your eclipse, you published a letter from me commenting on the then Government's decision to give £35 million to the Port of London to meet the cost of necessary staff reductions.

If your transport correspondent's forecast (Business News, December 3) is correct it seems that the present Government is due to continue a policy which is manifestly unfair to ports such as Liverpool, which have to deal with exactly the same problems as London.

The restructuring of the port industry is a difficult and expensive process and it is right

that there should be generous treatment for men who are no longer needed, often after a lifetime of service in the industry.

But the problem is common to all the major ports and if the Government are to make central funds available towards its solution then it should do so to all ports which need them. Any system by which all ports except one are expected to contribute 100 per cent of the costs while the remaining port contributes nothing is unjust and inequitable.

SIR ARTHUR PETERSON,
Chairman, Mersey Docks and
Harbour Company.

Ind. P.S. 110

259

FIVE

CONFIDENTIAL

E(EA)

b.c. Mr. Duguid



Emp.
Env.
Scotland
Wales
Trade
Energy
Chief Sec.

10 DOWNING STREET

From the Private Secretary

22 November 1979

+ C.O.
+ Transport

FINANCES OF THE PORT OF LONDON AUTHORITY

The Prime Minister has considered your Secretary of State's minute of 20 November on the above subject, and is content with the conclusions reached by E(EA) Committee on 19 November.

I am sending copies of this letter to the Private Secretaries to the members of E(EA) Committee and to Martin Vile (Cabinet Office).

I. P. LANKESTER

Ian Ellison, Esq.,
Department of Industry.

CONFIDENTIAL

VS



C.C. Andrew Dwyer

Prime Minister

Contact with
E(EA) conditions?

PRIME MINISTER

Agreed
outR
20/11

FINANCES OF THE PORT OF LONDON AUTHORITY

This note reports the discussion in E(EA) on 19 November about two papers which the Minister of Transport circulated on the Future of the Port of London Authority (E(EA)(79)53 and 66). Decisions are urgent because he hopes to introduce a Bill next month and secure a Second Reading well before or immediately after Christmas.

As you know, the Port of London is in serious financial difficulty, largely as a result of the change in the pattern of sea-borne trade in the last ten years, and its own failure to adjust its work-force fast enough to respond. It has already closed some of the upper docks (London, St Katherine's and Surrey Commercial) and it is public knowledge that it has seriously considered closing both the Royal Group and the India/Millwall Group upper docks. The last Government postponed a decision on this, but undertook to provide £35 million to finance 'severance payments' to help the PLA run down its excessive labour force, and promised loans of a further £25 million. We are committed to at least this level of help.

The Minister of Transport invited us to consider four options: Receivership; a direction to close one of the upper dock groups; a direction to close both upper docks; and a 'cash limit' approach, /under ...



under which the Government would announce the amount of money it was prepared to make available, and leave the PLA to take the necessary decisions. The Sub-Committee came down in favour of the fourth option.

The option of Receivership was seriously considered. However, the PLA is a statutory body, not under Companies Act Rules. There is no provision in the Act for a Receivership. Because the PLA exercises regulatory functions, and is responsible for the navigation of the whole Thames Estuary, as well as the operation of its own docks, there would be a severe risk of disruption to other traffic (including oil traffic) if the Authority were put into Receivership. Moreover, the Government appoints most of the members of the Authority, and is the largest creditor (holding some 85% of its debt). The object of a Receivership is to safeguard the assets of the Authority, and the Attorney General advises that this can best be done by keeping the Authority in existence, rather than appointing a Receiver.

The objection to the second and third courses is that both involve the Government too much in the actual decision to close one or more docks. It is preferable that this decision should be taken by management, if possible with the acquiescence of the unions, and not by Central Government.

The fourth option distances Government somewhat from the decision-making. The amount of finance to be made available would be, as

/agreed ...



agreed at the meeting, £80 million) (the earlier £60 million to which we are already committed, and a further advance) and there will be no provision for any additional funds. The Minister would make it absolutely clear, both to the Authority and in Parliament, that the Government was not prepared to put up any further money beyond this.

On this basis, the Sub-Committee approved the Minister's proposals, and they invited him to bring a Bill forward to Legislation Committee very quickly. They also asked him to pursue, with the Chairman of the Authority, the possibility of running down the labour force even more quickly - for example, by changes in the present Dock Labour Scheme to ensure that dockers receiving 'fallback' pay have actually to attend on the Quay side, and are not able to do 'moonlighting': this would encourage them to take redundancy pay quickly. (The scope for such an action is however limited by the present statutory Dock Labour Scheme, and it may not be possible to proceed very fast).

I undertook to report the Sub-Committee's decision to you. It would still be possible, if you wish, to reverse the decision or to call it in for consideration in a senior Committee or Cabinet, although at some risk to the Parliamentary timetable. However, the Sub-Committee feels that the Government has no real option

/in ...

The Treasury have agreed this: it can be found within existing DEEC provisions.



in this case, and that the best course is to proceed on the lines proposed by the Minister.

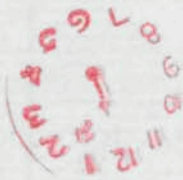
I am copying this to the members of E(EA) and to Sir Robert Armstrong.

14

K J

20 November 1979

Department of Industry
Ashdown House
123 Victoria Street
London SW1



20 NOV 1979

11
12

lad Pol



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

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

15 June 1979

R
18/6

Dear Tim

Thank you for your letter of 11 June.

There is a trade union official on the Port of London Authority Board. All the evidence is that he has behaved with exemplary discretion, but we cannot absolutely rely on this continuing at a time when the matters under discussion are ones on which the unions feel very deeply and are under great pressure from their members.

On timing, my Minister expects to receive the PLA's proposals by the end of this month and will put his proposals to his colleagues as soon as he has had expert advice on the financial aspects and weighed up the political implications for the Government.

I am sending copies of this letter to Ian Fair (Department of Employment) and to Martin Vile (Cabinet Office).

Yours

Genie

MRS E C FLANAGAN
Private Secretary



MS. 10000



CONFIDENTIAL

incl
Pol



cc Sir H. Berrill
Mr. Lechevalier
~~Mr. Mansfield~~

10 DOWNING STREET

From the Private Secretary

CABINET OFFICE 11
A 1361
11 JUN 1979
FILING INSTRUCTIONS
FILE No.

June 1979

The Prime Minister has read your letter of 7 June about the PLA's plans for closing the Upper Docks and the risk that there could be a national dock strike if knowledge of this leaks. She is, of course, most unhappy that there is a risk that the PLA's plans will leak; this implies that the quicker the PLA Board and your Department can decide what should be done the better.

1x

I am sending copies of this letter to Ian Fair (Department of Employment) and to Martin Vile (Cabinet Office).

T. P. LANKESTER

Mrs. E. C. Flanagan,
Department of the Environment.

CONFIDENTIAL

done 15/6.

Mr Lankester?

(CF)

pls copy this correspondence to

Trans

12

1. Mr Vile

I remain worried that this correspondence has not been copied to Tsy & Trade. I still remember the effect of the 1966 ~~figures~~ strike on the trade figs & thus on £. Cd we ask No 10 to copy at least to the Chancellor?

2 Mr Whybrow

CONFIDENTIAL



cc T. Ross.
file 10.
Industrial
Policy

10 DOWNING STREET

From the Private Secretary

11 June 1979

The Prime Minister has read your letter of 7 June about the PLA's plans for closing the Upper Docks and the risk that there could be a national dock strike if knowledge of this leaks. She is, of course, most unhappy that there is a risk that the PLA's plans will leak; this implies that the quicker the PLA Board and your Department can decide what should be done the better.

I am sending copies of this letter to Ian Fair (Department of Employment) and to Martin Vile (Cabinet Office).

J. P. LANKESTER

Mrs. E. C. Flanagan,
Department of the Environment.

CONFIDENTIAL

ECF

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

CCTray 2



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

cc to Mr. [unclear]

Prime Minister

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

To note. It is intolerable that
there is this risk of a leak;
but the trade union members

7 June 1979

of the Board is suspect.

All the more reason for
the Board and D/Transport
deciding quickly what

they want to do with

the Port of London.

R.S.

Dear Mike

My Minister thought the Prime Minister ought to know at once
that there is a risk - at the moment a very slight one -
of the TGWU calling a national docks strike if the Port of
London Authority's draft Corporate Plan, which revives the
idea of closing the Upper Docks, leaks to the Unions. 7/6

As you know, the Port of London Authority has been in financial
difficulties for some time. The previous Government agreed
last year to make substantial financial support available for
a massive run-down of labour, on condition that the unions
co-operated in this and that the PLA drew up a full corporate
plan for the future. Pending this the PLA were told not to
go ahead with closure of the Royal Docks, which they had
themselves regarded as necessary. The Chairman of the PLA
has just told us that he has today circulated to his Board
for consideration early next week the first draft of their
new Corporate Plan, and that this is likely to revive the
proposal to close at least one of the two Upper Docks. On
past form, papers put to the Board may well leak to the unions.

When the PLA first talked of closing the Royal Docks, the
TGWU threatened an official national dock strike, and indeed
Moss Evans mentioned the union's strong feelings on this
when he saw the Minister yesterday. The Chairman thinks that
the threat could be revived as a result of the PLA's draft

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

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

proposals becoming known. The proposals are not likely to be put formally to the Minister until the end of this month and even then he will need another month or so to consider them and consult colleagues before giving the Government's response. Nevertheless he considers, and Department of Employment advise, that there is a slight risk that an official national strike will be called, though it is difficult to forecast how much support this would get. Matters may well not come to a head until we react to the PLA's proposals in August. In the meanwhile he proposes that he should deprecate any premature action by the Unions, if this seems probable, but not otherwise intervene.

I am sending copies of this letter to Ian Fair and to Martin Vile.

Yours

Genie

MRS E C FLANAGAN
Private Secretary

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

1-7 JUN 1979

12 1 2 3 4
5 6 7 8 9

CONFIDENTIAL

