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10 DOWNING STREET

*From the Principal Private Secretary*

16 July 1984

The Prime Minister lunched today with the General Council of British Shipping. Those present were the people attached to your brief.

The first part of the lunch was taken up with a discussion about the dock strike. The shipowners said that the dock strike now appeared to be sufficiently solid that there were virtually no ports working which were capable of taking container traffic. The cost to shipowners of landing cargos on the Continent, storing them and subsequently transshipping them to the United Kingdom would probably amount to about £1 million per week. However, oil terminals were still operating. Mr. W.B. Slater reported that he had attended a shipowners meeting that morning at which it had been reported that intimidation had been an important factor in causing dockers to accept the shut down of their ports, for example at Felixstowe, Whitby, and Stranraer. The shipowners had attached some significance to the dockers delegate meeting which was due to be held on Thursday and still thought that there was an even chance that this would bring the action to an end. If a settlement was not reached on that occasion, it would be probably another fortnight before an opportunity for a settlement would arise again. A number of those present who also had transport interests said that they would be laying off lorry drivers as a result of the strike. Mr. B.P. Shaw said that, while the shipowners recognised that the Government would not wish to end the Dock Labour Scheme under present circumstances, they hoped that there would be no question of extending it.

The remainder of the discussion was about the general position of the industry. Mr. Menzies-Wilson introduced the subject by saying that the group attending the lunch was a representative one composed of both public and private companies, all of whom had interests other than shipping.

All therefore had the choice of investing either in shipping or in other activities. The industry had reduced its manning and would probably soon be ahead of its competitors in this respect. But their main concern in the short term was with the removal of the Foreign Earnings Relief for seamen, which was likely to result in either a double figure pay settlement in the autumn or a long strike which the industry were not in a good position to withstand. In the longer term, the problem was the over-supply of ships in the world and the subsidies and protection provided to domestic fleets by overseas governments. The industry's forecasts could result in a fleet as small as 400 ships or even lower by 1986. But it was not just a question of the size of the industry: it was also a matter of having a modern fleet incorporating the latest cost saving technology. Another factor was that over the last 20 years ships had become much more expensive, but balance sheets of the companies had remained much the same. In general the industry were asking that the Government should be less scrupulous about avoiding protection of the domestic industry or more vigorous in contesting protection provided by other governments. The industry had been much encouraged by the extent of the support which they were receiving from the Department of Transport.

In discussion, one example quoted of protectionism was the arrangements by the Norwegian Government which resulted in 98% of the oil rigs in the Norwegian section of the North Sea being supplied by Norwegian vessels, probably as a result of invisible pressure through the allocation of licences. Another example was the Dutch investment and operating grants for ships built in Holland which in Shell's experience had put Holland marginally ahead of Britain even before the tax changes in our recent Budget. Another example was the operating subsidies provided by the Russian and Polish Governments, which the "hard core" group of countries were now seeking to contest. It was also argued that, whereas foreign ships had freedom to serve the coast of the United Kingdom, British ships did not have similar freedom to serve the United States, European, Indian or Australian coasts. It was argued that new ships gave the employers a strong bargaining position with the Seamen's Union about manning practices. Much of the action which the Government could take to help did not require large sums of money, but there were strategic as well as balance of payments reasons why the maintenance of a British merchant fleet was important.

The Prime Minister said that she needed no persuading that it was desirable that a strong British presence in merchant shipping should be retained. In due course our oil supplies would run out and the invisible earnings of the shipping industry would be very valuable. In addition

to the strategic reasons which had been mentioned. Shipping was an important part of Britain's industrial tradition. Those present at the table warmly welcomed the Prime Minister's expression of support.

I am copying this letter to David Peretz (HM Treasury) and Callum McCarthy (Department of Trade and Industry). I enclose (top copy only) some material handed to the Prime Minister in support of the points which were made.

Yours sincerely,

Robin Butler

Miss Dinah Nichols,  
Department of Transport.