

CONFIDENTIAL

Industrial Policy



(2)

Prime Minister

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PRIME MINISTER

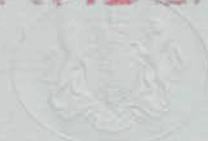
I thought I should warn you that there is a possibility of industrial action at the Port of London.

I made a statement on 7 December about Government assistance for the Port of London Authority and about the PLA's Five Year Strategic Plan. The decision was to set the Authority a financial limit on the total of Government assistance. Subject to minor adjustments, this was at the same level as promised by the last Government. My object was to bring the PLA under a tight financial discipline, but not to dictate to them what steps they should take to achieve viability - in particular whether or not they should close one of their Upper Docks. I had warned my colleagues that an early dock closure was a likely consequence of the financial limit and that this could lead to major industrial action by the PLA's work force, and possibly more widely in the ports.

The PLA Board are likely to be taking decisions on Monday 28 January on the way forward. They will probably be making a public announcement on Tuesday, which will be preceded by informal intimation to local Members of Parliament, the local authorities, main customers and unions affected. The proposals which are going to the Board are that the PLA should try between now and the summer to accelerate progress on the improvements in working practices and manpower reductions under their current Short Term Plan, and take much more vigorous management action to enforce the specific targets in the Plan, including better working practices, even in the absence of union agreement. They will be

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giving a clear warning now that in the absence of full achievement of this Plan on timetable (i.e. by the end of June) they will go for immediate closure of one of the Upper Docks, probably India and Millwall (rather than the Royal Docks as previously proposed).

This announcement will be taking place against the background of difficulties in their current negotiations on dockworkers' pay, where one of their unions (the National Amalgamated Stevedores and Dockers) has already given notice of official strike action in three weeks' time, and the other (the TGWU) is having difficulty in preventing a series of unofficial one day strikes. Added to this the clerical section of the TGWU has just made it clear that they are not going to co-operate on some necessary steps to reduce manpower under the Plan. The combination of these factors is going to make it appear more probable that, in the absence of a turn round by the unions, the dock closure will in fact take place. It could even be accelerated if there is serious industrial trouble over pay or other matters. It therefore seems quite possible that there could be early strike action by some, if not all, of the PLA's work force as soon as the new policies are announced.

This assessment of course assumes that the PLA Board, several of whose members are new, will accept the recommendations which the Chairman and management have put to them.

The PLA will be keeping me in touch with developments over the next few days and I will in turn let you and my colleagues have the latest news as it comes in.

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I am sending copies of this minute to Keith Joseph,
Jim Prior and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Fowler' in a cursive style.

NORMAN FOWLER

23 January 1980

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Laboratory is developing impact test procedures to ensure that those proposed for legislation are effective and based on sound principles. A series of angled barrier and other tests has been carried out using several makes of car, each representative of a different layout. Information on the tests and summaries of the results are contained in TRRL Leaflet LF 689, and other more technical papers, all of which are obtainable from the Laboratory. I am sending copies to the hon. Member.

It is not possible to isolate the costs of the vehicle tests but the cost of the area of research of which they are part has been in the order of £165,000 per annum for the last three years.

Port of London Authority

Mr. Moate asked the Minister of Transport if he is yet in a position to make a statement about the Port of London Authority's strategic plan 1979 to 1983.

Mr. Norman Fowler: As I told the Houe on 27 July, I can now announce my decision on the Port of London Authority's five-year strategic plan 1979-83. In considering the plan, I have had the benefit of advice from Price Waterhouse and Co.

The plan itself presents options. The choice between them is a matter for the authority. The Government can only agree to maintain the minimum level of financial assistance to the authority that it will need to continue with the most rapid possible run-down of manpower, and to plan for the quickest possible return to viability at least cost to the taxpayer. I therefore propose to set a strict financial limit on the total of Government assistance. Subject to adjustments to come with inflation and the latest forecasts, this is set at the level promised by the previous Government.

The details are as follows:

- i. I reaffirm the undertaking given by the last Government to make grants towards the cost of severance of surplus manpower. (In the case of registered dock workers these grants are only payable up to the end of February 1980.) On current estimates, the total will slightly exceed the £35 million promised by the previous Government in 1978.
- ii. I will continue to stand behind the £10 million commercial loan facility, of which the PLA has already used £2 million. I will also, of course, honour the previous

Government's undertaking to stand behind the earlier £15 million loan which was used in 1977 and 1978.

In addition, in the light of revised forecasts, I am prepared to stand behind the PLA in negotiating an agreement to postpone the £3 million loan repayment due in 1980 and the similar repayment due in 1981. I will also, but only if the authority satisfy me that it is necessary, stand behind its existing overdraft facility up to a total of £5 million for a period.

I have told the PLA that within this tight limit it is for it, and not the Government, to decide on the detailed steps necessary to achieve viability. But I shall require it to report to me at intervals that it is satisfied with the progress it is making. It will know that it will have my full support in taking all necessary steps to achieve this end.

The PLA's strategic plan calls for a capital reconstruction under which there would be a substantial write-down of the authority's outstanding debt to the Government, but the Government can see no justification in present circumstances for such a write-down, since it would be incompatible with our view that assistance from public funds must be kept to the minimum need to recover profitability.

I shall shortly be introducing a Bill to provide the necessary statutory authority for this assistance. I will, of course, continue to provide Harbours Act loans for capital works subject to the usual criteria.

Motorway Service Areas

Mr. David Mellor asked the Minister of Transport what is his policy for the development of new motorway service areas.

Mr. Norman Fowler: I have accepted the recommendation of the Prior committee of inquiry into motorway service areas that my Department should abandon its policy of siting MSAs at 25-mile intervals in favour of a more flexible approach of deciding each case on its merits. I would not normally expect gaps of more than the maximum of about 30 miles recommended by the committee, but I recognise that there may be exceptional circumstances where a longer interval might be acceptable.

The first priority in my development programme will therefore be to look at the gaps of more than 30 miles in the

existing and planned motorway network. But I am ready to consider the development of additional sites in the light of the adequacy of services at adjacent existing MSAs and the benefit the consumer will gain from greater variety and choice.

Future sites will be offered for development to private companies on the same terms that are being offered to existing MSA operators. These companies would be fully responsible for developing the sites and for obtaining detailed planning permission.

A41 (Eastham)

Mr. Porter asked the Minister of Transport if he will give the reasons for erecting public toilets on the A41 at Eastham; how many similar projects exist in the current programme; and what steps he proposes to take to stop such expenditure.

Mr. Kenneth Clarke: My right hon. Friend is not, in fact, proceeding with the scheme to which my hon. Friend refers. Since powers were first obtained in the Highways Act 1971, only 25 toilet blocks have so far been provided by the Department on trunk roads in England. They cost around £25,000 each at today's prices. Another 19 are projected, subject to planning considerations and other practical factors and to competing claims for funds. Roadside toilets are a worthwhile provision and are provided only where alternative commercial or local authorities facilities are not readily available.

AGRICULTURE, FISHERIES AND FOOD

Green-top Milk

Mr. Woolmer asked the Minister of Agriculture, Fisheries and Food if, in view of the food poisoning incidents due to milk-borne salmonellosis, he proposes to ban the sale of untreated green-top milk.

Mr. Buchanan-Smith: My right hon. Friend is considering the Government's policy towards untreated milk, and will announce his decision in due course.

Intervention Board for Agricultural Produce

Mr. Body asked the Minister of Agriculture, Fisheries and Food if he will give details of the latest estimates he has made

of expenditure in 1979-80 by the Intervention Board for Agricultural Produce on market regulation under the common agricultural policy, together with comparable figures for 1978-79.

Mr. Peter Walker: Following are details of the latest estimates for the financial year 1979-80, together with comparable figures for the outturn in the financial year 1978-79.

EXPENDITURE BY THE INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

	Latest estimate of outturn 1979-80	Actual outturn 1978-79
	£ million	
Cereals ...	40.9	28.9
Beef and Veal ...	-14.8	-20.8
Pigmeat ...	0.5	0.2
Sugar ...	55.1	84.7
Herbage Seeds ...	2.6	1.4
Hops ...	1.3	1.1
Processed Products ...	36.4	21.0
Milk Products ...	262.0	198.4
Others ...	22.1	15.3
	<u>406.1</u>	<u>330.2</u>

Expenditure by the Intervention Board for Agricultural Produce includes the beef variable premium scheme, refunds on imports and exports, certain production subsidies, the butter and school milk subsidies, the gross cost of aids for private storage and animal feed and the net cost of commodities bought into intervention and subsequently sold.

Of the estimated outturn for 1979-80, £386.8 million is expected to be financed from the guarantee section of the European Agricultural Guidance and Guarantee Fund (EAGGF), the balance being financed from Exchequer funds; in 1978-79, £305.1 million was financed from EAGGF. Some of the expenditure shown above benefits consumers and overseas exporting interests rather than United Kingdom producers.

The estimate of expenditure for 1979-80 also includes £12.9 million deferred from 1978-79 as a result of industrial action.

Mackerel Fishing

Mr. John Townend asked the Minister of Agriculture, Fisheries and Food what further conservation measures he proposes to take to prevent the overfishing of stocks of mackerel by deep-sea trawlers.

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

cc Mr bylan

Prime Minister

*This closure was foreshadowed
in the letter before the
weekend.*

Tim Lankester Esq
Private Secretary
10 Downing Street
LONDON SW1

3 March 1980

Dear Tim

and

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3/3*

Genie Flanagan promised in her letter of 29 February about the Port of London Authority that we would let you know as soon as we heard the outcome of today's Board meeting.

The Chairman has just told us that the Board are announcing, at 1 pm today, that they will be closing the India/Millwall Docks beginning this month and to be completed as soon as possible. The Managing Director will be announcing this to a mass meeting at the Docks at 1 pm today, the Board will be issuing a notice to the Press, the Chairman is writing to the MPs, and an individual letter will be going overnight to all the dockers and staff.

The Minister assumes that there will almost certainly be a PNQ tomorrow. We will supply later today briefing for Prime Minister's PQs tomorrow. In the meantime we shall be taking the line that this decision is a matter for the Board. The Government announced last December that they were putting a limit on financial assistance to the PLA. The Board announced in January that this closure would be necessary in July unless the programme of severances and changes in working practice agreed with the Unions last summer could be expedited. Since then the Board have had to face the consequences of a two week strike about pay, as well as the consequences of a reduction in trade (including the loss of some major customers) and have decided that the closure of India/Millwall Docks is now essential if they are to try to live within the financial limits settled by the Government.

The Board recognise the substantial risk that this decision could affect the TGWU ballot on the new pay offer, but have

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decided that further delay in announcing a decision would be wrong. We do not think that, in the light of their deteriorating financial situation, they had any other option.

I am sending copies of this letter to the Private Secretaries of members of E(EA) and of Sir Robert Armstrong.

Yours

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MRS B E RIDDELL
Private Secretary

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Pauline Armstrong

Tim Lankester Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

RM

29 February 1980

no

Dear Tim

The Prime Minister will wish to be aware of the latest position on the Port of London Authority.

Following the revised pay offer mentioned by Mr Fowler in Cabinet on 21 February the port resumed working this week. The National Amalgamated Stevedores and Dockers' members accepted the pay offer without strings, but in the case of the Transport and General Workers Union members the return to work was subject to the outcome of a ballot on the new offer. This was to have been held yesterday but we understand that it will now be held on the 6 and 10 March, with a decision becoming available on 11 March.

In these circumstances it is probable that the PLA Board at the meeting on Monday, 3 March, will decide to announce the closure of the India/Millwall Docks without waiting for the result of the ballot on pay, in view of the deterioration in their financial position as a result of the strike. Such an announcement may itself provoke further strike action but the PLA will no doubt make full play of the extent to which the decision has been brought about by the unions' own actions.

We will let you know as soon as we hear the outcome of the PLA Board meeting and keep you in touch with any further developments.

I am sending copies of this letter to the Private Secretaries of members of E(EA) and of Sir Robert Armstrong.

Yours

Blair

MRS E C FLANAGAN
Private Secretary

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29 FEB 1980





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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Ann Amish

good news.

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

22 February 1980

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mb.

Dear Mike

PORT OF LONDON: INDUSTRIAL ACTION

We have just heard that the mass meeting of the National Amalgamated Stevedores and Dockers (the Blue Union) this morning accepted the PLA's revised pay offer, and agreed to return to work on Monday. The Talley Clerks are holding a mass meeting this afternoon, when there is a reasonable chance that they will accept the advice of their union officials and end their strike. It therefore seems fairly likely that the port will be working normally by Monday.

Joan

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MRS E C FLANAGAN
Private Secretary

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PRIME MINISTER

Cabinet: Industrial Affairs

BACKGROUND

You agreed that for the time being we should list "Industrial Affairs" as a standing item on the Cabinet agenda. This will give an opportunity for any Minister who wishes to raise any immediate problems. We shall make a quick check each week of the items which Ministers are likely to raise. There are three this week:

HANDLING

2. I suggest you call for oral report on these three: steel; water; Port of London.

- (a) Steel. Secretary of State for Industry to report. You will be familiar with the latest position from your meeting on Wednesday evening.
- (b) Water. Secretary of State for the Environment to report. Our information is that there is, at present, nothing new. Negotiations have been resumed on the basis of an increased offer. The next meeting is on Friday. There is a reasonable prospect of a settlement, though at a high price. The Home Secretary will confirm, if asked, that the Contingencies Unit continues to keep the situation under review.
- (c) Port of London. Minister of Transport to report. The position at present is that the PLA have given notice of their fear that it will be necessary to close the Millwall/West India Docks, starting on 1st July, if there is not a dramatic improvement in the unions' response to the original "concentration plan", which would allow both these docks and the Royal Group to be held open. Although the Minister has reported to you that there is a risk of fairly early union reaction, there are no signs of this so far. The Secretary of State for Employment may wish to comment. He is reviewing separately with the Minister of Transport the whole

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question of the future of the National Dock Labour Scheme (for which he, not Mr. Fowler, is responsible) and will be bringing forward proposals shortly.

CONCLUSIONS

3. I doubt if any formal conclusions, other than "take note", will be necessary under this heading.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

30th January, 1980

Ind Pdr



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Tim Lankester Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

30 January 1980

Dear Tim

MBM

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We warned the Prime Minister last week of the possibility of industrial action following an announcement by the Port of London Authority of the probably closure of the India and Millwall Docks.

The PLA Board met on Monday and made an announcement very much on the lines we expected. The reaction from staff and unions has so far been quiet, although of course it is too early to know what they will ultimately do. We will keep you in touch with developments.

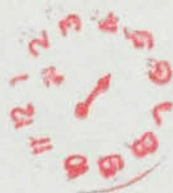
I am sending copies of this minute to John Wiggins, Ian Ellison, Ian Fair, Garth Waters and David Wright.

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MRS E C FLANAGAN
Private Secretary

30 JAN 1960



Prime Minister ②

SOP the Duty Clerk 24.1.80

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



[Handwritten signature]

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*He puts in total of 1 cash units
Name on the cash units
[Signature]*

1nd PS

Tim Lankester Esq
Private Secretary to
Prime Minister
10 Downing Street

24 January 1980

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2/1*

Dear Tim

Mr Fowler minuted the Prime Minister yesterday about the possibility of industrial action at the Port of London. He has now received a further letter from Mr Victor Paige, the PLA Chairman, which he thinks the Prime Minister should also see at once. Attached to it is a copy of the notice the PLA propose to issue to their staff on Monday, if the Board accept the Chairman's proposals.

Copies of this letter go to Tony Battishill, Ian Fair, Ian Ellison and to David Wright.

Yours ever

Sabara Riddell

PP MRS E C FLANAGAN
Private Secretary

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Telephone: 01-476 6900



PORT OF LONDON AUTHORITY,
LONDON DOCK HOUSE (SOUTH),
1 THOMAS MORE STREET,
LONDON E1 9AZ.

CHAIRMAN'S ROOM

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24th January 1980

Dear Mr. ...

As you know, we have been considering within PLA the implications of the cash limits set out in your letter of 7th December 1979. Management have been carrying out a detailed review of the options open to us, and their recommendations are to be put to the PLA Board on Monday next, 28th January. It is impossible to be sure about the outcome of that meeting, but I hope the proposals will be generally accepted.

I felt I should let you know informally the general background to what has been done, the principal recommendations to the Board, and our view about the possible implications of it. I will of course reply formally to your letter of 7th December once the Board has reached its decision.

We have carried out our review of the implications of the cash limits against the background of failure in the Second Year Short Term Plan on both manpower reductions and improvements in working practices, continued industrial disputes in various key areas of the port, our consequent failure to improve service in the light of the first two considerations, and the early reactions we are getting to our 1980 pay policy. The latter involves a general pay increase of 10%, with a 2% productivity element which would be entirely paid for out of manpower reductions, so that overall we will contain our payroll costs to a 10% increase.

In the light of these factors we consider that there will have to be a very substantial recovery in the present programme for the Second Year Plan agreed with the unions, which runs up to June, if we are to stay on the Concentration Option. To achieve this, we are intending to tighten up on certain aspects of the operation of our current agreements so that we increase control and obtain more flexibility to enable us to improve our service to customers. This will not be well received by the trades unions, but it is something that has to be done. In parallel with this, we are going to set deadlines on negotiations on various organisational proposals which have become protracted. We also intend to make a break with past practices for dealing with "non-registered" voluntary severance applicants, in which we waited for union agreement on structures and manning levels before we implemented severance. This will enable us to achieve greater reductions more quickly. We are cutting our heavy bill on supplies and services, and are also considering the possibility of a further charges increase in the second half of the year. The management will pursue these matters with energy.

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Rt. Hon. Norman Fowler, MP.

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If we were completely successful in catching up lost ground on the Second Year Plan, and implementing these other measures, we would have great difficulty in staying within the cash limit in the period up to the end of 1980 without a significant increase in traffic. Thus in taking a realistic view about our prospects and in particular the likelihood of achieving all that is necessary, we are forced to the conclusion that we will probably have to go for a dock closure. Because of the constraints imposed by the cash limit and necessary capital expenditure, it would not be prudent to implement the Transfer Option set out in the Strategic Plan of transferring PLA operations from the Royal Docks to India & Millwall and Tilbury. Hence we would opt, of necessity, for an India & Millwall closure.

The proposal to the Board is that we will seek trades union co-operation to accelerate the measures necessary for the Concentration Option, but that if there is insufficient performance during the next few months, we will have to switch on 1st July to the transfer of all PLA cargo handling operations from the India & Millwall Docks to the Royal Docks and Tilbury.

In industrial relations terms we are likely to get an early and sharp reaction to any suggestion of a planned dock closure. This could of itself precipitate the implementation of a closure decision even before 1st July.

Undertaking firm management action and a closure will give us a prospect of staying within the cash limits. However, we cannot be certain of this - much depends on the industrial and customer reaction to announcing the possibility of a closure, and on how much management can achieve in terms of improving working practices and reducing manpower without the co-operation of the trades unions. We will obviously keep in close contact with your Department on the progress we are making, and of the difficulties, current and prospective, that we are facing.

The other important feature of the recommendations is the potential impact on the local communities. We are very sensitive to this, and I hope to see the Leaders and Chief Executives of the Boroughs, and MPs, most immediately concerned, on Monday afternoon.

We are planning to announce the Board's decision during the first 24 hours after our meeting, and will keep you in touch.

I hope this general picture of what, with Board agreement, we plan to do will be helpful to you in keeping your colleagues informed on PLA affairs. Obviously there are many hazards implicit in the policy recommendations to be considered on Monday. It is however essential that we face up to them. Ideally I would have liked more time to establish firmer relationships with the management, employees and the trades unions. But we do not have time. I hope we will have your understanding and support.

John Sumner
V.G. Paige
V.G. PAIGE

Rt. Hon. Norman Fowler, MP,
Minister of Transport,
Department of Transport,
2 Marsham Street, London, SW1P 3EB.

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Port of London Authority

LONDON DOCK HOUSE
1 THOMAS MORE STREET LONDON E1 9AZ
TELEX 897477 TELEGRAMS POLA LONDON E.1

Tel: 01-476 6900

28th January, 1980

PLA - The Next Steps

At their meeting on the 28th January 1980, the PLA Board reviewed the implications of the Government's cash limits as they affect the PLA. The Board considered the progress that has been made in moving PLA towards viability and the action necessary for PLA to manage within those cash limits up to 1983 (the period covered by the PLA Strategic Plan), and most particularly in the coming months.

The chosen strategy in the PLA Strategic Plan submitted to the Government in June 1979, was progressively to concentrate activities within both the Upper Docks (the Concentration Option). The manpower reductions and improved working practices required under this policy for the year to 30th June 1980 were agreed between the PLA and the trades unions and incorporated in the PLA Trade & Manpower Target Plan 1979-80 (the Second Year Short Term Plan).

Progress on the Second Year Short Term Plan has been insufficient. There has been progress in manpower reductions, although in total the reductions remain below the target numbers. There has been very little success in introducing improved working practices. Furthermore, a number of other factors have combined to work against the success of the Concentration Option policy; unofficial disputes, the depressed economy, high interest rates and the Government decision not to implement a PLA capital reconstruction at this stage.

Nevertheless the Board will continue its commitment to the Second Year Short Term Plan in a final effort to see whether the required changes can be achieved by the end of June 1980. The Board recognises that this will need a dramatic improvement to make up the shortfall in the Plan targets and also consider that more must be done to compensate for the ground that has been lost. PLA management are committed to achieving this and will shortly be putting specific proposals to the trades unions and employees. Because of the shortfall the revised programme will inevitably be extremely difficult to achieve, but no effort will be spared in trying to make it work.

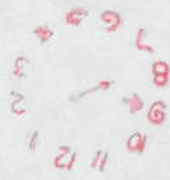
Reluctantly, however, the Board believe that in the present difficult circumstances there must be a strong possibility that the necessary measures will not have been fully implemented by the end of June 1980 and that we will not be able to keep within the cash limits. If that is so the Board could not continue with the Concentration Option as originally planned as the means of achieving viability.

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The Board have decided that, in the event of failure to achieve this programme, PLA will, from the 1st July 1980, proceed with the transfer from India & Millwall Docks of all PLA cargo handling operations to either Royal or Tilbury Docks. (A transfer from India & Millwall rather than Royals has been chosen because of the tight financial limits given by the Government and the long lead-time and heavy capital expenditure needed to transfer from the Royals.) Adequate facilities exist for the traffic to be relocated and PLA will be undertaking full customer consultation. It will also be giving even more thrust to its marketing activities.

The PLA Board emphasises the tight financial limits set by the Government in accordance with the policy of restraining public expenditure. It regrets the Government decision not to introduce a capital reconstruction at this stage. It believes such a reconstruction will be necessary.

The Government have said that it is for PLA to determine the policy necessary to return to viability within the financial limits set by the Government. PLA Board believe that the policy of continuing its commitments to the Concentration Option and the Second Year Short Term Plan, and, concurrently, establishing a contingency plan to be implemented speedily should they fail to achieve the needed results is, in the circumstances, in the best interests of the Authority, its employees, the local communities and its customers.



24 JAN 1980