



From the Secretary of State

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Prime Minister

A powerful intervention,
against Mr Tebbit and others,
in favor of an enquiry into
the dock labour regime.

The issue is for discussion
later this month and you
will be consulted.

CONFIDENTIAL

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
London SW1

To W Mr Gwynn,
Chairman MSC 78 MSC 197

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with
with Lord Goddard
MS

July 1982

MS 12/7

Dear Patrick,

REPORT OF THE INTERDEPARTMENTAL REVIEW OF PORTS POLICY

David Howell's letter of 30 June to you invites colleagues' reaction to this report.

In my view, although the report is critical of the efficiency
of our ports, it fails to bring out either how very far their
performance falls short of that of their Continental rivals,
or the serious implications for our trade and the even graver
implications for our shipping if this continues. Moreover, it
is evidently common ground that the main impediment to the
necessary improvement is the peculiar labour regime in the
docks. It is for these reasons that I consider it essential
that we should launch a searching enquiry into the dock labour
regime.

British exporters are understandably concerned that it costs
more to ship goods from Britain than it does to ship the same
goods to the same destinations from the Continent, even in the
same ships. My Department's investigations indicate that in



From the Secretary of State

many trades it costs about 15-20% more, and it is clear that higher port costs are responsible for a major part of this disparity. Many British exporters are unable to bear this cost penalty, and export business is lost as a result. Part of the higher costs arise because ships take about twice as long to turn around in British ports than in Continental ones.

But the risk of disputes also forces the owners of some ships to conclude that they cannot take the risk of scheduling calls at British ports, so that British cargoes are transhipped in Continental ports. The long-run danger that worries me most is that this trend will slowly become a general one, and that British shipping lines will be compelled for commercial reasons to follow it. If this happened, British deep-sea liner shipping could eventually be reduced to relying almost entirely on cross-trade business: and such a development would raise doubts about whether it had a long term future.

It is not surprising that, faced with this prospect, the General Council of British Shipping, with the support of the CBI, have proposed an independent enquiry, in the hope that this may lead to a way out. I believe we should support them. The enquiry should, I believe, be asked to examine the effects of the dock labour regime on the efficiency of British ports as compared with their counterparts on the Continent, and hence on the costs of British trade; the economic consequences in terms of lost business, and lost jobs in other industries; and whether it is still necessary or desirable to maintain a legal regime for employment in the docks which is different from that for other workers. It might be asked to recommend remedies which would safeguard our commercial future while honouring commitments to individual dockworkers. I would suggest that it be chaired by an economist of standing.



From the Secretary of State

I do not believe that the establishment of such an enquiry would provoke a strike, though I recognise that the implementation of its recommendations might do so. Whether to run that risk would have to be decided at the time. But even if we decided not to do so, the severe ill-effects of the present regime on the interests of other workers would be on the public record, and the TGWU would be left facing the consequences for its standing in the eyes of the public.

I accept of course that if we agreed to establish such an enquiry we should need to give careful thought to the timing of its announcement. I would not be opposed to some limited delay in going public if it was clear that this would facilitate a batch of further severances. But I think we should set a firm timetable, because we cannot put off grasping this nettle indefinitely. You may consider the matter to merit collective consideration in E(EA).

I am sending copies of this letter to the Prime Minister, the other members of E(EA) to Sir Robert Armstrong and to John Sparrow.

LORD COCKFIELD

12 JUL 1982

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10 DOWNING STREET CF. P.A.

Prime Minister

Ports policy review

Note Told

PG and

J Spence of

these conclusions

1. Mr Howell recommends that Mrs S/7

(i) we do not now launch an attack on the Dock Labour Scheme;

(ii) he tend to ports only as a lender of last resort;

(iii) he press ahead with privatising BTDB and the Sealink ports only at this stage.

2. Ferdinand Mount endorses all this (Flag A)

3. There is a lot of pretty woolly stuff

in these papers.

4. The only really important point is on the Dock Labour Scheme. MISC 78 is working on that, and will come up with recommendations in 2-3 weeks. You will be consulted about that then.

5. On this basis, content to leave this report to E(EA) colleagues?

MUS 2/7

Yes
no

Prime Minister
MR. SCHOLAR

cc Mr. Walters

THE PORTS POLICY REVIEW

I do not think the Prime Minister need look in any detail at the interdepartmental Review of Ports Policy, circulated to E(EA) under cover of Mr. Howell's letter of 30 June to Mr. Jenkin. But the Prime Minister may like to be aware of the first reactions of Ferdie Mount who has been through it; and of its relationship to the work that is being undertaken in MISC 78 on possible industrial action in the docks.

Ferdie Mount's reactions are these:

(1) It is a well thought out and well argued report, and there is little to quarrel with in the recommendations.

(2) The report demonstrates how Britain's ports have managed to adapt to modern techniques with very little Government subsidy, showing both that Government investment is not always essential to finance industrial infrastructure, and that fresh entrants into the industry (Felixstowe) make a major contribution to the pressure for modernisation elsewhere.

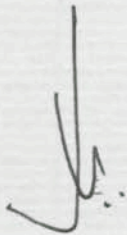
(3) We may have a long way to go before we can rival Rotterdam, but we have adapted to the container revolution and we have shed three-quarters of the docks labour force with only modest help from the taxpayer. If the railways had been left in an equally diverse condition and had not been nationalised, perhaps they would have adapted similarly.

(4) It would be foolish to interfere with the Dock Labour Scheme at this stage. It has already coped with a massive reduction in the number of dockers and an inquiry into its working is more likely to step up resistance than to improve it: the main thing is to ensure that it is not extended.

/ Mr. Howell

Mr. Howell endorses the view of the majority of the group that we should leave the Dock Labour Scheme alone, but he refers to "nearer the time of the announcement of our intention to repeal the Dock Work Regulation Act 1976". The Prime Minister should know that MISC 78 has identified such an announcement as being the single most likely cause of widespread industrial action in the docks. Although it would remove the rather uncomfortable statutory duty to extend the scheme, it would be bound to draw attention to the issue in a far more provocative way than mere inaction. It may be that MISC 78 will recommend that it will be better to continue to do nothing to implement the 1976 Act, and to let the process of rationalisation in the docks proceed on the basis of avoiding confrontation and providing for voluntary redundancies.

I doubt if the Prime Minister needs to intervene in the correspondence about the review, since it will no doubt come up for discussion in E (EA) in due course.



2 July 1982



ck sv
Prime Minister ② 10

Mus 26/7

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Patrick Jenkin MP
 Secretary of State
 Department of Industry
 Ashdown House
 123 Victoria Street
 London SW1E 6RB

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23 July 1982

D Patrick,

REPORT OF THE INTERDEPARTMENTAL REVIEW OF PORTS POLICY

David Howell's letter to you of 30 June asks for comments on this Report.

I agree that it provides a useful insight in the ports industry and that its recommendations provide a helpful framework within which to take forward individual issues of ports policy.

On the question of the future of the Dock Labour Scheme - and the parallel non-statutory agreements which regulate working practices in the industry - I am convinced that these do act as constraints on the more efficient operation of the ports industry in general and have been an important factor holding back our attempts to rationalise the PLA and MDHC. We should therefore aim for a labour regime in the ports closer to that operating in other industries. But like Norman Tebbit I see real risks in Government intervention to put this house in order, at least until the present manpower surplus has been eliminated. If the remaining issues on the report can be settled in correspondence, there may be a case for holding over this issue for discussion on some suitable occasion.

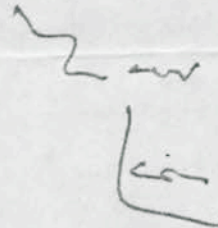
On the other issues raised in the Report, I very much welcome the continuing work to be done on ports at risk. I hope that this, together with the criteria for assessing such cases, will make for more timely action to prevent future cases like those of PLA and MDHC.

The Report notes the switch that has occurred in the ports' sources of finance over the past three years from the NLF to the banks. David Howell proposes to formalise this change by requiring ports to look to the market for their funds in the first instance and to the NLF only as a last resort in exceptional cases. I fully understand his reasons for suggesting this. However you and he

will be aware from our recent announcement that we are trying to offer nationalised industries and local authorities sufficiently flexible facilities from the NLF to encourage them to switch away from bank borrowing in order to reduce the increase in bank borrowing and hence our problems in meeting monetary targets. At present our plans do not extend beyond the major public sector borrowers but we might want to extend the new arrangements in the future. In these circumstances the wisest course would seem to be to make no explicit change of policy on this point. We would then be free to offer alternative NLF terms to the public sector ports if this seemed helpful.

Finally, there is the question of privatisation on which the Report is frankly disappointing. Of course there are legal and statutory problems but these do not seem insurmountable. And as David points out BTDB and Sealink should have shown the way forward before the end of this financial year. I therefore question strongly the need to wait "a few years" before reviewing the position. As soon as either BTDB or Sealink has been successfully sold, I believe that officials should consider the case for privatising a number of major public trust ports, either individually or by taking omnibus permissive powers.

I am copying this letter to the recipients of yours.



LEON BRITTAN

26 JUL 1982

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From the
Minister of State

Norman Lamont MP

The Rt Hon David Howell MP
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cc J.V. *Ind P*
Prime Minister (2)

Mes 13/7

13 July 1982

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Dear David

INTERDEPARTMENTAL REVIEW OF PORTS POLICY

Your letter of 30 June 1982 to Patrick Jenkin invited comments on this Report.

I welcome it as a valuable framework for ports policy and am in broad agreement with its recommendations. The most difficult question is of course the future of the Dock Labour Scheme. While sympathetic to the shippers' arguments for an early inquiry, I also see the value of avoiding potential disruption to the progress on manning and working practices already being made. The Report serves a valuable purpose in highlighting the advantages and disadvantages of such a course; if we did decide to go for an early inquiry, we would clearly need to consider carefully the possible consequences and their industrial effects.

Other aspects I welcome are the formalisation of the "lender of last resort" principle in relation to your loan powers and the framework delineated for the future consideration of dock "rescue" cases. Apart from the usual questions of viability and practicability, I am keen that every effort should be made on such occasions to take account of industrial and especially regional consequences. The collation in advance of the necessary information for the ports most at risk is clearly a sensible precaution, no doubt your Regional Offices will be in touch with ours in the course of this exercise.

I am copying this letter to the recipients of yours.

Yours
Norman
NORMAN LAMONT

13 JUL 1982

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Rt Hon Patrick Jenkin MP
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Ind. Pol. C & J. V.

Prime Minister (2)

Mr Tebbit, tw,

argues against an
attack on the Dock
Labour Scheme now.

9 July 1982 Mus 9/7

D. Palmer

I have seen a copy of David Howell's letter of 30 June sending you the report of the confidential interdepartmental review of ports policy.

I am generally content with its diagnosis and the importance it attaches to the manpower problems of the industry. The conclusion that we should seek to facilitate the industry's severance programme is surely right. I understand that the financial help we announced at Easter is proving invaluable in this respect.

I also agree that we should aim for a labour regime in the ports more like that operating in other industries, and that the Dock Labour Scheme is a constraint on this. I agree with you though that the group have produced telling arguments against the suggestion that there should be an independent inquiry into the Scheme. Such an Inquiry would offer militants an opportunity to harden dock workers attitudes and put at risk the severance programme, the National Dock Labour Board's cost cutting re-organisation programme and the tentative endeavours of the port employers to see if they can secure an industrial agreement which would give them enough flexibility to make the statutory arrangements increasingly irrelevant. That is not a completely clinching argument against an inquiry. Even more dangerous is the possibility that it could produce quite the opposite answer from that which we would want. As the group points out most of our main international competitors maintain special regimes for employment in the ports industry. Unless its members were carefully selected (and there would be pressure for "independent" members an inquiry might let itself be convinced that there are technical and operational reasons for this. If the Government



set up such an inquiry it would fall to us to implement or reject its recommendations. Rather than risk being saddled with another disaster like Jones/Aldington we should continue with the strategy of getting the industry itself to accept responsibility for finding its own way forward within the constraints which they and we understand.

Like you I hope we can settle this matter in correspondence, and am copying this to the Prime Minister, the other members of E(EA), to Sir Robert Armstrong and to John Sparrow.

J. Norman

19 JUL 1982

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