

Confidential filing

General Lighthouse Authorities.

Public Inquiry into the provision and financing of
lighthouses around the British Isles.

GOVERNMENT

MACHINERY.

JUNE 1982.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
21-6-82							
22-12-82							
5.1.84							
8-1-85							
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23-5-85							
4-6-85							
13/6/85							
23-7-85							
31-7-85							
2/8/85							

PREM 19/1512

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons: 29th Report from Public Accounts
Committee, Session 1981-82
"General Lighthouse Fund: accounts for years ended 31 March
1980 and 31 March 1981
Published as HC 438, 29 July 1982

Signed AWayland Date 28 January 2014

PREM Records Team

CEPCFCS/85/222SECRETARY OF STATE FOR TRANSPORT*NBP
CDD
2/10*Commissioners of Irish Lights (CIL)

1. Thank you for your letter of 23 July about the agreement which has been reached by British and Irish officials concerning the future financing of the Commissioners of Irish Lights. I write to confirm that, as you anticipated, I am in favour of accepting the agreement. I hope you will now ask Sir Peter Lazarus to take matters further in the way which you suggest.
2. I should like to add while I accept that the agreement is not wholly satisfactory, I believe that in the circumstances it is a rather better deal than your letter implies. The Irish had little incentive to disturb the cosy situation which gave them a first class lighthouse service at only 15% of the cost. As a result of the agreement they will be forced to breach a principle, in that they will have to make an Exchequer contribution to the costs of the service, and as a result will acquire a healthy incentive to see that the service is properly administered, fits the needs of the time, and that its costs should be contained. As I understand it, it is proposed the British Government will acquire a say in the nomination of half of the governing board of the reconstituted Commissioners, and thus will also have a rather larger influence in the affairs of the CIL than it has had until now. These achievements are not negligible. They will,

/of



of course, take some time to bring into effect. In the meantime I am more than content that we have managed to preserve one of the few all-Ireland bodies which has over the years given a good service.

3. I am copying this minute to the Prime Minister, the Northern Ireland Secretary and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

2 August 1985

Lighthouse Authorities : GOV MACH.
June 82.





NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

NBOM
CDD 1/2

31 July 1985

Dear Nick,

COMMISSIONERS OF IRISH LIGHTS

Thank you for copying to me your letter of 23 July to Geoffrey Howe. AS you indicate the Northern Ireland Office has been closely associated with the negotiations led by your Department. I agree that the deal negotiated by officials should be accepted by Ministers. As you indicate, given that we want to preserve the CIL as a successful all-Irish entity, the United Kingdom did not have a particularly strong negotiating hand and I think the team led by Sir Peter Lazarus has done as well as could have been expected.

We should not overlook the political difficulty which Irish Ministers will have in explaining to their constituencies why they have accepted a fresh public expenditure commitment, given all the demands upon their economy, particularly when the benefit will be seen to go to UK interests. Indeed in all the circumstances our shipping and ports industries will be well advised to accept the half loaf on offer. In fact it is likely to be somewhat better than that as I understand there is agreement to plan the total expenditure of the CIL in a more cost-effective way in future, and for the first time the Irish Government has a real incentive so to do.

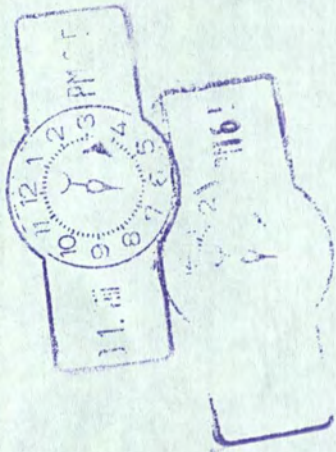
I am sending copies of this letter to the Prime Minister, Sir Geoffrey Howe and to Sir Robert Armstrong.

Toner,
Douglas.

Golf Machinery

June 1982

General Lighthouse Authorities





CDP?

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON SW1

23 July 1985

NBPM

CDP 23/7.

Dear Geoffrey

As signatories to the Safety of Life at Sea Convention (SOLAS) the Government of the Irish Republic have undertaken to arrange for the maintenance, at such level as they see fit, of adequate navigational aids around our respective coasts, as have all other sovereign states. It is an anachronism that the lighthouse services in the Republic and in Northern Ireland are provided by a single service which predates the emergence of the Republic as a sovereign state. These services are provided by the Commissioners of Irish Lights (CIL) and are financed from the General Lighthouse Fund, for which I have statutory responsibility. The contribution collected by ships using the ports of the Republic produces only about 15% of the costs incurred in the Republic leaving 85% to be met from light dues collected in the UK. Naturally UK ship operators object strongly to this.

In 1982 our predecessors (anticipating a recommendation by the Public Accounts Committee) decided that negotiations should be opened with the Irish Government at official level with the objective of securing a more satisfactory statutory and financial basis for the lighthouse services in Ireland.

The discussions were led initially on our side by Sir Michael Franklin, then at the Department of Trade, and later by Sir Peter Lazarus, following the transfer of marine matters to my Department. I understand that the Foreign and Commonwealth Office and the Northern Ireland Office have been closely consulted throughout the exchanges.

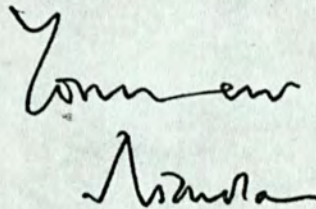
/ I attach a copy of the agreement that has now been reached, subject to Ministerial endorsement on both sides. It falls far short of what the shipping and ports industries have told me they would like and I would expect the Public Accounts Committee to criticise it in due course. But although there will be strong criticism, I suppose it is an achievement that any agreement was reached at all: the Irish Government knew we attached a high priority to preserving the CIL as an all-Irish entity and they could be fairly confident that, for wider reasons of public policy, we would not refuse to provide any finance for lighthouses in the Republic; we could therefore offer no real threats or inducements, and the worst we could threaten was to constrain the CIL's expenditure (in the knowledge that the Irish Government would have been happy to constrain it themselves if they had the responsibility).

Against that background, I reluctantly accept my officials' judgment that the agreement is the best that can be secured. The alternative depends upon whether we are prepared to end this unique all-Ireland body and leave the Republic to pay the full costs of lighting their own shores in accordance with the SOLAS Convention.

I expect that for reasons of wider policy consideration you will wish to continue the existing all-Ireland system with its subsidy to the Republic. Unless I hear to the

contrary I will ask Sir Peter to tell the Irish Government that we are prepared to accept the agreement and invite him, in consultation with your officials, to take forward the discussions that the agreement envisages about the CIL's constitution and relationships with the two Governments.

I am sending copies of this letter to the Prime Minister, Douglas Hurd, and Sir Robert Armstrong.

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

NICHOLAS RIDLEY

£m

CIL INCOME AND EXPENDITURE

Expenditure attributed to:	Out-turn 1984/85	Estimate 1985/86	Forecast 1989/90
1. Northern Ireland	3.0	3.1	3.4
met by:			
(i) N I Light Dues	0.4	0.4	0.4
(ii) GLF	2.6	2.7	3.0
2. Republic of Ireland	7.0	7.3	8.0
met by:			
(i) Republic Light Dues	1.0	1.0	1.0
(ii) Irish Government	-*	1.2	3.0
(iii) GLF	6.0	5.1	4.0
	10.0	10.4	11.4

*The proposed cost-sharing agreement starts in 1985/86.

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10 DOWNING STREET

From the Private Secretary

13 June 1985

TRINITY HOUSE: "MERMAID" REPLACEMENT

The Prime Minister has seen Mr. Mitchell's letter of 23 May to Mr. Lamont and his reply of 11 June. She agrees that the gap between the UK and Korean bids is simply too high and that there is no alternative to placing the order with Hyundai.

I am copying this letter to Edmund Hosker (Department of Trade and Industry), David Normington (Department of Employment) and Murdo Maclean (Chief Whip's Office).

(Andrew Turnbull)

Richard Bennett, Esq.,
Department of Transport.

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DS



10 DOWNING STREET

Prime Minister (2)

Trinity House are replacing
the lights "MERMAID".
The Korean offer is £9.6 million
and the UK offer is £12.5 million

Both D/Tsp and DTI believe
the gap is too large to bridge
by subsidies. Nevertheless
the Opposition may well complain.
We will seek backing when the
announcement is made.

AT

12/6



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5186
GTN 215)
(Switchboard) 215 7877

From the Minister of State for Industry

Norman Lamont MP

CONFIDENTIAL

David Mitchell Esq MP
Parliamentary Under Secretary
of State
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

11 June 1985

Dear David

TRINITY HOUSE "MERMAID" REPLACEMENT

Thank you for your letter of 23 May setting out the case for allowing Trinity House to place an order for a light house tender with Hyundai.

I reluctantly accept your conclusion that the order should go to Hyundai. My officials have already done what they can to lower the expectations of the domestic bidders. Recent conversations at official level indicate that BS are reconciled to losing this order.

If there is any complaint about the Trinity House decision, I think the cost differences between the UK and Korean bids should be publicised in defence of that decision. Publicity for the high proportion of UK-sourced components Hyundai intend to buy for the order - totalling some 56% of the contract price - would also help diminish criticism.

I am copying this letter, as you did yours, to the Prime Minister, Tom King and John Wakeham.

Norman Lamont

NORMAN LAMONT

TUEATD

GOVT. MACH : General Lighthouse Authorities,

June 1982

12/4



NIS 207
AT 4/6

Government Chief Whip
12 Downing Street, London SW1

CONFIDENTIAL

11 June 1985

TRINITY HOUSE: "MERMAID" REPLACEMENT

The Chief Whip has seen your Minister's letter of 23 May 1985 to the Minister of State for Industry about this Order. Mr Wakeham has no observations on the decision itself, but he believes that any announcement should be made when the House of Commons is sitting, and not during a Parliamentary recess.

I am copying this letter to the Private Secretaries to the Prime Minister and the Secretary of State for Employment. As well as the Minister of State for Industry.

M MacLean
Private Secretary

Tony Poulter Esq

GOVT MACHINERY: General

Lighthouse Authorities: June 1982

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NBPM AT 27/5



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Norman Lamont Esq MP
Ministry of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1

23 May 1985

Dear Norman,

TRINITY HOUSE : "MERMAID" REPLACEMENT

In your letter of 29 January to Nicholas Ridley you suggested that our officials should look at a number of detailed points bearing on the order for the replacement of the "MERMAID", a Trinity House lighthouse tender.

Since then there have been extensive discussions and Trinity House have secured revised bids from Appledore, Richards and Hyundai. All are now lower than those put forward in October last, but Hyundai have increased their lead and (at first glance) Richards are in second place, a little ahead of Appledore. Richards, however, are not really in the running: they require a longer construction period, and a less favourable payments sequence than Appledore; and these factors together, in the full investment appraisal, put them in third place. Trinity House, too, have always had misgivings about Richards' contract terms. So the competition (such as it is) is between Appledore and Hyundai.

The Hyundai basic ex-yard price is £7.9m, but a further £1.7m has to be added to cover all the miscellaneous costs, making their total project cost £9.6m. This bid is based on 50% being paid in sterling - reflecting a high UK component content in construction - and 50% in US dollars at a rate of 1.27. The all-sterling or all-dollar bids would not be greatly different. Because of exchange rate fluctuations it is impossible to provide figures that are accurate from one day to the next, but it may be helpful to say, that for each percentage point shift in the rate above or below 1.27 the sterling price changes by about £35,000. (Today's rate is 1.26.)

The Appledore basic ex-yard price is £12.5m. I am told that under existing EC rules the maximum Intervention Fund support Appledore might get is 22½% of the Hyundai price of £7.9m, ie, £1.8m. But even with that help Appledore would still be £2.6m more expensive than Hyundai. I am told, too, that there is no significant prospect of additional Intervention Fund support that would reduce Hyundai's lead.

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Trinity House have declared that they are satisfied on merits that the quality of Hyundai's work is at least as good as that of Appledore, and that they have a much higher confidence in Hyundai's ability to deliver on time (which has important cost implications because of the savings expected from operating the new vessel). Another important point is that 56.7% of the vessel by value will be procured in the UK if it is purchased from Hyundai; this is for engines, electronical equipment, navigation aids, cranes, boats and air conditioning.

On costs, we have no defensible alternative but to place the order with Hyundai. To go to Appledore would mean spending £2.5m more from the GLF; it is private money and any expenditure requires the statutory consent of the Secretary of State: his role is that of a quasi-trustee, exercising prudent stewardship, having due regard to the interests of the shipowners who pay the light dues, and the GLAs who depend upon them for their income. The shipowners fully appreciate the Government's concern with the plight of UK shipbuilders, but do not see it as a justification for imposing unwarranted additional costs on the GLF. If we were to approve an unnecessarily expensive order the shipowners would be outraged and I cannot see what defence we could make if the facts were put before the PAC.

The gulf between the bids is such that we see no sensible alternative to placing the order with Hyundai. This conclusion is not affected by the availability of "soft" loan finance. The cheapest method of financing would be to borrow the bulk of the basic price from the Bank of Korea: for a contract placed with Hyundai they would advance 80% of the basic price at 9% repayable (in US dollars) over 8 years (and it is reported in "Lloyds List" that the Bank is being pressed hard by Korean shipbuilders to agree to softer terms).

If Trinity entered such a contract the most satisfactory way of meeting these repayments would be for the GLF to buy at the outset tranches of US Treasury stocks with matching maturity dates and amounts. The sale of each tranche on maturity would yield the sum (in dollars) required to meet the repayment instalment. This would eliminate any uncertainty about the GLF's liabilities because of movements in exchange rates during the repayment period. Quilter Goodison, who manage the GLF investments for us, advise that the purchase would be a straight-forward operation; the only cost incurred would be Quilter's commission for buying and selling the stocks. Quilters have told us that if the Bank of Korea advance 80% of Hyundai's basic price (£6.3m) at 9% then at today's prices and exchange rates it would cost £4.2m to purchase US Treasury stocks to produce a dollar stream to repay the principal and interest over 8 years. The remaining 20% (£1.6m) of the basic price would be paid in dollars at the appropriate contractual date. In addition, the £1.7m miscellaneous costs would have to be met during the construction period. (Nearly all this expenditure is in sterling). On that basis, the cash cost to the GLF would be about £7.5m, falling in 1985/86 and 1986/87. (Soft loan finance is available, on slightly better terms, from UK

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sources for an order placed in a UK yard, but the Hyundai lead, on a full investment appraisal basis, would still be £1.7m ahead of Appledore).

I fully appreciate and indeed share your concern to do all that reasonably can be done to support the British ship-building industry. I know, too, that Trinity House are strongly disposed to place an order in the UK. It gives me no pleasure at all to see this work go to a foreign competitor. But the arguments in favour of Hyundai are so strong that I do not think there is any real choice. I propose, therefore, to authorise Trinity House to place the order with them.

I am sending a copy of this letter to the Prime Minister; to Tom King in case he has observations on the employment implications; and to the Chief Whip in view of the political "banana skin" implications of Trinity House buying a foreign vessel with Ministerial consent.

Yours ever
David

DAVID MITCHELL

PS. Since dictating the above I learn that Appledore have increased their bid by £484,000 (4½%).

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Gov. Mack: Lighthouse Authority.
June 22



From the Minister of State for Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

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NORM AT 29/1

Norman Lamont MP

CONFIDENTIAL

Nicholas Ridley Esq, MP
Department of Transport
2 Marsham Street
London SW1P 3EB

29 January 1985

Dear Nick

TRINITY HOUSE: MERMAID REPLACEMENT

Thank you for your letter of 8 January.

As you know, the UK shipbuilding industry is in deep crisis because of the slump in the world market and fierce competition from Far Eastern yards, particularly Korea, whose predatory pricing policies are severely and rightly criticised by the world's major shipbuilding nations. These facts are of course familiar to the UK industry and its supporters and they would find it difficult to understand a decision to buy from Korea a vessel for a prestigious semi-public organisation such as Trinity House. They would be likely to argue - with some justification - that the world market would regard a decision to buy in Korea as evidence that the UK public authorities themselves had given up hope for their industry's survival. The purchase of two ships from that country would of course make things worse. In this context, you may recall the controversy which followed the GECB's contract involving the purchase of a cable-laying barge from Korea in 1983.

It is important that everything that is reasonably possible be done to have the order placed in the UK. The first step is, I believe, to ensure that in assessing the tenders from British yards and Korea we are comparing like with like. Although my officials have seen a version of the Three Quays Report we appear to lack some of the information necessary to be satisfied that this is so.

The report does not of course take account of the effect on the Korean dollar price of sterling's depreciation against the dollar. Nor I think is any allowance made in the cost assessment of the Korean tender for the exchange rate risk.

1TUAKB



You indicate that the British yards offer slightly cheaper credit terms but that their financial effects are offset by their later delivery. This too would be worth verifying: we have made an estimate based on certain assumptions which indicates that the difference between the credit terms offered could materially affect the price difference in NPV terms.

The consultant's report itself gives rise to some doubt about the technical validity of the Korean offer. For example it indicates that Hyundai produced no supporting technical documentation. It also states that very little detailed work or information was submitted by the Korean yard to support its tender and that the team sent to London for discussions, although large and well qualified, did not appear to have the grasp of the project one would have expected from a shipbuilder of this calibre. Admittedly the consultants indicate that they have little doubt that the yard is technically competent to build the vessel to the standards required. Nevertheless, the yard does not appear to have demonstrated its ability to do so in its proposals.

May I suggest that our officials get together to look into these matters in detail to ensure that our two Departments agree a common basis of comparison and to consider how the case for placing the order with a British yard could be strengthened.

I am sending a copy of this letter to the Prime Minister and the Chief Secretary.

A handwritten signature in cursive script, appearing to read 'Norman Lamont', written in dark ink.

NORMAN LAMONT

1TUAKB

CONT MARCH: Lighthouses.

me R

29 JAN 1985



COMMERCIAL IN CONFIDENCE



NBPM AT 8/1
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Norman Lamont Esq MP
Minister of State for Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

8 January 1985

Dear Norman

TRINITY HOUSE: MERMAID REPLACEMENT

You will remember you wrote to David Mitchell on 5 January 1984 about Trinity House's proposal to purchase a new vessel in replacement of the MERMAID, and you agreed that they should be authorised to seek comparative tenders from shipyards worldwide.

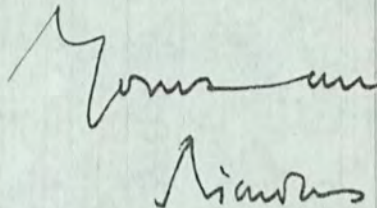
The tenders have now been received, and have been examined, on Trinity's behalf, by Three Quays Marine Services. Your officials have a copy of their report. The Three Quays report finds that, after adjusting the different tenders to put them on a similar basis, to take account of such considerations as delivery costs, the price of a vessel purchased at the cheapest British yard would be £12.05m as against £9.62m from Hyundai, a Korean yard. The British yard would be able to offer slightly cheaper credit terms, but against this their delivery date is later, and we calculate that the financial effects of these two considerations cancel each other out.

The vessel will be purchased out of the General Lighthouse Fund (GLDF). This fund is not public expenditure but my Secretary of State has a statutory responsibility for administering it. In a recent consultants' report the Department was criticised for not having gone to greater lengths to promote the economy and efficiency of services administered from out of the Fund, and we have a number of measures in hand designed to remedy this. It certainly gives me no pleasure at all to see an order of this kind go to a foreign shipyard, but, given the background, I do not see what I can do other than authorise Trinity to go to the Korean yard unless you can see some way of bridging the gap from within your Department's resources.

The Lights Advisory Committee, which represents shipowners (who are the payers of light dues) is taking an increasingly close interest in the expenditures of the Lighthouse Authorities, and I could not defend to them a decision to incur an additional £2.4m expenditure from the fund in order to ensure that the order goes to a British yard. But I should be grateful for your views. We will need to consider this quickly since the tender price from the Korean yard is valid only until the end of January.

I should perhaps also mention that Trinity have suggested that they should order two new vessels rather than one, in order to take advantage of the lower price which can be obtained by ordering two vessels together. I shall need to think very carefully about the proposal for a second new vessel - I am not yet persuaded that one is needed - but I thought I should alert you straightaway to the fact that it looks as though the order or orders will probably have to go to a foreign yard.

/ I am sending a copy of this letter to the Prime Minister because of her wish to be informed in advance of any potentially controversial foreign purchase decisions.

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

NICHOLAS RIDLEY

500 MACH

Lighthouse Authorities

June 82.

8 JAN 1985

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As Prime Minister



DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

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NBM

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From the Minister of State for Industry

Norman Lamont MP

of pres?

D Mitchell Esq MP
Parliamentary Under Secretary
of State
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

5 January 1984

Dear David

will request if required

Thank you for your letter of 13 December 1983 about Trinity House's proposal to commission the building of a replacement for their ship the Mermaid. I welcome your readiness in principle to favour home yards as far as possible for this order and accept that Trinity House's position is somewhat special. Nonetheless we understand that this is the first of a handful of similar orders expected to be placed over the next few years and it is thus particularly desirable that this first order should come to a British yard.

I note, and must accept, your reasons for not wishing to curtail Trinity House's freedom to seek international tenders so they can establish the going rate for such a vessel to be delivered in the UK. These calculations should of course include the additional costs of insurance, inspection, certification and delivery etc arising from building abroad. I hope at the same time that Trinity House will not omit to invite tenders from all UK private and public sector yards capable of building this type of vessel. There should be mutual benefit if they could enter early discussions with these yards on the proposed specification so that alternative options for design, equipment etc, perhaps at more competitive prices, may be fully explored in good time.

As you will know, in addition to the production subsidies available under the Intervention Fund itself (which are primarily intended to offset the cost advantages available to yards outside the European Community), there are other financial opportunities and inducements potentially available to assist UK yards to compete with those overseas. These include favourable terms under the Home Credit Scheme and leasing and similar arrangements which may also take advantage of tax benefits. UK yards can be expected to be broadly familiar with these but if fuller details of the basic provisions were required these could be obtained quite readily from my officials.

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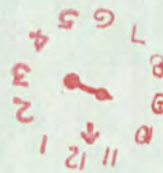
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You refer to the political controversy which could arise merely from a decision to include overseas yards in the tendering process and I can confirm from several recent occasions that this is a real possibility. You will also be aware of British Shipbuilders' current industrial relations problem which may result in national action from 6 January next. This may bear on the optimum time for Trinity House's decision to go out to tender.

I hope our officials may remain in close contact on this, and on the various possible forms of financial support. This will enable us, with other colleagues, to consider any problems that may emerge in good time, with a view to the clearly desirable solution of getting the vessel built in a suitable UK yard at an acceptable price.

I am copying this letter to the Prime Minister.

Yours -
Norman Lamont
NORMAN LAMONT



6 JAN 1987

CONFIDENTIAL



From the Secretary of State

G. Wood
Prime Minister (2)

To note

M/S 22/12

CONFIDENTIAL

Michael Scholar Esq
10 Downing Street
London
SW1

22 December 1982

Dear Michael

GENERAL LIGHTHOUSE AUTHORITIES

In your letter of 14 December you recorded the Prime Minister's comment that my Secretary of State's proposals "will create considerable political difficulties" and asked for a full note of the Public Accounts Committee's criticisms.

Trinity House has accepted my Secretary of State's main proposal, namely that management consultants should be brought in. No difficulty is anticipated with the other bodies. So far as the wider criticisms are concerned, Trinity House has suggested the appointment of a "Consultative Committee". This we will pursue with Trinity House. But possibly the problems can be dealt with without the need for a formal committee.

The criticisms made by the PAC fall into two categories:

- 1 The power of appointment of the members of the Authorities.
- 2 The efficiency of the Authorities particularly in relation to staff and finance.

These two matters are dealt with below.

THE POWER OF APPOINTMENT

What the PAC said was this:

"7 The General Lighthouse Fund is one the Department of Trade's formal statutory responsibilities, albeit a minor one. We find it anomalous that the Department have general responsibility for marine safety and a specific responsibility for the General Lighthouse Fund but no power to appoint the Lighthouse Authorities and to regulate management of the lighthouse services themselves. We see a need for a fundamental review of the lighthouse services, which have apparently not been examined since a Royal Commission of 1906....We recommend accordingly".

This issue may well be contentious. The PAC seem to have envisaged a Royal Commission roving over the whole field. For the moment my Secretary of State has simply asked the Authorities "for their views". These will no doubt be forthcoming in due course and we can take the matter forward from there.



CONFIDENTIAL

From the Secretary of State

EFFICIENCY

On this the PAC said:

"8. We are not satisfied that the Department have adequately exercised their responsibilities for the scrutiny of the GLAs' staffing levels and estimates, particularly in undertaking comparative studies of the Authorities' efficiency. We think this has resulted in the users not being provided with an adequate basis for judging the economy and efficiency of the Authorities' operations. We are somewhat surprised, in view of the recent criticisms by the Chairman of the Lights Advisory Committee, that the Department can claim that the users have previously been content, though we note the comments of Trinity House. We endorse the need for investigation of the criticisms. In addition we trust that improved arrangements for the examination of the GLAs' staff numbers will be introduced by the Department immediately."

It was in this area that my Secretary of State suggested that, in consultation with the Authorities, management consultants should be brought in. Trinity House have accepted this.

There is always the risk that the Secretary of State will be criticised for not doing enough. The shipowners - who have to foot the bill - are pretty furious and the PAC clearly contemplated a public enquiry of the Royal Commission type. But my Secretary of State feels that practical results in terms of improving efficiency and reducing costs and staff levels will be achieved more quickly by appointing management consultants and by direct pressure by the Department: and he would expect that this would defuse criticism. But we will have to come back in due course to the question of the appointment of the members of the Authorities, as if they are to be run properly they need the right people as members.

The PAC report is quite brief. A copy is attached with the more important passages sidelined.

Yours sincerely
John Whitlock

JOHN WHITLOCK
Private Secretary

Lighthouse Authority - Gut Mad



5th Dec

2 DEC 1992

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

WORLDWIDE

CONFIDENTIAL



bc J. Vereker

10 DOWNING STREET

From the Private Secretary

14 December 1982

GENERAL LIGHTHOUSE AUTHORITIES

The Prime Minister was grateful for your Secretary of State's minute of 13 December.

She has noted that your Secretary of State's proposals will create considerable political difficulties. She will be grateful for a full note of the Public Accounts Committee's criticisms.

M. C. SCHOLAR

John Rhodes, Esq.,
Department of Trade.

Sub

CONFIDENTIAL



PRIME MINISTER

GENERAL LIGHTHOUSE AUTHORITIES

On 18 June last I put to you a proposal that there should be an independent inquiry into the affairs of the three General Lighthouse Authorities (Trinity House, the Northern Lighthouse Board and the Commissioners of Irish Lights) following wide-ranging criticisms made by representatives of the shipowners, who meet the costs. You thought, however, that this would lead to the setting up of a new expensive bureaucracy which would cost far more than the three existing bodies.

I did not pursue the question then because the Public Accounts Committee were about to examine it and I wished to hear their conclusions. The Committee reported in September, and were highly and indeed pungently critical. They found it anomalous that the Department of Trade have general responsibility for marine safety and specific responsibility for the General Lighthouse Fund, but no power to appoint the Authorities or to regulate the management of the lighthouse services themselves; they saw a need for a fundamental review of the lighthouse services and of the financial and accounting arrangements; they endorsed the need for investigation of the criticisms made by the shipowners; and they were not satisfied that the Department of Trade have adequately exercised their responsibilities for the scrutiny of the Authorities' staffing levels, estimates and comparative efficiency.

I now propose action to meet these criticisms, and the Treasury Minute responding to the Report will accept the need for an investigation. I have met the Chairmen of the Authorities and told them that I envisage a firm of management accountants being jointly commissioned to examine the efficiency and effectiveness of the Authorities', and the Department's, financial and management control arrangements; the terms of reference will be decided after further consideration with the Authorities. I will then use my existing powers in so far as they stretch that far to require whatever changes appear necessary in the light of their report.

*This will cause
immense trouble
who has made what
mistake?*

*Prime Minister 1
Agree that Lord
Cockfield should accept
the need for an investigation
and invite the Lighthouse
Authorities' views on the
adequacy of his powers etc?
MCS 13/12*



But there remains the question whether my powers in relation to the Authorities really are adequate. This bears also on their constitution and their membership. Changes in this area, if they were required, would entail legislation and could well prove difficult. As a first step I have invited the Authorities' views on the criticisms made by the PAC in this respect.

While, therefore, I will do everything that can be done within the ambit of my present powers I suspect that it is the inadequacy of these powers which really underlies the criticisms that the PAC have levelled at the effectiveness of the Department's control. If the lighthouse authorities are co-operative we may be able to solve the difficulties. But if they prove stubborn, legislation will be the only answer.

The matter of the anomalous relationship with lights in the Republic of Ireland criticised by both the shipowners and the PAC is already being pursued in direct talks with the Irish Government.

Since HRH The Duke of Edinburgh holds the office of Master of Trinity House I have written to his Private Secretary to inform him broadly of what action I am taking.

I am sending copies of this minute to the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Foreign and Commonwealth Affairs and Northern Ireland and Sir Robert Armstrong.

A. C.

LORD COCKFIELD

Department of Trade
1 Victoria Street
London
SW1

13 December 1982

Govt Machinery - General Light House D. Thakur

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Govt Trade



FILE

10 DOWNING STREET

From the Private Secretary

21 June, 1982

GENERAL LIGHTHOUSE AUTHORITIES: A PUBLIC

INQUIRY

The Prime Minister was grateful for your Secretary of State's undated minute received here on 18 June about the arrangements for the provision and financing of lighthouses around the British Isles.

The Prime Minister is against the proposal to set up an independent inquiry into these arrangements. She feels that the Inquiry will lead to the setting up of a new expensive bureaucracy, which would cost far more than the three existing bodies.

I am sending copies of this letter Michael Collon (Lord Chancellor's Office), John Kerr (HM Treasury), Brian Fall (FCO) Mike Hopkins (Northern Ireland Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

J Rees, Esq
Department of Trade

CONFIDENTIAL

JWR

20

1 totally disagree.

Prime Minister

(1)



This has all the
underlying of a new

Agree to the announcement
of an Inquiry, as proposed?

PRIME MINISTER

GENERAL LIGHTHOUSE AUTHORITIES: A PUBLIC INQUIRY

expensive unnecessary
which will cost far more than Trinity House

MCS 18/6

MS

The arrangements for the provision and financing of lighthouses around the British Isles are anachronistic. The three responsible bodies (Trinity House, the Northern Lighthouse Board and the Commissioners of Irish Lights) are relics of the past and in the case of the Commissioners of Irish Lights rest on dubious legal foundations. As Secretary of State I am responsible for financial control of these bodies, although they are not financed from the Exchequer. There is a history of disquiet about the management of the services from the point of view of economy, and the Public Accounts Committee is about to discuss a report on the subject. Shipowners, who pay for the service and who in the past have been surprisingly acquiescent, have suddenly changed course with a letter to Iain Sproat expressing 'some fundamental concerns about the lights service and in particular its cost to the industry'.

7 The criticisms are wide-ranging; they question the level of excellence maintained and point to lack of economy; they are unhappy at the lack of scrutiny of running costs; they challenge the management competence of Trinity House in particular; they urge a fundamental review of the method of financing the service, and describe the Irish situation as absurd. (An anomaly dating back to the formation of the Irish Free State is that I am still required to exercise statutory control over the Irish Commissioners, and most of the money they spend is raised in light dues levied in UK ports; this situation is being discussed with the Irish Government). Finally they propose that no further increase should be permitted in light dues, if necessary by running down the General Lighthouse Fund reserves (well in excess of £30m), while a close look is taken at the work of the three Authorities.



Thank Godfrey
My Department's powers over the general lighthouse authorities are very limited; the bodies in question are fiercely independent; they are also bodies with very distinguished patronage. Outside criticisms are likely to centre on Trinity House, where the Duke of Edinburgh is Master and two of the Elder Brethren are ex-Prime Ministers. I therefore think the right approach is to set up an independent enquiry. There was a Royal Commission in 1906, when similar criticisms were being voiced. I should prefer a smaller and less formal inquiry, say a three man investigation consisting of an independent figure of some standing, perhaps from the legal world, supported by someone with business experience and somebody with a marine background. The terms of reference for the inquiry should be fairly wide-ranging, covering the methods of financing and control as well as the standards and cost of the service.

Copy
Man

No
Criticisms of the Lighthouse Authorities will be aired next week in a report by the Comptroller and Auditor General. The Department's Accounting Officer will also need to give evidence to the PAC on 28 June. I therefore think that the next stage should be for me to raise with the Lighthouse Authorities our intention to set up this inquiry. The Authorities are not yet aware of these criticisms, and it is clearly important that they be told soon. Subject to their views, I would hope to be in a position to announce this Inquiry early next week. I should be grateful for your approval to proceed in this way.

No

I am sending copies of this minute to the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Foreign and Commonwealth Affairs and Northern Ireland, and Sir Robert Armstrong.

Arthur Cockfield

LORD COCKFIELD

8 JUN 1962



