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DESKBY 121800Z JUL 83

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FROM GIBRALTAR 121645Z JUL 83
TO IMMEDIATE FCO TEL NO PERSONAL 92 OF 12 JUL 83
INFO IMMEDIATE MOD FOR CFS AND DS12
IMMEDIATE ODA

MIFT: GIBRALTAR DOCKYARD

1. FOLLOWING IS TEXT OF PAPER BY GIBRALTAR COUNCIL OF MINISTERS ON COMMERCIALISATION OF RN DOCKYARD.

THE VIEWS OF GIBRALTAR GOVERNMENT MINISTERS WERE SET OUT IN THE STATEMENT ENCLOSED WITH THE CHIEF MINISTER'S LETTER TO THE GOVERNOR OF 21 JUNE 1983. THE DISCUSSIONS AND EXCHANGES WHICH HAVE TAKEN PLACE SINCE THEN HAVE NOT MATERIALLY ALTERED THOSE VIEWS AND GIBRALTAR MINISTERS CONTINUE TO BE GRAVELY CONCERNED ABOUT THE SOCIAL, ECONOMIC AND POLITICAL EFFECTS OF EARLY CLOSURE OF THE NAVAL DOCKYARD. THEY ARE GRATEFUL FOR THE PRIME MINISTER'S OFFER TO DEFER CLOSURE UNTIL 30 JUNE 1984 AND TO PROVIDE AN EXTRA £3M WORTH OF ASSURED WORK ON ROYAL FLEET AUXILIARIES.

2. GIBRALTAR MINISTERS HAVE NOTED, AND ARE GRATEFUL FOR, THE RECOGNITION THAT THEIR PROPOSALS FOR A TRANSITIONAL PERIOD WERE FRAMED SO AS TO GIVE TIME FOR READJUSTMENTS IN GIBRALTAR'S ECONOMY AND INFRASTRUCTURE IF THE CHANGE IN DOCKYARD OPERATIONS IS TO BE MANAGED WITHOUT UPHEAVAL. AFTER THE MOST CAREFUL STUDY OF THE WORKING PAPER BY UK OFFICIALS, THEY REGRET THAT THE NEED FOR MEASURES TO OFFSET THE SERIOUS EFFECTS OF THE CLOSURE OF THE NAVAL DOCKYARD AND TO AVOID SUCH AN UPHEAVAL WILL NOT BE MET UNLESS AN ADEQUATE TRANSITIONAL PERIOD IS PROVIDED.

3. GIBRALTAR MINISTERS FULLY UNDERSTAND AND APPRECIATE THE POINT WHICH HAS BEEN MADE TO THEM THAT REALISATION BY THE WORKFORCE OF THE FINALITY OF THE CLOSURE DECISION AND OF THE IMMINENCE OF CLOSURE COULD BE A POWERFUL STIMULUS TO REACHING AGREEMENT ON CHANGES IN WORKING PRACTICES.

4. IF THE GIBRALTAR GOVERNMENT FINALLY DECIDE TO ADOPT THE PROPOSALS FOR COMMERCIALISATION, THEY WILL MAKE IT ABSOLUTELY CLEAR IN THE HOUSE OF ASSEMBLY, AND OUTSIDE, THAT AN ESSENTIAL ELEMENT IN THE SUCCESS OF THE PROJECT WILL BE THE ACHIEVEMENT OF COMMERCIAL WORKING PRACTICES AND THAT EARLY DISCUSSIONS ON THIS WILL BE NECESSARY. THEY WILL ALSO MAKE IT CLEAR THAT THERE COULD BE NO PROSPECT WHATEVER OF ANY FURTHER DEFERMENT OF CLOSURE BEYOND A /DATE

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DATE AGREED WITH HER MAJESTY'S GOVERNMENT. ONCE COMMITTED TO COMMERCIALISATION, THEY WOULD AGREE TO AN EARLY ANNOUNCEMENT OF THE DATES OF THE DECLARATION OF A STATE OF REDUNDANCY AND OF THE ISSUE OF INDIVIDUAL REDUNDANCY NOTICES. THEY HAVE NO DOUBT THAT, AS A RESULT OF ALL THESE MEASURES, THE REALITY AND IMMINENCE OF THE CHANGE WOULD THEN BE FULLY UNDERSTOOD BY EVERYONE HERE. THUS, ON THE ONE HAND, THE NEED TO PROVIDE A STIMULUS FOR THE WORKFORCE AND, ON THE OTHER HAND, GIBRALTAR MINISTERS' TOTAL CONVICTION OF THE NEED FOR AN ADEQUATE TRANSITIONAL PERIOD ARE RECONCILABLE IN PRACTICAL TERMS.

5. AFTER MOST THOROUGH CONSIDERATION AND DISCUSSIONS, WHICH HAVE NOT BEEN WITHOUT DIFFICULTY, AND AFTER TAKING FULLY INTO ACCOUNT HER MAJESTY'S GOVERNMENT'S VIEWS ON THE NEED FOR A SHORTER TRANSITIONAL PERIOD THAN THAT PREVIOUSLY PROPOSED, GIBRALTAR MINISTERS HAVE CONCLUDED THAT ~~TO COMMENCE~~ ~~CONFIDENTIAL~~ MINIMUM PERIOD WHICH THEY COULD COLLECTIVELY FIND ACCEPTABLE AND WHICH THEY WOULD BE PREPARED TO PROMOTE IN THE HOUSE OF ASSEMBLY WOULD BE ONE ENDING ON 31 DECEMBER 1984. A TWO-YEAR PERIOD WOULD HAVE BEEN MORE LIKELY TO SECURE GENERAL LOCAL ACCEPTANCE. THE PROSPECTS OF THIS WOULD BE DIMINISHED BY A REDUCTION IN THE PERIOD BUT GIBRALTAR MINISTERS WOULD NEVERTHELESS BE PREPARED TO ADVOCATE COMMERCIALISATION ON THE BASIS OF A ONE-YEAR TRANSITIONAL PERIOD AND ON THE BASIS SET OUT BELOW IN RELATION IN PARTICULAR TO THE NEED TO DIVERSIFY THE ECONOMY THROUGH THE DEVELOPMENT BY THE PRIVATE SECTOR OF CERTAIN LANDS AT PRESENT HELD BY THE MINISTRY OF DEFENCE.

6. THE GIBRALTAR GOVERNMENT'S MAJOR ANXIETY IS THE SEVERE STRAIN WHICH CLOSURE OF THE NAVAL DOCKYARD WILL IMPOSE ON A SMALL AND FRAGILE ECONOMY, BOTH GENERALLY AND, IN PARTICULAR, ON BUDGETARY AND BORROWING CONSTRAINTS AND ON A CONTINUED REDUCTION OF PRIVATE SECTOR INVESTMENT BECAUSE OF INCREASING UNCERTAINTY AND LACK OF CONFIDENCE. THEY ARE SPECIFICALLY TROUBLED BY THE FOLLOWING POINTS:

(A) CONSISTENT ADVICE FROM MAJOR CONSULTANCIES OVER THE PAST TWO YEARS THAT A COMMERCIAL SHIP REPAIR YARD WILL NOT FILL THE GAP IN THE ECONOMY LEFT BY THE CLOSURE OF THE NAVAL DOCKYARD:

(B) THE INABILITY OF GIBRALTAR IN ITS SERIOUSLY WEAKENED ECONOMIC CONDITION TO FUND COMMERCIAL DOCKYARD LOSSES:

(C) THE SERIOUS ADVERSE IMPACT ON THE ECONOMY BROUGHT ABOUT BY THE PARTIAL AND DISCRIMINATORY OPENING OF THE FRONTIER: AND

(D) THE ABSENCE OF A SPECIFIC COMMITMENT TO THE TRANSFER OF LAND NOW HELD BY THE MINISTRY OF DEFENCE WHICH IS URGENTLY REQUIRED FOR DEVELOPMENT PROJECTS.

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7. THE GIBRALTAR GOVERNMENT DO NOT ACCEPT THAT THE £13M DEVELOPMENT AID IS CONNECTED IN ANY WAY WITH THE CLOSURE OF THE DOCKYARD. IT COVERS PROJECTS IDENTIFIED IN THE GIBRALTAR DEVELOPMENT PLAN SUBMITTED TO UK DEPARTMENTS EARLY IN 1981 WELL BEFORE DOCKYARD CLOSURE WAS PROPOSED. ALTHOUGH THEY WILL BENEFIT THE GIBRALTAR ECONOMY, AND WE ARE GRATEFUL FOR SUCH HELP, THE PROJECTS ARE NOT ADDRESSED TO DEALING WITH THE WIDER EFFECTS ARISING FROM CLOSURE. THAT AID RELATES INSTEAD TO THE BRITISH GOVERNMENT'S CONSISTENT POLICY OVER THE YEARS OF SUPPORTING AND SUSTAINING GIBRALTAR IN THE FACE OF SPANISH RESTRICTIONS, THE ECONOMIC EFFECTS OF WHICH HAVE BEEN INTENSIFIED BY THE DISCRIMINATORY NATURE OF THE PARTIAL OPENING OF THE FRONTIER.

8. FURTHERMORE THE GOVERNMENT OF GIBRALTAR DO NOT ACCEPT THE LINKAGE WHICH THE MINISTRY OF DEFENCE HAS CHOSEN TO MAKE BETWEEN THE NEW AGREEMENT ON THE TRANSFER OF CROWN LANDS NO LONGER REQUIRED FOR DEFENCE PURPOSES AND COMMERCIALISATION OF THE DOCKYARD. THE NEED FOR THIS AGREEMENT, WHICH HAS BEEN AN ISSUE BETWEEN GIBRALTAR AND HER MAJESTY'S GOVERNMENT SINCE 1948, WAS AGAIN STRESSED IN HIS EXCELLENCY THE GOVERNOR'S DESPATCH OF MAY 1981. THIS ALSO WAS OVERTAKEN IN NOVEMBER 1981 BY THE DECISION TO CLOSE THE NAVAL DOCKYARD.

9. A SUBSTANTIAL MEASURE OF DIVERSIFICATION IS REQUIRED TO PROVIDE A WIDER BASE WITHIN THE ECONOMY TO WITHSTAND THE IMMEDIATE AND ONGOING EFFECT OF CLOSURE AND TO SECURE LONG-TERM VIABILITY. WITHOUT DIVERSIFICATION THE ECONOMY WILL SUFFER SIGNIFICANT DAMAGE.

10. THE KEY REQUIREMENT FOR DIVERSIFICATION IS THE AVAILABILITY OF LAND. THE ONLY SOURCE IS THE MINISTRY OF DEFENCE. THE GIBRALTAR GOVERNMENT HAVE BEGUN A LAND USE SURVEY WHICH WILL BE COMPLETED IN OCTOBER 1983. THEY HAVE ALREADY IDENTIFIED TWO PRIME DEVELOPMENT AREAS WHICH COULD PROVIDE OPPORTUNITIES FOR MAJOR DEVELOPMENT BY THE PRIVATE SECTOR. THESE ARE IN QUEENSWAY - FROM DOCKYARD NORTH GATE TO THE TECHNICAL COLLEGE - AND ROSIA - FROM NAPIER BATTERY ALONG THE LITTORAL TO ROSIA BAY AND TO THE WEST OF NUFFIELD POOL. AT PRESENT THESE ARE USED BY THE MINISTRY OF DEFENCE FOR STORES, SOCIAL AND SWIMMING CLUBS AND OFFICES AND INCORPORATE LARGE OPEN SPACES. THE GIBRALTAR GOVERNMENT CONSIDER IT ESSENTIAL THAT FINAL AGREEMENT ON THE LANDS TO BE TRANSFERRED FOR DEVELOPMENT PURPOSES SHOULD BE REACHED DURING THE TRANSITIONAL PERIOD BEFORE VESTING DAY, IE 1 JANUARY 1985 AS PROPOSED BY THEM:

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11. THEY ACCORDINGLY REQUEST:

(1) HER MAJESTY'S GOVERNMENT TO AGREE TO THE RELEASE OF THE AREAS REFERRED TO IN THE PRECEDING PARAGRAPH WITH A VIEW TO THE EARLIEST POSSIBLE DATE OF TRANSFER AND TO PRIVATE QUARTER SECTOR DEVELOPMENT BEGINNING BEFORE THE CLOSURE OF THE NAVAL DOCKYARD:

(2) THAT A CLEAR COMMITMENT BE GIVEN TO VERY EARLY DISCUSSION OF THE TRANSFER OF SUCH OTHER AREAS AS MAY BE REQUIRED TO ENABLE DIVERSIFICATION TO PROCEED IN PARALLEL WITH THE PROCESS OF COMMERCIALISATION AND THAT THESE DISCUSSIONS AND CONSEQUENT TRANSFERS BE COMPLETED BY 31 DECEMBER 1984.

GIBRALTAR MINISTERS ALSO REQUEST AN ASSURANCE THAT, GIVEN THE FRAGILITY OF THE GIBRALTAR ECONOMY, THE NECESSARY SUPPORT WILL BE FORTHCOMING IF VIABILITY OF THE COMMERCIAL SHIP REPAIR YARD WERE TO BE DELAYED BEYOND THE DATE AT PRESENT ENVISAGED.

12. GIBRALTAR MINISTERS ARE ANXIOUS THAT IT SHOULD BE UNDERSTOOD THAT, SHOULD THE PROPOSALS IN THIS PAPER BE AGREED TO, THEY FOR THEIR PART WOULD AGREE TO, AND AS NECESSARY PROMOTE AND JUSTIFY WITHIN GIBRALTAR, THE FOLLOWING SPECIFIC POINTS:

(1) THERE SHOULD BE NO BLURRED RESPONSIBILITY IN THE MANAGEMENT OF THE DOCKYARD, IE RESPONSIBILITY FOR MANAGEMENT AND OPERATION WOULD REMAIN WITH THE MINISTRY OF DEFENCE UP TO VESTING DAY AND WOULD THEREAFTER BE THE SOLE RESPONSIBILITY OF THE COMMERCIAL OPERATOR:

(2) AN UNEQUIVOCAL COMMITMENT BY THE GIBRALTAR GOVERNMENT TO COMMERCIALISATION BY 1 JANUARY 1985: AND

(3) THE NEED FOR ODA TO HAVE SATISFACTORY ASSURANCES THAT THE TRADE UNIONS WILL ACCEPT NEW WORKING PRACTICES LEADING TO A NEW LABOUR CHARTER BEFORE ODA FUNDS ARE COMMITTED TO INVESTMENT IN A NEW DOCKYARD.

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