

DSR 11 (Revised)

Message

DRAFT: ~~minutes/letter/indirect/dispatch/notes~~ xxxxx

TYPE: Draft/Final 1+

FROM:
Prime Minister

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO: Sir Joshua Hassan

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

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PRIVACY MARKING

SUBJECT:

.....In Confidence

1. I have been thinking over~~y~~ very carefully our discussion yesterday about the Gibraltar Dockyard. I have also had a chance to study the memorandum you left with me.

CAVEAT.....

2. I fully realise the difficulties for you, and for the people of Gibraltar, of the decision to close the Royal Naval Dockyard. These problems are difficult for us all. Defence requirements have changed. In this country we have had to face the consequences with the closure of the Naval dockyard at Chatham and the running down of Portsmouth. Unemployment in Chatham is now almost 16%; when the dockyard finally closes it will be still higher since 7,000 jobs will have been lost. In other parts of the country, because of the economic recession, unemployment is considerably higher than this. These are uncomfortable realities which we all have to face in the present economic situation. Nobody can be immune.

Enclosures—flag(s).....

/3.

3. In Gibraltar we have been very anxious all along to make the best possible arrangements to deal with the consequences of closing the naval dockyard. I realise what an important part the naval dockyard has played in Gibraltar's history. The dockyard, and the work force there, have worked loyally for the Royal Navy. I know the steadfastness of your people; I do not forget the excellent work carried out by the dockyard work force on converting the SS Uganda during the Falklands crisis last year.

4. In facing the present realities we must work together and do our utmost to look after the interests of the people of Gibraltar. During our discussion we both agreed that, however unpalatable the fact is, the naval dockyard has to close. There can be no change in this decision. New defence requirements are such that the naval dockyard in Gibraltar no longer meets any real naval need. There is no point in attempting to shore up an organisation which no longer serves a useful purpose. What we must do is to create new opportunities.

5. I know you have your reservations about the project to set up a commercial dockyard. I can quite understand your hesitation, and that of the people of Gibraltar, when faced with something new and untried. But I am sure that a commercial operation is the only practical way of making full use of the assets of the old naval dockyard, the skills of the work force and the

/unrivalled

unrivalled geographical position of Gibraltar. There is no other project which would contribute as much to Gibraltar's economic well-being. If the conditions were right, you undertook to put the full weight of your Government behind the commercial venture, the modernisation of the dockyard and preparing the work-force for the new undertaking.

6. With the closure of the naval dockyard 900 people will be made redundant. If nothing replaces the naval yard unemployment could increase from its present level of 4% to about 15%. But I understand that, on present plans, A & P Appledore will re-employ 300 people when they take over commercial management, with a further 450 to be employed after four months. If the commercial operation goes well they hope to be employing nearly 1,300 people by 1987.

7. The arrangements we have offered to help in the establishment of a commercial dockyard are both practical and generous. They include:

- handing over to the Gibraltar Government the necessary dockyard lands and assets free of charge;
- provision of a total of £28 m. to re-equip the dockyard and get it off to a good start;

/provision

- provision of work on Royal Fleet Auxiliaries over a 3 year period to a value of £11 m, with additional naval work on smaller vessels worth some £1 m. per year.

- redundancy payments and pensions on the same generous lines as those given to Government employees in the UK. (Immediate cash payments will range from £1,200 to £12,000 with, in many cases, pensions being paid in addition).

- leasing by the Ministry of Defence to the commercial operator of houses and apartments for the use of their expatriate staff in order not to encroach upon Gibraltar's limited housing market.

8. In addition, we have said that the Ministry of Defence would be prepared to match a survey of land use by the Gibraltar Government with a review of the land and houses they need for defence purposes and to look at the possibility of releasing property not essential for defence. We have also offered a new agreement on the transfer of defence lands which has, I know, been a vexed issue for many years. We are already committed to spending £13 m. in development aid for Gibraltar's current development programme.

9. I believe that there are real opportunities here which should not be missed. When we met, you argued that closure of the naval dockyard should be delayed for two years and that there should be a transitional period to phase in commercial work. The more I have looked at this proposition, the more convinced I am that it would not be a sensible arrangement. There can be no assurance that, at the end of two years, the prospects for a commercial operation will be any different from now. We cannot even be sure that commercial management would wish to take up the project at that time. Equally, I am convinced that a hybrid organisation, which is part Ministry of Defence controlled and part a commercial operation, will not work. It emerged very clearly from our discussion that there must, at some stage, be a sharp break between the operation of the dockyard as a defence facility and its opening as a commercial activity. Only then will all those in the dockyard, both management and labour, be able to re-adapt to a commercial way of life and develop the skills necessary to achieve success in a competitive world.

10. As a result of our discussion I offered to defer closure of the naval dockyard by 6 months, to the end of June 1984. This would give a full year from now to prepare for the change-over. Such a deferment can be justified. But anything longer would, I am sure,

/be

CONFIDENTIAL

be against the interests both of Gibraltar and of the UK. The changeover to commercial working has to be made at some stage. The commercial advice I have is that delay will make the prospects worse, not better. I offered also that an additional £3 million of work be made available on Royal Fleet Auxiliaries during the initial three year period of the commercial dockyard, making £14 m. in all. If this offer is accepted, and its timing, the new commercial yard will start with an assured work programme. This will give it the best possible chance of establishing itself and contributing to Gibraltar's prosperity.

11. As I promised, I have been into this matter again very carefully with those of my colleagues most involved.

12. We all feel a deep sense of personal responsibility to the people of Gibraltar. The more we have gone through the arguments the more convinced we are that a very significant opportunity is now available. A new commercial dockyard, to which the British Government is anxious to give very substantial financial support in the formative years, will provide many new jobs and help the economy.

13. Delay only diminishes the prospects. I am so concerned that you and your colleagues should understand the scale of our promised commitment that I propose, if you agree, to send Ian Stewart out to Gibraltar next week to go over the ground and explain again our proposals in depth.

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AJC M 1/2
The PM agreed the message and I informed the FCO Resident Clerk at 11.00 pm.

Foreign and Commonwealth Office

London SW1A 2AH

1 July 1983

Prime Minister

Agree the attached telegram?

A.S.C. 1/2

MHK
1/7/83

John Thur...

Gibraltar

/ As requested by the Prime Minister this morning, I am attaching the draft of a message from the Prime Minister to Sir Joshua Hassan, cleared in draft with the Ministry of Defence. I am also attaching the draft of a covering telegram to the Governor.

I understand that the Prime Minister's intention was that the letter should be telegraphed to Gibraltar tonight so that Sir Joshua Hassan will receive it before he and his Council of Ministers have made any final decisions about the package on the dockyard which was offered to them in London yesterday.

I am sending a copy of this letter to Richard Mottram (Ministry of Defence) and to Mike Power (ODA).

Handwritten signature of R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

File No.....

Department

Drafted by
(Block Capitals)

Tel. Extn.....

OUTWARD

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[TEXT]

MY TELNO: GIBRALTAR DOCKYARD

1. MIFT contains the text of a message from the Prime Minister to Sir Joshua Hassan. Please pass it urgently.

2. In passing on the message you should emphasise that what the Prime Minister was prepared to offer yesterday by way of deferment to the closure date was, in large part, in recognition of the outstanding services Hassan has performed for close and friendly links between Gibraltar and Britain. The Prime Minister would not have been disposed to offer as much, and certainly not more, to another political leader.

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[TEXT]

MIPT: GIBRALTAR DOCKYARD: PRIME MINISTER'S MESSAGE
TO SIR JOSHUA HASSAN

[take in A - B]

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