

SECRET

NRPM
AT
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4/12/84.

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Tom King MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NA

Attn Tom

NATIONAL VOLUNTARY SEVERANCE SCHEME

with AT?

Thank you for your letter of 3 December about the authorisation of further borrowing by the National Dock Labour Board.

There are three related issues. The first concerns the danger that action by the port employers in Southampton could trigger industrial disruption. I am not well placed to question your judgement on this, but would be grateful if colleagues to whom you copied your letter could let me know whether they believe the danger is sufficiently serious to justify approval of the loan.

The second issue concerns public expenditure. It seems clear that, irrespective of further borrowing, the financial position of the NVSS is extremely shaky. The prospect of Government loan being repaid on time is beginning to look increasingly remote, and this has obvious implications for public expenditure over the next few years. An urgent and detailed review of the scheme is therefore necessary and I would welcome early proposals on the form it should take.

Finally there is the question of financial propriety. My misgivings on this score were set out in my letter of 29 November. However, the issue is essentially one for you and your Accounting Officer. If together you are satisfied that authorisation of the loan is defensible, then I would not stand in your way.

I am copying this to the Prime Minister, Nick Ridley, Peter Walker, Willie Whitelaw and to Sir Robert Armstrong.

*Yours sincerely
Peter Rees*

PETER REES

-4 DEC 1984



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NBPM AT 11/12
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

10 December 1984

Dear Peter

NATIONAL VOLUNTARY SEVERANCE SCHEME FOR REGISTERED DOCK WORKERS

Thank you for sending me a copy of your further letter of 4 December to Tom King. We discussed this briefly in Cabinet.

I think I have already answered your first question. If ABP cannot achieve the severances they want at Southampton, there is a serious risk of the action that they would probably then take leading to strikes in other ports. The important point as I see it is that we should not do anything that would thwart, or could be represented as thwarting, ABP's efforts to get those severances.

I agree that we should carry out a thorough review of the national voluntary severance scheme. The way it works, coupled with the form of support we have been giving to the ports of London and Liverpool on severances, is widening the distortions between London and Liverpool, the other Scheme ports, and non-Scheme ports. It is making it increasingly difficult to sustain the credibility of our policy that ports should compete for available business, because the competition is increasingly seen as unfairly based. I should be glad if Tom King's officials could liaise closely with mine in any review of the scheme. I suggest it should proceed in parallel with my consideration

in the coming weeks of the future of the Port of London Authority and the Mersey Docks & Harbour Company; there are obvious cross-links. My officials have kept yours in touch with our progress on this.

I am copying this to the Prime Minister, Willie Whitelaw, Tom King, Peter Walker and Sir Robert Armstrong.

Gunn

Mondas

NICHOLAS RIDLEY

Industrial Policy: Parts Pt 2.

11 DEC 1984

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NDBM
AT 6/12

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-2136640.....

Switchboard 01-213 3000

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Great George Street
London SW1

6th December 1989

Dear Peter,

NATIONAL VOLUNTARY SEVERANCE SCHEME

Thank you for your letter of 4 December in reply to mine of the previous day.

Willie Whitelaw, Peter Walker and Nick Ridley, who is perhaps in the best position of us all to judge how events might develop in the ports as a result of Southampton's difficulties, have all indicated that they think the borrowing should be authorised.

I accept the need for an urgent and detailed review of the NVSS. My officials will be having a first meeting with representatives of the port employers next Tuesday. The review cannot though be completed until we are in a position to decide how severances are to be paid for in the ports of London and Liverpool which in turn must depend on our approach to the financial problems of the Port of London Authority and of the Mersey Docks and Harbour Company. However I shall liaise with Nick Ridley on this with a view to putting detailed proposals to colleagues on EA as soon as possible. We shall keep your officials in the picture.

My Accounting Officer and I recognise and share your worries about the financial basis of the NVSS. But we are satisfied that authorising the borrowing is defensible.

Increasing the National Dock Labour Board's authority to borrow will substantially increase the chances of Associated British Ports securing the substantial voluntary severances at Southampton which they have said are needed if they are not to take precipitate action in the next few weeks. The likely industrial consequences of such action mean that the risk of default on existing commitments is greater if the authority is refused than if it is granted.



I am therefore authorising the National Dock Labour Board to raise from commercial sources an additional £7.5m.

I am copying this to the Prime Minister, Nick Ridley, Peter Walker, Willie Whitelaw and to Sir Robert Armstrong.

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[Signature]

5 DEC 1984

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NAPM

AT 5/12



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PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

5 December 1984

Dear Peter

NATIONAL DOCK LABOUR BOARD

^{with AT?}
The Secretary of State for Employment has sent me a copy of his letter of 3 December to you about borrowing by the National Dock Labour Board.

I very strongly support his view that the NDLB should be allowed to borrow the further sum it needs; it would be disastrous if there were to be industrial disruption in the docks now. I should be glad to be involved in any discussion which may be necessary.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Employment, Transport and Energy and to Sir Robert Armstrong.

*Yours
Peter*

The Rt Hon Peter Rees QC MP

SECRET

-5 DEC 1984



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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

4 December 1984

Dear Chief Secretary,

NATIONAL VOLUNTARY SEVERANCE SCHEME FOR REGISTERED DOCK WORKERS

I have seen the correspondence between you and Tom King ^{with AT?} on whether the National Dock Labour Board should be allowed to borrow commercially up to another £7.5 million for severance payments to registered dock workers.

I am sure Tom King is right to press that this extra borrowing shall be authorised and I urge you to reconsider. What concerns me is the situation at Southampton. Three weeks ago Keith Stuart, the Chairman of Associated British Ports, which runs Southampton, told me personally that unless manning scales there could be reduced and many more men severed, ABP would have to consider returning men to the National Dock Labour Board for placing on the Temporarily Unattached Register. He has just written to my Permanent Secretary to warn him that unless there is a major and unexpected change in the situation at Southampton during the next two or three weeks, or unless ABP are able to achieve substantial further voluntary severances there, they will have no alternative but to return most or all of their RDWs to the NDLB. This would almost certainly cause the TGWU to call a national dock strike.

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That is for Stuart and his board to decide, but if we refuse to will the means to enable more dockers at Southampton to be severed, we shall be blamed for having made it impossible for ABP to reduce their manning and for whatever consequences then flow from that. The severance payments have to be made by the NDLB; ABP cannot pay the men directly themselves. We cannot - nor should we try to - control events at Southampton, but we cannot afford to expose ourselves to the accusation that it was we who caused the port of Southampton to be killed.

I share your concern about the seemingly never-ending flow of money to pay off surplus dockers. But let us not lose sight of the perspective. In the 15 years since the National Voluntary Severance Scheme was first set up, the number of registered dockers has been reduced from 54,000 to about 12,500. In the past four years alone the number has been cut by 10,500. We are not quite at the end of this process yet, but it is within sight and within another two or three years the ports ought to be close to stability. Recruitment, meanwhile, has been negligible (some 220 in the past four years) and almost entirely in the successful small ports; it is the non-Scheme ports which have been expanding most. So there is minimal perpetuation of the evils of the Scheme.

Undoubtedly we need at some stage to put the financing of surpluses at all the Scheme ports, including London and Liverpool, on a more satisfactory footing. I do not think the moment is quite ripe for that yet.

These things may however all take on a rather different complexion when the coal dispute is over.

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Tom King asked for an urgent meeting if you still feel unable to change your mind on the extra borrowing by the NDLB. I very much hope that no such meeting will be needed, but if there is one I shall of course want to be at it.

I am sending copies of this letter to the Prime Minister, Willie Whitelaw, Peter Walker and Sir Robert Armstrong.

Yours sincerely,

Dinah Nichols

Private Secretary

pp NICHOLAS RIDLEY

(Approved by the Secretary
of State & signed in his absence)

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4 DEC 1984

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Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400
 Switchboard 01-213 3000

The Rt Hon Peter Rees QC MP
 Chief Secretary
 HM Treasury
 Great George Street
 LONDON
 SW1

2nd December 1984

Dear Chief Secretary,

Thank you for your letter of 29 November saying you cannot authorise any further borrowing by the National Dock Labour Board until there has been a detailed investigation of the scope for an increase in levy income and of the related public expenditure implications. In normal circumstances I could have accepted your view. But circumstances are not normal and the position has become even more urgent and serious than when I wrote to you.

In the last few days the port employers in Southampton have informed me and the Department of Transport that as things are developing unless they succeed in achieving, with the authority of the National Dock Labour Board, further substantial voluntary severances, they will either de-register as employers or return the surplus men to the Dock Labour Board's Temporarily Unattached Register. Either course would be clearly viewed by dockers as fundamentally breaching the Jones/Aldington agreement which as you know the dockers have long regarded as crucial to the operation of the Dock Labour Scheme.

This would be seen as a more direct and serious attack on the Scheme than anything that happened at Immingham or Hunterston earlier in the year which nevertheless led to national dock strikes. Widespread and damaging industrial disruption would follow, and could provide just the sort of boost the striking miners and their supporters are desperately seeking.

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The National Dock Labour Board meet this Thursday to consider Southampton's application for additional severance authorities. The ABP Board meet on 11 December to consider their next move. Whatever we do we may not be able to avoid the employers at Southampton taking precipitate action. But it would be disastrous if the blame for it could be laid directly at the Government's door, as it clearly would be if we blocked their moves to secure voluntary severances. I have no doubt that in the aftermath of industrial action port employers generally would be the more insistent that their financial obligations for past severances could not be met.

If you cannot now agree to allow the NDLB to increase its commercial borrowing by £7.5m we must meet with interested colleagues by Wednesday at the latest.

I am copying this to the Prime Minister, Nick Ridley, Peter Walker, Willie Whitelaw and to Sir Robert Armstrong.

Yours sincerely,

*Peter Smith
(Private Secretary).*

(Approved by the Secretary of State
and signed in his absence)

3 DEC 1984

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