

Prime Minister ✓



To note that the
 Treasury on existing
 that the Prime should
 find offsetting savings

Treasury Chambers, Parliament Street, SW1P 3AG for the extra

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

money to be made
 available to the

Dock Labour Board.

This will have to

22 September 1980

be noted as part
 of the general public
 expenditure decisions

Dear Jim,

LOANS TO THE NATIONAL DOCK LABOUR BOARD (NDLB)

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

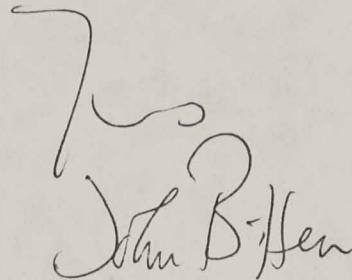
You are well aware of the difficult position we face this year on public expenditure and on the PSBR. The contingency reserve is under severe pressure and it is necessary to seek offsetting savings whenever additional expenditure is proposed. In the minute which I sent on 16 September I proposed that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

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

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

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

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

A handwritten signature in dark ink, appearing to read "John Biffen". The signature is written in a cursive style with a large, sweeping initial "J".

JOHN BIFFEN



23 SEP 1980