

FROM: P L GREGSON CB, DEPUTY SECRETARY

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Our Ref: P.01057

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4 July 1983

SECRET AND PERSONAL

Prime Minister

mt

Worth reading

(especially para's 4-12)

Dear Barnaby

MUS 4/7

ECONOMIC EFFECTS OF A NATIONAL DOCK STRIKE

When your Secretary of State met the Secretary of State for Transport and the Chief Secretary, Treasury on 23 June to discuss the Port of London Authority it was agreed, inter alia, that there should be an assessment of the impact of industrial action in the docks nationally.

The Official Group on the Docks (MISC 78) has summarised and updated the assessments made for Ministers last year in the enclosed report.

I am sending copies of this letter and the report to Dinah Nichols (Transport) John Gieve (Treasury) and to Michael Scholar (10 Downing Street).

Your sincerely

P L Gregson

P L GREGSON

SECRET AND PERSONAL

ECONOMIC EFFECTS OF A NATIONAL DOCK STRIKE

Report by the Official Group on the Docks (MISC 78)

INTRODUCTION

This report summarises the likely economic impact of a national dock strike within the next few months. It is based on two earlier reports by MISC 78 circulated to the Ministerial Sub-Committee on Economic Affairs (E(EA)(82)22 and Mr Gregson's minute of 29 October 1982 to the Secretary of State for Industry), brought up to date where necessary.

THE EFFECTS OF A STRIKE

Coverage and duration

2. The extent and severity of a dock strike would depend on the issue which gave rise to it. This report discusses the implications of a national strike with the following features, which are deemed likely in most circumstances.

- i. All major ports would be affected (including, in particular, the 80 or so, handling about three quarters of total non-fuel traffic, which are covered by the National Dock Labour Scheme).

- ii. In the ports affected neither supervisors nor junior managers would be likely to be prepared to do work not part of their normal duties; few, if any, non-dockers would be prepared to either. Senior managers would be willing to help but would not be able to keep facilities in operation except possibly for the highly automated grain terminals and some roll-on roll-off (RO-RO) services used by driver-accompanied vehicles. There is a reasonable chance that a significant proportion of normal RO-RO traffic (which accounts for almost one-third of the tonnage of non-bulk cargo) would get through. At peak holiday periods however the freight capacity of those mixed freight/passenger ferries that could be handled would be severely constrained.

- iii. Some small ports and wharves would remain open, for example those where union organisation is weak, the railway ports, where the predominant trade union is the National Union of Railwaymen, and some private wharves operated by companies on their own account.
- iv. There would be substantial picketing of all ports handling general cargo, particularly those outside the National Dock Labour Scheme and wharves in the vicinity of major ports. Past experience suggests that such picketing would be generally effective. Some individual employers might seek to invoke the provisions of the Employment Acts 1980 and 1982 by applying to the courts for injunctions against unlawful picketing, but there can be no certainty that such injunctions, if granted, would be complied with.

3. The length of a national dock strike would also depend on the circumstances of the dispute, and cannot be safely predicted. The dockers may be less willing now than in 1972, when the last national strike occurred, to undertake a lengthy strike, because of the changed arrangements for tax refunds (not paid until the end of the strike or the end of the financial year) and assessing supplementary benefit (with assumed weekly strike pay of £13 per week taken into account) and because of the recession. On the other hand a number of local dock strikes have lasted for several months; the 1970 and 1972 national strikes were ended after between 3 and 4 weeks, and the strike earlier this year at Tilbury after 8 weeks, by concessions to the dockers. A crucial factor is likely to be whether a particular dispute is seen as raising national issues. Dockers elsewhere are, for example, likely to have little sympathy with those at Tilbury over a purely pay issue. On the other hand support would be much stronger for a dispute at an individual port if it raised what were seen as national issues, on which there is a tradition of militancy and unity in the industry.

Effects on sectors of the economy

4. A national dock strike would be unlikely to have an unacceptable impact on food supplies. There would be shortages and substantial price rises for some foods, probably pigmeat and eggs in particular; but there should be sufficient food supplies to maintain an adequate and balanced national diet for almost indefinite endurance of a strike occurring at any time during the year.

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5. Oil imports and North Sea production would almost certainly be unaffected by a dock strike: oil terminals are generally physically well separated from other port activities and rarely employ registered dock workers. Supplies to some oil rigs might be impeded; but the companies concerned should be able to arrange for them to be supplied from Continental ports.

6. Steel production by the British Steel Corporation could probably continue for about 8 weeks. In addition stocks held by consumers and stockholders are probably equivalent to about 3 months' consumption of most products. The private sector steel companies mostly use scrap metal rather than ore, and so are unlikely to be seriously affected.

7. In the case of the chemical industry inability to move exports is likely to reduce United Kingdom chemical production earlier (probably within 1 week) than interruptions to imports, lack of which would probably not seriously constrain production for 3 or 4 weeks. However users of chemical products who rely on imports would probably be in difficulty from early on in a strike, as their stocks are probably low, and there is little scope in the short term for the domestic chemical industry to substitute for imports.

8. Of other industries dependent on the bulk movement of goods through the docks cotton textiles would probably be affected relatively early, as stocks of raw cotton typically stand at about 1 month's consumption. The effect on supplies of raw materials to other industries would probably not be felt for at least a month (as in the case of aluminium), and in many cases for longer. For example serious problems would probably not arise in the paper and board sector for about 6 weeks, and stocks of timber, building materials and non-ferrous metals other than aluminium are typically sufficient for 2 months' consumption or more.

9. A strike would seriously affect production in the motor vehicle industry both within the United Kingdom and at overseas plants which depend upon components and parts manufactured in this country. Production by Vauxhall at Luton, Talbot at Coventry and to a lesser extent BL at Cowley would be seriously affected after about a week or two. There would be similar effects in other industries where production is organised on a multi-national basis.

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10. In addition there would be problems for industries such as electrical engineering caused by shortages of imported components and semi-finished articles; though in the case of these items there would be some scope for mitigating the effect by the use of RO-RO facilities, and of air freight for high value products.

11. Most port authorities are likely to be able to withstand the financial effects of a strike for 2 or 3 months, although Bristol (a liability of Bristol City Council) would immediately sink into deeper trouble. However, in the longer run the strike would increase the risk of certain other port authorities getting into financial difficulty and turning to the Government for support.

12. Those shipowners, particularly small ones, who rely substantially on trading into and out of the UK would soon feel the pressure. Cross-trading, however, which accounts for about two-thirds of the industry's earnings, would be unaffected.

Scottish Islands, Channel Islands and Isle of Man

13. Supplies of food and animal feed on these three island groups are sufficient for between 2 and 4 weeks. In previous dock strikes the unions have usually agreed that food and other essential supplies should be shipped to them. A strike during the summer months would have a serious effect on the tourist industry, which forms an important part of the economy of the Scottish islands.

General economic and financial effects

14. Depending on the duration and coverage of the strike, and the speed of recovery thereafter, there would be some short-term economic disruption i.e. delayed or lost imports and exports, temporary losses in output, increased unemployment and additional public expenditure resulting from that unemployment. In the longer term there is a risk that a prolonged strike would revive British exporters' reputation for late delivery and unreliability, and that exports would suffer some permanent damage as a result; though such effects might be partially offset by the substitution of domestic production for imports.

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15. There would probably be some increase in bank lending to firms in financial difficulties, which would put pressure on the broader monetary aggregates; the Public Sector Borrowing Requirement would also increase if firms tried to delay tax payments or had to lay off workers. Provided that oil supplies were not interrupted, and that the financial markets believed that the Government's resolve and economic strategy remained firm and that a strike did not presage a more widespread deterioration in industrial relations, it is unlikely that even a lengthy stoppage (say 10-12 weeks) would lead to severe pressure on the exchange rate and, hence, interest rates.

SCOPE FOR MITIGATING ACTION

16. The effects of a national dock strike would be less severe if the threat of it became increasingly apparent over several weeks and months and companies were able to take anticipatory action, for example by building up stocks of essential imports, accelerating export shipments and making contingency plans for the use of alternative facilities such as the smaller ports or, in the case of high value cargoes, air freight. Officials consider that any such anticipatory action is best left to the market. In particular they are not able to identify any imported commodity where the level of stocks is so critical to the United Kingdom's endurance of a national dock strike that it should be stockpiled at Government initiative and expense.

17. The main scope for mitigating the strike would be the ingenuity of companies in taking advantage of such alternative facilities as remained open during the strike. Officials consider that such arrangements are best left to companies and the port authorities concerned, unless, as is discussed in the following paragraph, Service assistance was employed to keep certain ports in operation.

18. There are contingency plans to deploy some 2,600 Servicemen to provide a limited service to move essential cargo at up to 13 ports. The number of Servicemen who can be made available is limited by available numbers of certain specialists. If the plan had to be implemented in the immediate future it is likely that the Services could not find all the specialists required because of commitments to port operating in the Falkland Islands.

19. If a decision were taken to use the Services it would take them about 12 days to deploy. Their use can be authorised by the Defence Council without the declaration of a State of Emergency; but it is doubtful whether they could be used effectively without powers to direct the movement of shipping in the ports and to requisition equipment, which would require the declaration of a State of Emergency under the Emergency Powers Act 1920. This is a course only permissible in the event of action which deprives the community, or any substantial proportion of the community, of the essentials of life; a condition which, if the assessment about food and oil in paragraphs 4 and 5 above proves correct, is unlikely to be met by a national dock strike, except in the offshore islands. A Bill has been prepared on a contingency basis to extend the Emergency Powers Act 1920 to include events calculated to cause grave industrial and economic damage; it seems likely that a national dock strike would satisfy these extended conditions. Nevertheless, Ministers have so far endorsed the principle that Servicemen should only be used to maintain the essentials of life so that consideration would need to be given to the desirability of modifying this principle in these circumstances.

20. An important factor in the decision to deploy the Services is the effect of this action upon unions other than the Transport and General Workers Union (TGWU) and their members. Other dock employees might not continue to work. Some of these provide services, such as maintenance of dockside equipment, which could not be readily made good by the Services. Outside the docks the use of Servicemen to unload ships might provoke industrial action by road haulage drivers. A separate plan expects to use some 20,000 Servicemen to move essential supplies by road; but this service would not extend beyond the movement of essential supplies from the ports to the main inland supply points - leaving a significant potential problem over movement beyond these points.

21. Clearly, therefore, any decision to use the Services needs to take account both of the benefits of so doing - the Servicemen may be unable to move more than 10-15 per cent of the cargo normally handled by registered dock workers - and the possibility that such a decision could lead to further industrial action both in the ports and elsewhere. If picketing were to develop on a large scale, attempts to move Servicemen into the ports could result in serious law and order problems there.

CONCLUSIONS

22. The following are the main conclusions to be drawn from the analysis above.

- (i) The extent, severity and duration of a national dock strike would depend on the issue which gave rise to it.
- (ii) The effects of a strike on different sectors of the economy would vary both in speed and severity; but there should be no unacceptable impact on food and oil supplies.
- (iii) Provided that oil supplies were not interrupted and the financial markets believed that the Government's resolve and economic strategy remained firm, severe pressure on the exchange rate and interest rates would be unlikely.
- (iv) There is little scope for mitigating action by the Government in the event of a national dock strike; if Ministers were prepared to use Servicemen (which might require a Bill to extend the Emergency Powers Act 1920), they would be able to handle about 10-15 per cent of cargo normally handled by registered dock workers, but this might provoke an extension of the industrial action and bring no net benefit.

Cabinet Office
4 July 1983