

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

29 June, 1983

John Fisher

Gibraltar: Discussions with Sir Joshua Hassan about the Dockyard

The Chief Minister of Gibraltar, Sir Joshua Hassan, called today on the Foreign and Commonwealth Secretary and later had detailed discussions about the naval dockyard with Baroness Young, Mr Raison (ODA) and Mr Stewart (MOD).

As expected Sir J Hassan said that he could not agree with the present arrangements for closing the naval dockyard by the end of this year and the setting up of a commercial operation to take its place. He said that the Gibraltar Government would, however, be prepared to give its backing to the establishment of a commercial dockyard (and try to persuade the work force to accept the idea) providing that the closure of the naval yard was deferred for two years. During this period the dockyard would be adapted to commercial work; the work force would be trained to undertake new tasks; and efforts would be made to secure the necessary improvements in productivity. Even with a two year delay, Gibraltar Government support for a commercial yard would be dependent on a satisfactory package of measures to get the yard off to a good start, including improvements on the amount of work on naval vessels at present on offer.

On our side, Ministers emphasised that a firm decision had been taken in 1981 to close the naval dockyard by the end of 1983. They held out no hope that this decision could be changed. They argued against deferment for two years. Delay would merely prolong the period of uncertainty. There was no guarantee that conditions for a commercial yard would be any better after two years; nor could there be any certainty that a commercial operator would then be prepared to take up the task of managing the yard. Ministers outlined the package of support measures which would be available if the Gibraltar Government decided to go for the establishment of a commercial dockyard at the end of this year. (Details attached). The main points are free transfer of dockyard land and buildings; £28 million to refurbish the dockyard and help with initial costs; and a continuing programme of work on naval vessels over a period of three years.

/Sir Joshua Hassan's

CONFIDENTIAL



Sir Joshua Hassan's final position on closure of the naval dockyard and setting up a commercial operation remains unclear. Nevertheless, in light of today's discussions, it looks as though Sir Joshua will stick to the position that the proposals in their present form (ie closure on 31 December 1983) are politically unacceptable. He spoke of the possibility of resignation and of calling an election on the issue. He is undoubtedly under strong pressure from his Ministerial colleagues (and from the opposition in the House of Assembly) to insist on deferment for at least two years. But he himself probably realises that full attainment of this objective is impossible.

Sir Geoffrey Howe considers that there can be no question of accepting a two year deferment to the closure of the naval dockyard. To do so would merely postpone the moment at which Gibraltarians have to face reality. Conditions will be no better then; nor can there be any certainty that a commercial operator would then be prepared to take on the dockyard. Transitional arrangements, with some commercial work being undertaken by a naval yard, would not work efficiently. There would be a strong risk that, after two years, further demands for postponement would be made. In addition there would be political implications in going back on a firmly announced decision when dockyards in this country are being closed or run down.

Nevertheless, Sir Geoffrey believes that, in light of today's discussions, there may be a case for looking at the possibility of a short postponement of the closure date, both to take account of Sir J Hassan's political difficulties and for commercial and operational reasons. (There has already been some slippage in preparatory work). Such deferment would however have to be strictly limited (eg not less than three months and not more than six) and should be accompanied by a firm and precise date for closure and a commitment by the Gibraltar Government to the commercial project. As agreed, Sir Geoffrey will raise this matter in Cabinet tomorrow in advance of Sir Joshua Hassan's call on the Prime Minister tomorrow afternoon. We have also commissioned, in consultation with MOD, some work overnight on the illustrative cost of postponement of the closure by six months.

I am copying this letter to the Private Secretaries of members of OD and to PS/Sir Robert Armstrong.

Yours

R B Bone

(R B Bone)
Private Secretary



IN CONFIDENCE

SUPPORT MEASURES RELATING TO COMMERCIAL DOCKYARD IN GIBRALTAR

1. Provision, through ODA, of funds limited to a total of £28 million to support the setting up of a dockyard if the Gibraltar Government confirm that they wish for such aid. Since the project's success depends crucially on improved productivity ODA will need to be sure that Appledores are fully satisfied that they have agreement with the workforce to efficient working practices which will provide the basis for a commercially viable operation.
2. Free transfer of dockyard land and buildings.
3. Work to be made available on Royal Fleet Auxiliary vessels over a three year period to the value of about £11 million. (Over and above the RFA work, there would be work worth about £0.75 -£1.0 million per year on naval harbour craft tenders).
4. Provision by MOD on a three year lease to Appledores of 46 houses/apartments for use by staff of the new commercial dockyard in order not to encroach on limited housing market.
5. MOD works programmes which are expected to provide significant new work for local contractors.
6. HMG will be prepared to review the land and houses required for defence purposes in Gibraltar and investigate the possible release of property not essential for defence. This will be related to a land use survey by the Gibraltar Government.
7. £13 million of development aid offered by ODA in December 1982 is now being committed to specific projects.
8. Generous redundancy payments and pensions on the same lines as those given to UK Public Service employees. (See attached examples of immediate cash payments ranging from £1,200 to over £12,000; in many cases pensions will be payable in addition to these lump sums).

IN CONFIDENCE



IN CONFIDENCE

9. A new agreement on the transfer of defence lands.

IN CONFIDENCE

EXAMPLES

Industrials

Example 1

Craftsman aged 45 with 10 years service who opted to remain in old (pre UKDGPS) gratuity scheme. Receives, on leaving, a gratuity of:

5 x 1 weeks pay of £97 =	£485
5 x 2 weeks pay of £97 =	£970
	<hr/>
	£1455

If leaving on redundancy, also receives compensation of:

5 x 2 weeks pay of £97 =	£970
5 x 3 weeks pay of £97 =	£1455
5 x 2 weeks pay of £97 =	£970
(for service after 40th birthday)	<hr/>
	£3395

Total £4850

Example 2

Craftsman aged 45 with 10 years service who joined the UKDGPS. Receives at age 60:

Annual pension of $10 \times 1/80 \times (\pounds 97 \times 52) = \pounds 630$

Gratuity of $10 \times 3/80 \times (\pounds 97 \times 52) = \pounds 1890$

both will be adjusted for inflation when payment is due.

If leaving on redundancy, also receives compensation of £3395 as in Example 1.

Example 3

Band 2 Labourer aged 36 with 12 years service who opted to remain in old (pre UKDGPS) gratuity scheme. Receives, on leaving, a gratuity of:

5 x 1 weeks pay of £76 =	£380
5 x 2 weeks pay of £76 =	£760
2 x 4 weeks pay of £76 =	£608
	<hr/>
	£1748

If leaving on redundancy, also receives compensation of:

5 x 2 weeks pay of £76 =	£760
5 x 3 weeks pay of £76 =	£1140
2 x 4 weeks pay of £76 =	£608
	<hr/>
	£2508

Total £4256

Example 4

Craft Operative aged 44 with 6 years service who joined the UKDGPS. Receives, on leaving, a short service gratuity of:

$$6 \times 3/80 \times (\pounds 92 \times 52) = \pounds 1076$$

If leaving on redundancy, also receives compensation of:

5 x 2 weeks pay of £92 =	£920
1 x 3 weeks pay of £92 =	£276
4 x 2 weeks pay of £92 =	£736
(for service after 40th birthday)	<u>£1932</u>

Total £3008

Non-Industrials

Example 6

PTO IV aged 50 with 32 years service on maximum of pay scale (£7194pa - £137 pw) who joined the UKDGPS. Receives at age 60:

$$\text{Annual pension of } 32 \times 1/80 \times \pounds 7194 = \pounds 2878$$

$$\text{Gratuity of } 32 \times 3/80 \times \pounds 7194 = \pounds 6634$$

both will be adjusted for inflation when payment is due.

If leaving on redundancy, also receives compensation of:

5 x 2 weeks pay of £137 =	£1370
5 x 3 weeks pay of £137 =	£2055
22 x 2 weeks pay of £137 =	£6004
	<u>£9429</u>

£15481

Maximum redundancy compensation payment is limited to 2 years pay therefore compensation will be £14,388

Example 7

Clerical Assistant aged 22 with 4 years service who joined the UKDGPS. Receives, on leaving, a short service gratuity of:

$$4 \times 3/80 \times \pounds 78 \times 52 = \pounds 608$$

If leaving on redundancy, also receives compensation of:

$$4 \times 2 \text{ weeks pay of } \pounds 78 = \pounds 624$$

Total £1232

NB. The above examples are based on current (July 1982) pay rates (to the nearest pound).