



~~PRIME MINISTER~~

PORT OF LIVERPOOL

*In seen*

*R.  
12/19*

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

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

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



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

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

R. Watts

PP JOHN BIFFEN

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

16.9.80



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PRIME MINISTER

PORT OF LIVERPOOL

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

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

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

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

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



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

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



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

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

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



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

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

A handwritten signature in blue ink, consisting of a large, stylized 'P' followed by a smaller 'J' and a horizontal line.

JP  
16 September 1980