



Treasury Chambers, Parliament Street, SW1P 3AG

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

22/3

31 March 1980

Dear Norman,

MERSEY DOCKS AND HARBOUR COMPANY (MDHC)

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

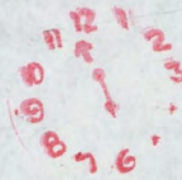
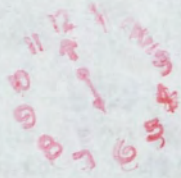
I also agree that in these new circumstances it is not imperative to inform Parliament before lending is resumed. Given the uncertainties that still surround the MDHC's future, it would be preferable to make an announcement at some stage and I hope you will be able to find a convenient opportunity in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

I am copying this letter to the recipients of yours.

John Biffen

JOHN BIFFEN

31 MAR 1950





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

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

31 March 1980

John Biffen

MW

MERSEY DOCKS AND HARBOUR COMPANY

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

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

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

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

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

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

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

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

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

John *Fowler*

NORMAN FOWLER

In view to a settlement - which may be helped by the support
lack of support which the Liverpool docks have received
from other ports. It seems to me that in the future
which seem likely to have the possibility of my sending
to back the Company's order to the extent that as the
result of an extended strike - I will of course seek a

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

[Handwritten signatures and scribbles]

HORMAN KOWITZ



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BM

Treasury Chambers, Parliament Street, SW1P 3AG

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

27 March 1980

Dear Minister

PORT OF LONDON (FINANCIAL ASSISTANCE) BILL

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

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

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

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

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

Yours sincerely
R. W. A.

PP JOHN BIFFEN

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



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Ann Thorne

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

R
4/3

24 March 1980

M

Dear Mike

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

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

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

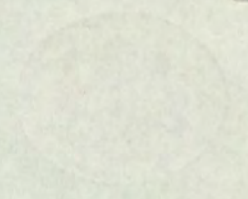
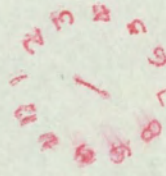
We will keep you informed of developments.

Yours

Genie

MRS E C FLANAGAN
Private Secretary

24 MAR 1980



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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 this Bill next
Thursday. (The Bill was to
have been introduced last
autumn but was
20 March 1980 put off).

DL
2/3

Yes *Scientia*

mt

PORT OF LONDON (FINANCIAL ASSISTANCE) BILL

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

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

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

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

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

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

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

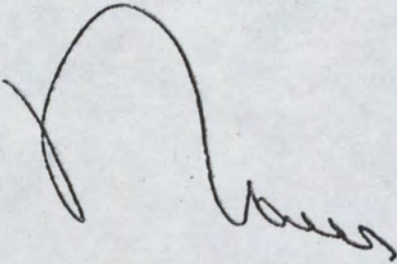
I do not think that the fact that we have had to delay presentation of the Bill, and my recommendation that we should change the financial limit in the Bill, will of themselves involve any change in the handling of the Bill which we discussed in Legislation Committee towards the end of last year.

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

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

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

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

You are


NORMAN FOWLER