



Prime Minister (2) cc NO
To note in particular the
message to the dockyard
workforce
AT 2317

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2 CF

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 10/2

23rd July 1985

Thank you for your letter of 19th July. I am afraid that my timetable has made it very difficult for me to give you more time to consider my proposals for the future management of the Royal Dockyards and I fully take your point that there are many issues which concern the Treasury and which will need resolution in the months ahead. I can assure you that your officials will be closely involved as we proceed to implement the commercial management option - as will those of other Departments with a substantial interest, particularly Environment and Trade and Industry.

I enclose for you and for colleagues a copy of the draft Statement I intend to make later today. You will note that it makes no mention of any alternative to commercial management; but I accept that there remain other possibilities - including privatisation (although I should remind you that this option has been considered and rejected by the Navy Board as having

The Rt Hon Peter Rees QC MP

MANAGEMENT IN CONFIDENCE
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unacceptable penalties for national security) and the direct injection of commercial management expertise into a Government owned operating company.

On this last point, you will note that I have made a brief mention of alternative structures in the letter I am sending to the workforce (also attached for your information). I see this very much as a fall back - and its mention in this letter is simply designed to keep up the pressure on commercial firms to submit attractive proposals for commercial management.

I am sending copies of this letter to the Prime Minister, other members of E(A) and to Sir Robert Armstrong.

Yours ever

Michael Heseltine



NSP 17

NS 15/17

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Michael Heseltine MP
Secretary of State for Defence
Main Building
Whitehall
London
SW1A 2HB

19 July 1985

Stan Michael

with PM (18/7/85)

FUTURE MANAGEMENT OF THE ROYAL DOCKYARDS

Thank you for your letter of 16 July in which you propose to press ahead with the introduction of commercial management in the Dockyards and to make an appropriate statement in the House next Tuesday.

I note what you say about the outcome of your consultations over the last three months, and that you are still of the view that the introduction of commercial management offers good prospects for greater efficiency and savings. There are of course many detailed points still to be settled - including the proportion of the naval refit programme that should be put out to competition, the form of any new pension scheme, and the nature and type of employing or similar companies. These are all decisions on which Treasury officials are, and must continue to be, closely involved. While these points remain to be settled, you will obviously not want to give any explicit commitments in your statement to the House.

You will no doubt want to present commercial management as attractively as possible. But the earlier E(A) discussions did not of course rule out the possibility of privatisation at a later stage; no doubt the statement will be consistent with keeping later options open.

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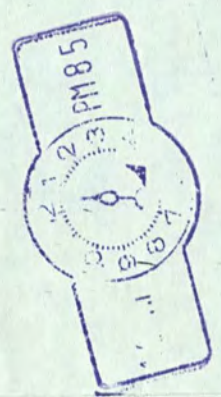
The idea of bringing individuals directly into the Devonport company (your paragraph 7) is new, and raises questions about the status of the company which would result, and about how it would be financed. It may be possible to resolve these but I firmly believe it would be wrong - without further discussion - to mention the possibility in your statement.

With these provisos, I am content for you to make a statement on the lines you propose. I should be glad however to have an opportunity to comment on it in advance. The question of pensions (paragraph 6 of your letter) is something we have already agreed to settle in separate discussions later.

I am sending copies of this letter to members of E(A) and to Sir Robert Armstrong.

*Yours ever
Peter Rees*

PETER REES





DW287

Secretary of State for Trade and Industry

NBSA
AT 26/7
~~CCNO~~
DEPARTMENT OF TRADE AND INDUSTRY
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25 July 1985

**RESTRICTED
MANAGEMENT IN CONFIDENCE**

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON
SW1A 2HB

D. M. Lael

FUTURE MANAGEMENT OF THE ROYAL DOCKYARDS

File with AT

Thank you for sending me a copy of your minute of 16 July to the Prime Minister.

2. I am content for you to announce our decision in principle to press ahead with the introduction of commercial management at the Royal Dockyards. Without seeing a draft of your proposed statement I do not know exactly what you have in mind to say. But I would be very reluctant to see anything said about the direct appointment of individuals to the Devonport Company until we have had an opportunity to consider collectively the details of this new and controversial proposal. I should also wish to see in the statement assurances that there will be regular and proper competitions for the management contracts; that tenders will be sought from the private sector as well as the Dockyards for as much MoD work as possible; and that the Dockyards will not be permitted to compete unfairly with the private sector for non-MoD work.

3. Peter Rees will want to comment on the issue of a PES transfer in connection with pensions provision, but for my part I

/would ..

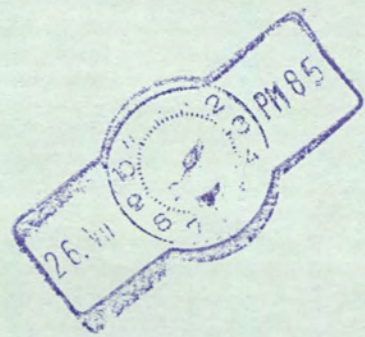


would not wish to see anything decided now which might have repercussions on the PES position more widely and my own interests in it.

4. I am copying this minute to the Prime Minister, other E(A) colleagues and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Norman Tebbit', written in a cursive style.

NORMAN TEBBIT





THE FUTURE OF THE ROYAL DOCKYARDS

A personal message to the workforce from
Michael Heseltine

My personal message to the workforce on 17 April was an explanation of Government ideas for the future of the Royal Dockyards. I wanted you to know all the facts. I wanted you to be able to discuss the Government's proposals and any others, before a decision was made.

I promised Parliament to report before the Summer Recess, the results of the Government's consultation on the options for the future of the Dockyards.

I shall be telling Parliament today that there has been a general acceptance of the need for a significant change if the Dockyards are to have a secure future. And nothing which has been suggested during our discussion period, seems to me to offer a better chance for all of us than a change to commercial management. This would be the best and quickest way to face the competition which lies ahead and give the Dockyards a stable and prosperous future.

This decision is made in the wide interests of the Dockyards, the Royal Navy, the Defence Budget and the workforce. But I do realise and understand that what immediately concerns you is your own job and your personal future – both as a result of the long-term proposals and of the new efficiency management measures, which are now being introduced into the Dockyards.

The change to commercial management will be not later than April 1987. But you are aware that the need to improve efficiency and cut costs has to be tackled now and that the management measures currently being introduced to do this will require the reduction of some 2400 jobs. Most of these will be at Devonport and discussions have already begun to try to identify those who might wish to volunteer for early redundancy. Let me make my position clear. I believe that most of the changes we seek can be achieved by natural wastage and by voluntary redundancy. No one will be made compulsorily redundant unless I am personally satisfied that there is no reasonable alternative.

At Rosyth the workload is planned to increase and there the job losses will be relatively small. At Devonport however, where the short-term consequences will be greater, I have undertaken to do all that is possible towards establishing job opportunities in the area. The Ministry of Defence and Plymouth City Council have jointly set up a development unit to generate these opportunities.

My Department is immediately making available two small areas of land for development in the centre of the City and we will see whether we can expand our local commercial activity. We shall also with the City, and bringing in expert advice right away, look at the potential for commercial development of the attractive Royal William Yard site – and for re-establishing our present activities elsewhere in the area.

For the future, I do not accept the argument which has been discussed during our consultation period, that the cost savings which we expect to achieve from commercial management will inevitably come from job losses within the Dockyards. An efficient Dockyard, under commercial management, will be best placed to attract additional work and the jobs that would generate. This is the best way forward for the local economy in Plymouth and Dunfermline. Particularly – the Dockyards will be free in their new form to compete at home and abroad for more work, including that of new construction.

There has been pressure, during our consultations, to give more time for discussions. But one of the main reasons why we now have a Dockyard structure which all parties agree is not good enough is because, in the past, there have been long periods of discussion and very little action.

The period of consultation has thrown up some new ideas. There has been a proposal that the Dockyards should be run by a Government-owned public limited company. I would be prepared to consider this if our discussions with established companies do not produce an attractive basis for operating our own commercial management proposals. But at this stage I am encouraged by the interest shown by major industrial enterprises.

The proposals to transfer staff to an employing company under our commercial management scheme did not appeal very much to the Trades Unions nor to industry, as being unnecessarily complex. We shall give more thought to this before legislation is introduced.

Many have argued for a Trading Fund freed from the Civil Service. I do not believe that it is possible to create a Trading Fund which will provide all the freedoms necessary for the Dockyards to operate at full efficiency.

The decision for the future has now been taken. Discussions will go on and plans will be made to ensure that it is successfully achieved. Over the page I have listed some key points which I would like to put on record.

The time between now and the start of commercial management is very important to everyone. I am encouraged that the need for change has been widely accepted. The first step towards this is to make ourselves more efficient – now.

If you make the personal commitment, with your Unions, and are determined to make a success of this change, the rewards could be what we all want – the most worthwhile basis for the future of the Dockyards and the best possible support for the Royal Navy and all that means to our national security.

Determination to succeed now and to become competitive is the best guarantee for the future.

NEED FOR CHANGE

The need for a significant change in the structure of the Royal Dockyards has been generally accepted during the discussion period.

COMMERCIAL MANAGEMENT

Legislation will be introduced early in the next session of Parliament to achieve a start not later than 1 April 1987.

OTHER PROPOSALS

While there has been a majority view in favour of a Trading Fund, this would not create the most effective and efficient commercial operation. Neither would the fund give local managers the essential freedoms.

TERMS OF EMPLOYMENT

Further thought is to be given to the proposal that to introduce commercial management, staff would be transferred into an employing company.

NATIONAL SECURITY

Claims have been made that national security, in particular the nuclear deterrent, will be put at risk by commercial management. The Navy Board does not accept this view.

ROYAL NAVY

The Royal Navy also supports the commercial management decision in its own interests and those of the Dockyards.

FOREIGN INTEREST

We will ensure that there will be no foreign control or significant influence.

COST SAVINGS

Under commercial management it is not inevitable, as some critics argue, that the cost savings will inevitably come from job losses. An efficient Dockyard will be best able to attract additional work – and the jobs that that would bring. It is the best way forward to secure maximum benefits for Plymouth and Dunfermline.

THE FUTURE OF THE ROYAL DOCKYARDS

COMMERCIAL MANAGEMENT

– THE TIMETABLE

Outline sequence of events
from July 1985
to Vesting Day April 1987

COMMERCIAL MANAGEMENT

'Go ahead' for commercial management

In a statement to the House of Commons this week, Mr Michael Heseltine, Secretary of State for Defence, announced that the Government had decided to pursue the commercial management option for the Royal Dockyards. The target date for the start of these new arrangements – Vesting Day – would be 1 April 1987.

Letters to staff

The Secretary of State has written to all Naval Base staff, and to CED staff outside Rosyth and Devonport. He has explained his response to the consultations which have taken place since the publication of the Defence Open Government Document on April 17.

What next?

This timetable has been prepared by the Dockyard Planning Team (DPT), the group set up in the Ministry of Defence to oversee the consultation period and co-ordinate the implementation of the Government's decision. It shows what is likely to happen over the next two years, and when.

Further consultation planned

Trades Unions will be fully consulted throughout the transition to commercial management. As decisions on particular issues are reached, the people who are affected will be informed.

Personal queries

Many people in the Dockyards and other Naval Base departments will have questions about their personal circumstances, and what options might be open to them. Every effort will be made to answer these questions as soon as possible but, as the timetable shows, it may be at least a year before many of them can be answered in detail. The general arrangements for the future of employees were outlined in the consultative document published with the Defence Open Government Document in April.

Information

At regular intervals throughout the transition period the DPT will produce a digest of progress on major issues; Naval Base and Dockyard management are taking steps to ensure that there is a rapid flow of information at local level.

Efficiency Measures

Quite separately Dockyard Managements have announced a variety of measures aimed at improving efficiency; these will continue.

Dockyard Planning Team
Northumberland House
Northumberland Avenue
London WC2N 5BP

COMMERCIAL MANAGEMENT – THE TIMETABLE

The principal target dates in the programme – July 1985 to April 1987

JULY 1985

- Secretary of State announces decision to proceed to Commercial Management.

SUMMER 1985

- Consultations with Trades Unions on MOD Customer Organisation, which is to be the main point of contact between the Navy and the commercial manager.
- Start asset valuation. Consultant valuation experts visit all parts of the Dockyards to prepare inventories.
- Produce prospectus. Other consultants will visit parts of the Dockyards to produce commercial information on the operation and organisation of the Dockyards.

AUTUMN 1985

- Proposals on preference exercise put to Trades Unions.
- Begin build-up of Customer Organisation. Some staff and functions transfer within CED Headquarters at Bath.
- Enabling legislation introduced into Parliament.
- Initial visits to Dockyards by prospective commercial managers. Meet Trades Unions. Set out programme for further visits.

WINTER 1985/86

- Director General Ship Refitting appointed to head Customer Organisation.
- Start preparation of detailed contract documents.

SPRING 1986

- MOD select suitable companies to tender for contract.
- Issue pension proposals to Trades Unions.
- Decide preferred division of responsibilities between Naval Base departments and commercial operator.
- Invite companies to tender for contracts.

SUMMER 1986

- Tenders returned; start evaluation.

AUTUMN 1986

- Re-organisation of Naval Base arrangements under way.
- Select commercial managers.
- Detailed discussions between Trades Unions and commercial managers start.

WINTER 1986/87

- Sign contracts.
- Finalise Naval Base arrangements.

SPRING 1987

- Commercial manager's staff start working in parallel with existing management.
- Form new Dockyard Companies.

APRIL 1987

- Vesting Day.
- Run down remaining CED Headquarters staff.

FINAL DRAFT

DRAFT STATEMENT - 23RD JULY 1985

With permission, Mr Speaker, I should like to make a statement about the Royal Dockyards at Devonport and Rosyth.

On 17th April I outlined a number of options for the future management of the Dockyards which have an annual turnover of over £400 million.

They ranged from a trading fund in the public sector to full privatisation.

I said at the time that the Government preferred strategy was for a scheme of commercial management and I initiated a period of consultation with a view to a final decision before Parliament rose for the Summer Recess.

I have now had the opportunity to consider the many representations submitted during the consultative period, including the timely reports of the Public Accounts Committee and the House of Commons Defence Committee.

There is almost unanimous agreement that a significant change is needed in the way that the Dockyards are run.

Indeed the House will be aware that action has been called for in reports associated with the Mallabar Committee in 1971, with Hughes in 1973, with Brightling in 1978 and with my Hon Friend the Member for Ashford in 1980.

Last year we had the PAC stating that:

"We regard determined - and if need be radical - action as essential to resolve the fundamental issues still outstanding".

But little has happened as a consequence of the reports as there was no agreement as to how to proceed.

The option of a Trading Fund would not in the Government's view go far enough in freeing management and work force from the restrictions and interference of Government.

Full privatisation today on the other hand would leave the Government with insufficient influence over a major establishment in the defence field at a time of considerable transition.

Commercial management on the other hand has the advantage of freeing the local management from the more restrictive public sector constraints, of enabling the private sector to seek to expand the opportunities in the areas concerned whilst retaining a significant degree of accountability to the Royal Navy and particularly of securing a climate of maximum competition.

The option of commercial management remains therefore the Government's preferred solution and we intend to proceed along these lines.

I should tell the House that I am much influenced by the fact that this is also the preferred solution of the Navy itself.

The Government is convinced that the right way ahead is to retain ownership of the fixed assets and to bring in commercial management to run them.

I therefore intend to seek competitive tenders from competent British companies to manage the Dockyards.

These tenders, which would be for a period of some years, would be evaluated for their management and pricing proposals and would be expected to contain a strong incentive element.

I am encouraged by the number of companies who have shown interest in these proposals, including those of the stature of Babcocks, Balfour Beatty, Costain, Plessey, Trafalgar House, the Weir Group and other major industrial concerns acting either alone or in consortia.

I hope to introduce the necessary legislation as early as possible with the intention of introducing commercial management no later than 1st April 1987.

Regardless of the longer-term management structure for the Dockyards there must be improvements in efficiency in the Dockyards now.

These will involve reductions in jobs.

We believe that the majority of these will be achieved by means of natural wastage and voluntary redundancy.

Compulsory redundancies will be kept to the minimum possible.

I should also draw the House's attention to the fact we are making available to the Trade Unions today a Consultative Document proposing how best we might improve efficiency in the Marine Services organisation.

In view of the extra work associated with the Trident programme the problems at Rosyth will be relatively small and shortlived. But there will be a special problem at Devonport.

We have already embarked on a programme to help.

We have set up a Devonport Development Unit which will be the focal point for the activity necessary to generate new jobs, and I have announced our immediate intention to make available for development two small but significant areas of land in prime positions in the City.

My Department is examining its expenditure profile with a view to identifying any opportunities for expanding local commercial activity.

We are looking urgently at the potential of the historic and attractive site at Royal William Yard for development and the creation of employment.

It should also be possible to identify other opportunities for expansion.

Mr Speaker, each dockyard will have a core programme of essential work as the basis for its long term future.

What commercial management will ensure is that that work is carried out in as cost effective a way as possible and that, through greater efficiency, the dockyards are in a position to win orders in a wider market than at present and expand their activities.

ECON POL: Privatisation: Pt 12



mincing words, that one of the root causes of football crowd disorder and complete lack of respect for authority is the lack of discipline in the home and definitely in the schools? If that is accepted, would it not be sensible, for once, to defy the conventions of Europe and reintroduce corporal punishment into our schools to try to restore order and discipline to this country?

Sir Keith Joseph: I agree with my hon. Friend's objective but I do not quite share his self confidence in the diagnosis.

Mr. Robert MacLennan (Caithness and Sutherland): Does the Secretary of State not agree that the freedom of parental choice in these matters, which was secured by the European Court, should not be put in question by any further decision of the Government about the right of petition to the Commission which the Government will have to take in the next Session of Parliament? Will he give a guarantee that whatever may be the Government's views about renewing the right of individual petition, he will bring the law of this land into conformity with the judgment of the European Court?

Sir Keith Joseph: If we did not accept such an obligation, we would not have introduced the Bill and I would not have spoken of deciding which option we should follow next Session.

Mr. Eric Forth (Mid-Worcestershire): Does my right hon. Friend agree that the whole episode is a tribute to the wisdom of the other place, and that the role played by the Upper House in our constitution has been more than amply fulfilled by this excellent example? Therefore, will he give very long and careful thought before introducing any other Bill which could run into the same common sense in the Upper House?

Sir Keith Joseph: I say yes, with qualifications, to the first part of my hon. Friend's question, but I can agree with the second part.

Mr. Reg Freeson (Brent, East): In all seriousness, is it not a sad commentary on Britain, which has such a proud record of civilised values and standing, that almost alone among west European countries we should still be debating this issue? Why does not the right hon. Gentleman introduce a one clause Bill to abolish corporal punishment, and fall in line with all other civilised practices?

Sir Keith Joseph: That would run against the views of a substantial minority of parents and teachers, and I think that this House should hesitate before encouraging the Government to do that.

Mr. Peter Thurnham (Bolton, North-East): Does my right hon. Friend agree that his job would be much easier if we gave six months' notice to leave the EEC?

Sir Keith Joseph: My hon. Friend's comment would be more suitably addressed to my right hon. and learned Friend the Foreign Secretary, but I have heard it.

Mr. Harry Greenway (Ealing, North): Does my right hon. Friend accept that the vast majority of parents and teachers are opposed to the abolition of corporal punishment, particularly until suitable alternatives have been thought out? Will he resist Labour and Liberal party pressure which is designed to take us to a Swedish situation in which five-year-old children are encouraged to take their parents to court for smacking them?

Sir Keith Joseph: There is ample evidence from this short debate that the differences of opinion here are reflected in the country as well.

Royal Dockyards (Devonport and Rosyth)

3.45 pm

The Secretary of State for Defence (Mr. Michael Heseltine): With permission, Mr. Speaker, I should like to make a statement about the royal dockyards at Devonport and Rosyth.

On 17 April I outlined a number of options for the future management of the dockyards which have an annual turnover of over £400 million. They ranged from a trading fund in the public sector to full privatisation.

I said at the time that the Government's preferred strategy was for a scheme of commercial management and I initiated a period of consultation with a view to a final decision before Parliament rose for the summer recess. I have now had the opportunity to consider the many representations submitted during the consultation period, including the timely reports of the Public Accounts Committee and the Select Committee on Defence.

There is almost unanimous agreement that a significant change is needed in the way that the dockyards are run. Indeed, the House will be aware that action has been called for in reports associated with the Mallabar committee in 1971, with Hughes in 1973, with Brightling in 1978 and with my hon. Friend the Member for Ashford (Mr. Speed) in 1980. Last year we had the PAC stating:

"We regard determined—and if need be radical—action as essential to resolve the fundamental issues still outstanding".

But little has happened as a consequence of the reports, as there was no agreement on how to proceed.

The option of a trading fund would not, in the Government's view, go far enough in freeing management and work force from the restrictions and interference of Government. Full privatisation today, on the other hand, would leave the Government with insufficient influence over a major establishment in the defence field at a time of considerable transition.

Commercial management, on the other hand, has the advantage of freeing the local management from the more restrictive public sector constraints and of enabling the private sector to seek to expand the opportunities in the areas concerned, while retaining a significant degree of accountability to the Royal Navy and particularly of securing a climate of maximum competition.

The option of commercial management remains therefore the Government's preferred solution and we intend to proceed along these lines. I should tell the House that I am much influenced by the fact that this is also the preferred solution of the Navy itself.

The Government are convinced that the right way ahead is to retain ownership of the fixed assets and to bring in commercial management to run them. I therefore intend to seek competitive tenders from competent British companies to manage the dockyards. These tenders, which would be for a period of some years, would be evaluated for their management and pricing proposals and would be expected to contain a strong incentive element. I am encouraged by the number of companies that have shown interest in these proposals, including those of the stature of Babcocks, Balfour Beatty, Costain, Plessey, STC, Trafalgar House, the Weir Group and other major industrial concerns acting either alone or in consortia.

I hope to introduce the necessary legislation as early as possible, with the intention of introducing commercial management no later than 1 April 1987.

Regardless of the longer-term management structure for the dockyards, there must be improvements in efficiency in the dockyards now. These will involve reductions in jobs. We believe that the majority of these will be achieved by means of natural wastage and voluntary redundancy. Compulsory redundancies will be kept to the minimum possible.

I should tell the House that my hon. Friend the Parliamentary Under-Secretary of State for Defence Procurement has informed my hon. Friend the Member for Gosport (Mr. Viggers) that we are making available to the trade unions today a consultative document proposing how best we might improve efficiency in the Marine Services organisation.

In view of the extra work associated with the Trident programme, the problems at Rosyth will be relatively small and shortlived. But there will be a special problem at Devonport. We have already embarked upon a programme to help. We have set up a Devonport development unit which will be the focal point for the activity necessary to generate new jobs, and I have announced our immediate intention to make available for development two small but significant areas of land in prime positions in the city. My Department is examining its expenditure profile with a view to identifying any opportunities for expanding local commercial activity. We are looking urgently at the potential of the historic and attractive site at Royal William yard for development and the creation of employment. It should be possible also to identify other opportunities for expansion.

Each dockyard will have a core programme of essential work as the basis for its long-term future. Commercial management will ensure that that work is carried out in as cost effective a way as possible and that, through greater efficiency, the dockyards are in a position to win orders in a wider market than at present and expand their activities.

Mr. Denzil Davies (Llanelli): The right hon. Gentleman's statement is at least predictable, because, for the second time in a few weeks, he has demonstrated his total contempt for a unanimous report of a Select Committee, which found that there was no evidence for the proposals that he and his Department have put forward. Even worse, the slipshod, cavalier, irresponsible and "inept"—as the Select Committee said—way in which the right hon. Gentleman has treated the royal dockyards has been deeply insulting to those in the Royal Navy who are so dependent upon the expertise of the yard and to the thousands who work in Devonport and Rosyth, who have served the Navy and this country with such dedication and skill over many years, many of whom will apparently join the dole queues in Devonport and Rosyth.

Is the Secretary of State aware that, despite his statements about the Navy—he has produced no evidence to show that the Navy prefers this solution—almost no person in the Royal Navy, the dockyards or the Civil Service would agree, if he were honest, with the right hon. Gentleman's plans? Indeed, the only enthusiasts left are the right hon. Gentleman and Mr. Peter Levene, whose slipshod and shoddy report, produced earlier this year, would not have obtained a D-grade at O-level.

Did not the right hon. Gentleman mislead the House on 17 April when he said:

"The proposal is based upon American experience."—[*Official Report*, 17 April 1985; Vol. 77, c. 263.]

As was known then, and as the Select Committee has shown, the naval dockyards in the United States are operative in the public sector through a trading fund. If the right hon. Gentleman did not know that, a telephone call or perhaps a quick VC10 flight to his friend Caspar Weinberger would have told him of the realities. Is it not the case that the figures that the right hon. Gentleman's Department cobbled together for the Select Committee and the Public Accounts Committee bear as much relation to realism as the figures contained in a balance sheet of Johnson Matthey Bankers? Is it not a fact that the managerial, accounting and commercial problems in the dockyards—we accept that there are problems—could all have been solved within the public sector without going down this ridiculous road, which will make matters much worse?

The Secretary of State should have had the courage and the grace to accept that he has made a mess of these proposals. He should have accepted that nothing can be done to revive them, taken them away and brought back proposals to make the development and operation of the dockyards better, and not worse, as these proposals will do.

Mr. Heseltine: Of course, I have to reject all the right hon. Gentleman's assertions. This matter has been under active political review by various Governments for a long time. There is now almost universal agreement, first, that the way in which we are managing and accounting for public money on a large scale is wholly unacceptable and, secondly, that there is a need for action. The Government are facing up to the logic of that imperative and taking the decisions that are necessary.

The House may wish to judge the effectiveness of the right hon. Gentleman's response. He talks about the dole queues in Rosyth, but the Labour party is committed to abandoning Trident, on which employment in that area depends. When he has the effrontery to talk about the honesty of those who advised me, as if the Admiralty Board was acting in any interests except those of the Royal Navy, he shows the complete contempt that the Labour party has for the Armed Services.

The Labour party had every chance to grip the matter when it was in power, but it examined the position and made no decisions. In 1978, having looked at the option of a trading fund, the Labour Government announced that there would be no decision to make progress. Once again the Labour party ran away. It is now desperately trying to oppose what we are doing, although it had no proposals and no integrity to deal with issues of public administration.

Sir Antony Buck (Colchester, North): Is my right hon. Friend aware that his announcement will be greeted with satisfaction by many of those both serving in, and with recent experience at the head of, the Royal Navy? Will he assure the House that at the end of the day sufficient refit capability will remain for our 17 hunter-killer nuclear submarines and our new Trident submarines when, in due course, they need to be refurbished?

Mr. Heseltine: I am most grateful to my hon. and learned Friend, who takes a wholly constructive view of

these matters, and I can give him the assurance that he requires. However, I must say that I am equally concerned that that capability should exist, whether in the various areas surrounding Rosyth and Devonport, or in other areas that have levels of unemployment that are as high, if not higher. Delegations from such areas continually come to my office asking us to put more refit work into the less privileged parts of the north of England and Scotland.

Mr. Robert Sheldon (Ashton-under-Lyne): Will the Secretary of State acknowledge that the Public Accounts Committee commented on the savings as a percentage of annual operating costs, which may be as little as 1 per cent. within the margin of error? What does he estimate the net savings as a percentage of annual operating costs to be?

Mr. Heseltine: The right hon. Gentleman, who has a great responsibility to account to the House for these matters, will know the difficulties of trying to be wholly accurate in predicting large sums and the changes therein, especially against the background of having to negotiate both with the unions about enhanced efficiency, and with contractors, who will seek to drive the deal that most suits their natural interests. We must be sure, therefore, that we do not put on the table a range of figures that we believe to be possible but which those with whom we must negotiate will see as an opportunity to drive an even harder bargain.

The initial figures that we had in mind, which were based on a 20 per cent. efficiency gain, suggested savings of about £12 million a year rising to £18 million after 10 years. That was about 3 per cent. rising to 4.5 per cent. of turnover of £400 million. In our view that is the worst case, and there are much more optimistic scenarios. A later assessment based on the likelihood of greater efficiency gains showed gains of about £24 million to £26 million a year, rising to about £29 million or £33 million, which is 6 to 7.5 per cent. of turnover.

Miss Janet Fookes (Plymouth, Drake): Does my right hon. Friend understand that many of my constituents will find his decision perverse in the extreme since it flies in the face of all the advice offered to him by two Select Committees and many other organisations in Plymouth, including the report of the accountants Peat Marwick Mitchell? Does he also understand that many of the misgivings arise from the fact that there is likely to be a change in leadership at regular intervals if he follows the original plan in the consultative document? What does he mean by "some years", which is an enigmatic phrase, yet a key one?

Mr. Heseltine: I am most grateful to my hon. Friend for taking a real interest in the proposals that we have in mind. I am anxious to keep closely in touch with local feelings. The House will understand that there is a legitimate difference between the essentially local interests of those who represent Devonport, who must be interested in securing the largest possible cash flow into that economy, and the interests of those who have to administer the national purse, which in this context is the defence budget. I have to be sure that the country's interests are regarded by obtaining competitive prices and ensuring that I obtain value for money for the defence budget.

My hon. Friend's remark about the perversity of the decision in the light of the evidence has to be tempered by

[*Mr. Heseltine*]

the fact that I have received a range of views from those who think that there is considerable benefit from commercial management. These views are expressed by companies that are prepared to become involved in the negotiating process to secure that management. They argue in favour of the proposals. I have to consider the views of the Admiralty Board, which believes that these are the best proposals for the Navy which, after all, is the customer.

I assure my hon. Friend that I understand the concerns that are being expressed locally. I hope that the work that we are doing in the Ministry to try to help further job creation in the area will be seen as our determination to look after that interest. I have also to consider wider defence interests, and I believe that they will be best served by the way in which the Government will decide the matter.

Dr. David Owen (Plymouth, Devonport): Surely the Secretary of State will accept that the devastating criticism of the Public Accounts Committee has nothing to do with local interests and that no member serving on that Committee had any local interest. The contemptuous brushing aside of the Committee's recommendations and criticisms, and those of the Select Committee on Defence, makes most people believe that the consultative process has been the sham that many predicted at the start. Will the right hon. Gentleman make clear what he means by "I hope to introduce the necessary legislation".

Will the legislation be introduced in the next Session? If not, will the Government be able to meet 1 April 1987?

Mr. Heseltine: The right hon. Gentleman has not been out of Government for so long as to have forgotten that conventions are observed by Ministers when announcing future programmes. It would not be right for me to announce the contents of the Queen's Speech. It is our intention to proceed as fast as we can but in a manner that is compatible with achieving the introduction date that I have mentioned.

I cannot accept the right hon. Gentleman's contention that the consultative process has been a sham. The issue has been under consideration for nearly 15 years and little new argumentation has emerged during the period in which the issue has been at the forefront of public concern. Until now, Governments have failed to take decisions, and I must take into account the words used by the PAC, that there is a need for "radical" and urgent action. We intend to take that action and we are not prepared to run away from the issue, which the Labour Government, of which the right hon. Gentleman was a member, did consistently.

Mr. Maxwell-Hyslop (Tiverton): Will my right hon. Friend make it clear to the House that in any redundancy there may be in Devonport, the employment of those who have served there over many years will take priority over those who have been moved there from Chatham to try to reduce the Government's embarrassment when Chatham was closed? No such transfers must be allowed to take precedence over the claims of those who have put a lifetime of work into Devonport.

Mr. Heseltine: My hon. Friend has raised an important issue and I shall give it my personal and urgent consideration. I hope that the rundown in jobs that will be

necessary to attract the increased efficiency that we want will be secured, to the greatest extent possible, by voluntary redundancy and natural wastage.

Mr. A. E. P. Duffy (Sheffield, Attercliffe): The Secretary of State claims widespread support for the significant change that is proposed. Is he aware that the relevant trade unions are on record as saying that they are not opposed to change provided that it takes place in the proper consultative atmosphere? He has said also that the problems of Rosyth would be small and shortlived. Is he not minimising, and therefore jeopardising, the maintenance programme of the ballistic nuclear force? Is he sure that his proposals will not impair the Navy's flexibility to cope with emergency work, which was so admirably demonstrated at the time of the Falklands crisis?

Mr. Heseltine: The hon. Gentleman is familiar with these issues and they were considered carefully by the Admiralty board before it made its recommendations to me. The board judged that in all the circumstances the relevant factors had been taken into consideration and that it could still advise me to proceed in the way that I did.

The hon. Gentleman has asked me about the attitude of the unions that are concerned. Whenever change is proposed that involves a transfer from the public sector to the private sector, the unions are opposed to it. There is nothing new in that, for that is the essence of their political faith. I respect their entitlement to have those views. However, if I have the feeling that such views are expressed for doctrinal reasons as against practical reasons, I am entitled to take that into account. Whenever the Government privatise something, the unions forecast doom and gloom, and every time they are proved wrong.

Mr. Peter Viggers (Gosport): Does my right hon. Friend agree that the superb contribution made by the naval yards at the time of the Falklands war demonstrates the performance of which are capable? Does that not contrast sharply with the poor level of efficiency and serious level of absenteeism at the Rosyth and Devonport yards. Does he accept that it should be possible for the naval yards to benefit from privatisation in much the same way as other industries have? Surely management, workers and customers should benefit alike?

Mr. Heseltine: I am grateful to my hon. Friend for his remarks. I have written today to all the dockyards' employees urging them to recognise the constructive opportunities that are now on offer. After the warship building yards were nationalised there were no new sales of frigates. Before nationalisation we had an export market in frigates. Private warship builders in Germany have been selling frigates consistently and we have been failing to do so. Obsessive slavery to the concept of public ownership is positively inimical to the interests of the workers concerned.

Mr. Gordon Brown (Dunfermline, East): Will the Secretary of State for Defence, who today sounds more like the Secretary of State for defence of the private sector, explain his enthusiasm for these high-cost and high-risk proposals, which have been rejected by every committee that has considered them since the second world war, and which subordinate the interests of national security to those of commercial gain? Will he tell us how many loyal civil servants, recently and rightly praised by Sir Henry

Leach, Admiral of the Fleet now retired, for their professional alacrity, will be summarily dismissed if these unpatriotic proposals go ahead?

Mr. Heseltine: The hon. Gentleman is fully aware that the private sector responded just as magnificently as the public sector when we had to face the Falklands crisis. As I said to the right hon. Member for Llanelli (Mr. Davies), it is nothing short of scandalous to believe that Admiralty Board would put the interests of private contractors above Britain's defence interests.

Mr. Barry Henderson (Fife, North-East): What proportion of the work force at Rosyth depends on the maintenance of the submarine independent nuclear deterrent, which the Labour party will abolish? What reduction is anticipated in the work force after these measures become effective and how will it compare with the 1979 measures? Finally, what is the length of contract that is envisaged under these proposals?

Mr. Heseltine: I am sure that my hon. Friend will appreciate that the work involved in arriving at the agreed detail of the contract is extremely lengthy and complex. We must now make progress on that and we shall keep the House fully in touch. The detailed examination of any legislation that is introduced will enable the House to be kept informed.

I understand that about 40 per cent. of the Rosyth work force is employed on the nuclear deterrent. We have announced recently large extensions in the amount of work that is to be concentrated at Rosyth in connection with the Trident programme. The potential job losses at Rosyth and Devonport, which come from the management measures to which I have referred, are those that I produced to the House in April when discussing dockyard reorganisation. On that occasion, I spoke of about 2,000 job losses in the 13,000 work force at Devonport and about 400 job losses among the 6,300 who comprise the Rosyth work force.

Mr. Nicholas Brown (Newcastle upon Tyne, East): Is the Secretary of State seriously inviting privatised warship yards such as, potentially, Swan Hunter to tender for work that is now carried out solely at the naval dockyards?

Mr. Heseltine: I think it right and in the best interests of the country for there to be a competitive environment in which companies such as Swan Hunter have the opportunity to tender for the maintenance and repair work of the Royal Navy. Undoubtedly they would be interested in such work. I have seen experiments conducted in respect of frigates and submarines recently and contractors outside the Devonport and Rosyth dockyards are carrying out the work. A competitive environment must be in the interests of workers in different parts of the country and it is certainly in the interests of the defence budget.

Mr. Robert Hicks (Cornwall, South-East): Is it not a fact that the agency management concept is speculative and non-proven, in that nowhere in the world is there a comparable model on the scale envisaged? In view of the lack of substantive evidence since the publication of the consultative document, does my right hon. Friend think that is the way to treat the defence and security of this country?

Mr. Heseltine: I realise that my hon. Friend must press me in the interests of his constituents—

Dr. Owen: That is a shameful reply.

Mr. Heseltine: My hon. Friend will discover whether it is a shameful reply. I am going to answer his question carefully. I have talked to him about these matters and I do not seek to make party capital out of them, like the right hon. Member for Plymouth, Devonport (Dr. Owen). If the right hon. Member for Devonport cared about his constituency he would have taken steps to ensure that there were efficiency gains when he had the power to do something about it, as opposed to supporting a Government who ran away from every major issue that confronted them in the management of the dockyards. It is a classic example of the right hon. Member. He wants it both ways on every conceivable occasion as long as he is not asked to make any real decisions about anything.

Mr. Dennis Skinner (Bolsover): Hear, hear.

Mr. Heseltine: At least the hon. Member ought to agree with me about that.

Mr. Skinner: Yes, get stuck into him.

Mr. Heseltine: This must be the most unholy alliance this Parliament has ever seen. If I could come back to my hon. Friend—[*Interruption.*]

Mr. Speaker: Order. We must hear the answer to the hon. Member for Cornwall, South-East (Mr. Hicks).

Mr. Heseltine: I am glad to see the right hon. Member has run out of arguments. My hon. Friend the Member for Cornwall, South-East (Mr. Hicks) says there is no precedent for this anywhere in the world. It is true that there is no example known to me where a dockyard is managed by commercial contract, but the precedents I have looked at are defence establishments in the United States, which have more people employed, are in the defence industries and which operate a commercial management arrangement. If, for example, General Dynamics can manage production employing 16,000 people on the F-16, there is no issue of principle in saying that one cannot manage a dockyard on the same lines.

Mr. Tam Dalyell (Linlithgow): Representing, as I do, some of those who work at Rosyth, may we return to the question that the Secretary of State's hon. Friend the Member for Plymouth, Drake (Miss Fookes) very properly put on behalf of her constituents? What exactly is meant by the sentence:

"These tenders, which would be for a period of some years"? Perhaps I could explain the problem. In the west Lothian area we have the problem of Plessey, one of the firms that the Secretary of State mentioned. In complicated circumstances, with which I will not bore the House, it withdrew. How are we to know that on the banks of the Forth the same thing will not happen again?

Mr. Heseltine: Because we would not be prepared to enter into contracts with anything other than extremely substantial companies, and there would be contractual liabilities and commitments to ensure that such a situation did not develop. My hon. Friend was quite right to ask her question and I should like to take the opportunity now to answer it. We have yet to finalise the precise date of the contract and, in a sense, it must be influenced by the nature of the element of competitive pricing within the first contract we draw. We have certainly talked in terms of five years minimum, and there was a suggestion that we should go for longer periods. I expect to keep the House informed

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on this matter as the discussions proceed. It must be in our interests not only to get a competitive environment, but to get a degree of stability into the areas concerned.

Several Hon. Members *rose*—

Mr. Speaker: Order. I will endeavour to call hon. Members who have been standing if they have a constituency interest or a direct interest through the Select Committees. Could I ask for brief questions, please?

Mr. Michael Marshall (Arundel): As a member of the Select Committee I was one of those who listed some anxieties and questions to my right hon. Friend in our report. Will he say that he still hopes to address his mind to those questions? On the specific point about the period for commercial management, will he accept that the vast majority of industry—that known to me at any rate—is concerned that five years is far too short? It is not sufficient time on which to obtain a return on that sort of investment and could lead to major problems about work in progress and transition if another company is licensed to carry on. Does he accept this is a serious point and that a longer period appears to be vital?

Mr. Heseltine: My hon. Friend is quite right. Those points have been put to us by industry, but one would expect industry to look to the longest possible period before it has to face the competitive challenge of an alternative contractor. A balance must be struck, but I am not unsympathetic to a longer period, provided the competitive disciplines and the costing arrangements are sufficiently sharp to meet the national interest. I will bear that in mind. Of course, the Government will be responding to the Select Committee on Defence and to the Public Accounts Committee in the proper way.

Mr. Michael Foot (Blaenau, Gwent): The right hon. Gentleman sneers and jeers in his usual offensive fashion against any of those who were members of previous Governments. Will he not take into account that it was the provision for the royal dockyards and for their maintenance as such which enabled them to perform great achievements during the Falklands war and thereby to contribute to the safety of the nation? That has been one's experience of the royal dockyards in every crisis the nation has had to face. What right has he as a twopenny-ha'penny cheapjack to come along and say, "We will hand them over to commercial interests"? Will he not listen to the people who know something about it? When is he going to face the people in Devonport dockyards and hear what they have to say?

Mr. Heseltine: I give the right hon. Gentleman the unqualified assurance that I will listen to people who know something about it, but this nation made quite clear what it thought about his ability to know something about it.

Hon. Members: Cheap.

Mr. Speaker: Order. Let us keep the temperature down.

Mr. Peter Griffiths (Portsmouth, North): Will my right hon. Friend agree—

Mr. Skinner: The Secretary of State is only a privatised soldier: he bought himself out.

Mr. Speaker: Order. Mr. Griffiths.

Mr. Griffiths: Does my right hon. Friend agree that his statement today will provide a sense of purpose and direction which has been lacking in the royal naval dockyards for many years? The statement will therefore be widely welcomed. In his comments about the opportunities available for contracts outside the naval dockyards, will he say whether this includes fleet maintenance bases such as Portsmouth?

Mr. Heseltine: The statement I made today covers the two specific dockyards. The maritime services consultation document which I also announced will extend across the country at large, outside the dockyards as well as within them. I have no doubt that there will be examples relevant to Portsmouth, but I will confirm that to my hon. Friend. I appreciate the thought behind his question, because within the dockyards there is great anxiety about being faced with change. But there is a great willingness to recognise that change is necessary, and a great sense of dedication and frustration, which can be put to great opportunity for the benefit of the local economies.

Mr. Andrew Faulds (Warley, East): The right hon. Gentleman will, in due course, get his own come-uppance, however insulting he may be to former Prime Ministers. But, to my question, Mr. Speaker. To safeguard the public interest, will it be made a requirement that all of the tenderers for management of the docks shall make no contribution hereafter to Tory party funds?

Mr. Heseltine: I am sure that the hon. Member for Warley, East (Mr. Faulds) means that as seriously as a suggestion that any trade unions involved in the dockyards should make no contribution to Labour party funds.

Viscount Cranborne (Dorset, South): Will my right hon. Friend confirm that he has no similar plans for the dockyard at Portland in my constituency, and that the jobs at Portland will be preserved against the drafting-in of long-service people from Tiverton and Rosyth?

Mr. Heseltine: I cannot refuse to give my hon. Friend an encouraging answer in the light of the reply I gave to my hon. Friend the Member for Tiverton (Mr. Maxwell-Hyslop). I will have to look at these matters, but I can give him an unqualified assurance in the terms of the question he asked that I have no plans before me at present to deal with the installation in his constituency.

Mr. James Wallace (Orkney and Shetland): The Secretary of State will be well aware that the Select Committee took the view that the Government should not adopt the option of commercial management unless they could demonstrate that the advantages of a trading fund, subject to modification, were outweighed by commercial management. Despite that, the option of the trading fund was dismissed in one simple sentence, to the effect that it did not go far enough in freeing management from restrictions and interference by the Government.

What evidence has the Secretary of State for that, apart from blind dogma? What are these interferences and restrictions, no doubt within his own Department, which he is incapable of resolving?

Mr. Heseltine: I think that the hon. Gentleman will know that the option of a trading fund has been looked at time and time again. It has been looked at by this Government and by the previous Government. The previous Government decided not to proceed with the trading fund, and they published their decision in 1978.

One of the reasons why it is so difficult to see the commercial opportunity within a trading fund is simply that the restrictions of the public sector in terms of union negotiations, pay claims and gradings in various areas impose a constraint on management from which it is very difficult to break. If we are looking for the opportunity for the real development of a facility such as the dockyards, we are far better to have local autonomy, local decision-taking, local management and local unions seeking out the markets that suit them, without the need constantly to refer these matters to central Government.

Mr. Bill Walker (Tayside, North): My right hon. Friend will be aware that there is a royal naval workshop in my constituency. He will also be aware that a number of royal naval officers who serve on Her Majesty's submarines also live in my constituency and, down the years, they have complained about the management at Rosyth and the long time that it has taken to get their submarines made fit for sea again. They will welcome the changes in the improvement of management and, further, they will also welcome the assurances that we have given on the Trident programme, which guarantees their jobs.

Mr. Heseltine: I think that my hon. Friend will be proved to be far more wise in these matters than many Opposition Members who have spoken. Those who have the ultimate responsibility for the management of the Fleet are in favour of these proposals. As Secretary of State for Defence, responsible for the defence budget, I believe that they are in the best interests of the public.

Mr. Anthony Steen (South Hams): Since I have a large number of constituents who work in one of these dockyards — the Secretary of State will know this because he used to represent part of my constituency — will he comment on the numbers of people working in the dockyard who will be made compulsorily redundant? He skated over that somewhat, and I think that he should say how many redundancies he envisages in the next few years.

Will my right hon. Friend also say a little more about the job creation proposals? He mentioned Plymouth, but one of the real problems arises outside Plymouth, especially in Ivybridge where many people live who work in the dockyard. They need new jobs there, and there is a lot of land in Ivybridge which could be used by starter firms and starter businesses to create new jobs. Will he say a little more about that?

Mr. Heseltine: My hon. Friend asked me two important questions. The first is about the number of compulsory redundancies. It is my hope that we shall use every endeavour, to secure this purpose, to ensure that the job losses can be achieved by way of natural wastage and voluntary retirement — [HON. MEMBERS: "How many?"] That will be the momentum that the Department now pursues. We cannot know how many people will accept voluntary retirement. In those circumstances we cannot quantify how many inevitably will be made compulsorily redundant. But all our endeavours will be directed to trying to minimise compulsory redundancy.

My hon. Friend then asked where any help that we can give will be located. That will be a matter for my hon. Friend the Parliamentary Under-Secretary of State for Defence Procurement, who is personally chairing the Devonport development unit. It is not of concern to us

specifically if sites are within the city boundary or outside it so long as there are work opportunities in the area. My hon. Friend the Parliamentary Under-Secretary will have heard the question, and I have no doubt that he will bear it very much in mind.

Mr. Skinner: Will the Secretary of State assure the House that, in view of the unreliability of private money, as evidenced recently by a number of events, he will make sure that certain companies are not given licences to operate in the royal dockyards when they get the opportunity? Will the right hon. Gentleman assure the House, for instance, that Gomba UK, run by Abdul Shamji, will not be given the opportunity to get its dirty fingers down there, as it did when it managed to find itself in an enterprise zone at Strood, near Rochester, a few months before anyone else seemed to know about the existence of the zone? That kind of preferential treatment is to be abhorred by everyone. When, into the bargain they do not pay back the money, what guarantee can the Secretary of State give that none of those people, of whom there are now an increasing number, will be able to move down there, make a killing, and leave the taxpayer to pick up the bill?

Mr. Heseltine: The hon. Gentleman knows that we shall take all proper care to ensure that those who get contracts for this vital part of the defence establishment are of impeccable standards.

Mr. John Browne (Winchester): Does my right hon. Friend accept that if we are even to maintain let alone increase real levels of spending on defence, the Government will come under increasing pressure to show value for money in their spending? Does he also accept that this privatisation of the dockyards is not only a bold but an imaginative step long overdue, which is part of the drive to ensure that there is value for money in defence spending and which will be welcomed widely throughout the Royal Navy, especially at senior levels, and also in the country at large?

Mr. Heseltine: I am sure that my hon. Friend is right. All the precedents are on his side. Every time that this Government have taken a bold and courageous step to transfer public assets to the private sector, it has been widely welcomed by the customers and by those working for the companies concerned.

Mr. Denzil Davies: Will the Secretary of State now answer the question that he has not yet answered? How many jobs will be lost as a result of this operation, especially at Devonport? Will he also say how much money can be put into the development unit to try to find other jobs?

Will the right hon. Gentleman also answer the question that the hon. Member for Plymouth, Drake (Miss Fookes) asked? Why is he taking a perverse decision? He said that there had been argument over the past 15 years. Yes, but he is the only person who has not been involved in the argument. He has not put forward any arguments. Indeed, the Select Committee refused to accept what the Ministry of Defence said. By all means let the right hon. Gentleman take decisions. All that we ask is that he takes decisions on a rational basis instead of taking them in the dark and purely on the basis of ideology. The Opposition have always argued that changes are necessary, but all informed opinion believes that the changes can be carried out in the public sector.

[Mr. Denzil Davies]

There is one saving grace, however. By the time that the right hon. Gentleman has put through all these different legislative operations, he will not be Secretary of State, and the Labour party will ensure that the dockyards are taken back into public ownership.

Mr. Heseltine: If all these changes could be put through within the public sector, why did the Labour Government announce in 1978 that they had no intention of proceeding with a trading fund and give no alternative way forward? What conceivable explanation is there? There is only one explanation. It is that they could not carry their own people, including the unions, with them towards the enhanced efficiency that we are determined to achieve.

I wish that the right hon. Gentleman had listened to what I have said several times. I have already given the figures. He knows full well that in Devonport there are at present some 13,000 people employed and that the potential job losses involved in the management improvements are of the order of 2,000. At Rosyth, it is 6,300, with job losses of the order of 400. I gave those figures in April and I gave them again earlier this afternoon.

Royal Dockyards

4.28 pm

Dr. David Owen (Plymouth, Devonport): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely, "the decision of the Secretary of State for Defence to ignore the reports of the Public Accounts Committee and the Select Committee on Defence and to announce his decision before making any substantive response to either of those two Committees."

The matter is specific and urgent because the House is adjourning for the summer recess on Friday. If the Secretary of State is to be believed, although there is some doubt about whether the implementation of his decision will be included in the Queen's Speech, it appears unlikely, were it to be in the Queen's Speech, that there will be any possibility of the House discussing the reports of the PAC and the Select Committee.

I submit that these Committees are not asked to make reports only for them to be brushed lightly aside. The PAC is one of the most respected Committees of the House. It is chaired, as is normal, by a distinguished Opposition Member, and it is made up of hon. Members of the House who certainly do not represent their local interests in the Committee. The Public Accounts Committee has drawn attention to the fact that it believes that the savings that will come as a result of these proposals will total, over a 10-year period, only £40 million, whereas it also estimates that the Government's proposals over a similar period will cost £60 million to implement. Therefore, over a 10-year period it is possible, if the Public Accounts Committee's fears are justified, that the Navy will have to find an extra £20 million to fulfil these obligations.

The report of the Public Accounts Committee also states that the Ministry of Defence provided "no valid basis to judge whether any materially increased efficiency whatsoever attached to the Government's preferred option".

The Committee went on to say that it had "severe misgivings about the thoroughness and the accuracy of the MOD's costings".

The Committee concluded:

"The Ministry of Defence has not provided enough evidence to enable Parliament to assess the financial aspects of all the options."

I fail to understand as, I think, do many fair-minded hon. Members on both sides of the House, how the Secretary of State, against that background of the Public Accounts Committee report can come to the House and make this decision without producing a shred of evidence or making any attempt to answer the criticisms of the Public Accounts Committee. It is worse than that. The Select Committee on Defence also considered this question and came to a similar conclusion, although not in such a concentrated way.

I think that we owe it to the members of the Public Accounts Committee and to the Comptroller and Auditor General that this provision should not go without an urgent debate. As I understand it, this is the only opportunity for a debate. It is not just a constituency case. I do not believe that the matter can be argued as effectively in a debate on the Adjournment of the House because we wish the Secretary of State for Defence to answer. Although we like and respect the Leader of the House and pay tribute to his

great virtues, I think that he would be the last to admit that he shall be cast in the role of defending the Secretary of State for Defence, and many of us hope that his wisdom will stop the inclusion of the proposal in the Government's legislative programme.

This is a matter of great concern. Many people's livelihoods are at stake. It raises the spectre of unemployment but, above all else, it raises the question whether under these provisions the Royal Navy will be as adequately and as well served as it has been in the past.

The House has paid tribute in the wake of the Falklands to the work that has been done by the royal dockyards. I suggest that the House owes it to those people in the royal dockyards in this circumstance to examine very carefully the Secretary of State's proposals before they are carried out. I hope, Mr. Speaker, that you will grant my request.

Mr. Speaker: The right hon. Member for Plymouth, Devonport (Dr. Owen) asks leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the decision of the Secretary of State for Defence to ignore the reports of the Public Accounts Committee and the Select Committee on Defence and to announce his decision before making any substantive response to either of those two Committees".

I have listened with great care to what the right hon. Member has said. As he knows, my sole duty in considering an application under Standing Order No. 10 is to decide whether it should have priority over the business already set down for this evening or for tomorrow. I regret that I cannot find that the matter that he has raised meets all the criteria laid down in the Standing Order, and I cannot, therefore, submit his application to the House.

London Docklands (Report)

4.33 pm

Mr. Simon Hughes (Southwark and Bermondsey): On a point of order, Mr. Speaker. May I raise with you, Mr. Speaker, a question which is similar to others which have been raised on this subject in the past, namely, the prior release outside the House of a document which should first come to the House.

Yesterday morning there was an announcement at a press conference held by the London Docklands development corporation of its annual report, which was then presented to the press and public. Four Members of the House represent constituencies covered by the area of the corporation. As you will know, Mr. Speaker, the chain of accountability is through the Secretary of State to the House. As far as I have been able to ascertain, none of the four Members of Parliament was notified in advance or had received—or, indeed, until now, has received—copies of that annual report. Indeed, the first notification which anybody in the House could have had is that there was laid on the Table of the House—and it is recorded in the Vote today—a copy of the annual report dated as of yesterday, although not obtainable, in, and not delivered to, the Library of the House until this afternoon.

The issue raised is the manner in which the Secretary of State for the Environment or his Under-Secretary of State charged with responsibility for these matters is properly fulfilling his duty of prior and primary accountability to the House when a corporation, solely accountable to the House through the Secretary of State, acts to present its information and report outside the House before it comes to the House.

I ask, Mr. Speaker, whatever ruling you may be able immediately to give, that the matter be taken into account by the Leader of the House, who is in his place, and passed on to the relevant Ministers and Secretary of State in the Department, and that yet again you seek to protect the interests of Members of the House by confirming that documents should come first to the House before they go to the press and to other members of the public.

4.35 pm

Mr. Peter Shore (Bethnal Green and Stepney): Further to the point of order. As another Member from the docklands area, may I say that I find this matter particularly disturbing because the London Docklands development corporation is under an obligation to make an annual report to the Minister, and that is the only way in which its actions and activities are made accountable and known to Members of Parliament.

There has been a flagrant breach in that a press conference was held even before the document was deposited in the House of Commons. I realise, Mr. Speaker, that your own direct duties, rights and capacities in this matter are limited, but I hope that you will take this opportunity to make known your displeasure at this flagrant breach of convention and good manners.

Mr. Dennis Skinner (Bolsover): Further to that point of order, Mr. Speaker. Perhaps at this time, it would be appropriate for you, or somebody to point out that, whenever we get these complaints about leaked documents, which have happened in the course of the 15 years for which I have been a Member of Parliament, if

[Mr. Dennis Skinner]

television is allowed into this place, the leaking of documents and all other matters similar to the one that has been raised—

Mr. Speaker: Order. I do not think that the hon. Gentleman is on a very good point. This is not a leaked document, as I understand it. The right hon. Member for Bethnal Green and Stepney (Mr. Shore) and the hon. Member for Southwark and Bermondsey (Mr. Hughes), who raised the point, well know my strong views on these matters, and I will certainly let them be known in the right quarter.

BILLS PRESENTED

RACE RELATIONS (WELSH LANGUAGE)

Mr. Dafydd Wigley presented a Bill to amend the Race Relations Act 1976 to provide that a requirement relating to use of, or proficiency in, the Welsh language shall not constitute discrimination within the meaning of that Act; and for connected purposes: And the same was read the First time; and ordered to be read a Second time tomorrow and to be printed. [Bill 201.]

BRITISH NATIONALITY ETC. (TREATMENT OF CITIZENS OF PAKISTAN)

Mr. Tony Lloyd, supported by Mr. Gerald Kaufman, Mr. Peter Pike, Mr. Derek Fatchett, Mr. James Lamond, Mr. Robert Litherland, Ms. Clare Short, Mr. Stan Thorne, Mr. Ron Davies, Mr. Terry Lewis, Mr. Ken Eastham, and Mr. Jeremy Corbyn, presented a Bill to amend the British Nationality Acts and the Immigration Act 1971 to confer upon citizens of Pakistan resident in the United Kingdom the same rights and privileges to which citizens of Commonwealth Countries are entitled: And the same was read the First time; and ordered to be read a Second time upon Friday 25 October and to be printed. [Bill 203.]

Local Government (Prevention of Political Corruption)

4.37 pm

Mr. Edward Leigh (Gainsborough and Horncastle): I beg to move,

That leave be given to bring in a Bill to amend sections 137 and 142 of the Local Government Act 1972.

I will deal first with the historical background and then with the present situation and the details of the Bill.

Up to 1972, local authorities were governed by the doctrine of ultra vires, and they were not permitted to do anything not specifically allowed for by statute. This meant that in some circumstances they were put in the embarrassing position, for instance, of not being able to repair a canal bank until they had come to the House for a general powers Act. In 1963, local authorities were given a very limited power to spend money on some projects not specifically allowed for by the House. In Committee at that time, Sir Cyril Black said that he hoped that local authorities would confine expenditure to necessary and modest projects, and would not make it an occasion for spending money merely because they had the power, unless there was some compelling reason for the expenditure.

Those were prophetic words because in 1972 Parliament decided to experiment and give local authorities the power to devote a 2 pence rate on anything of benefit not necessarily to all the residents of the local authority but merely to some. Parliament felt justified in making that experiment because there was at that time a consensus about what local authorities should be about, namely, professional full-time officers supervised by part-time elected councillors providing services of a direct and practical kind which all residents of that local authority would be deemed to enjoy or hope to enjoy at some future time. Since 1972, that consensus has broken down with the appearance of young full-time hard Left Labour politicians who, denied power in the national arena—often because they voice extremist policies—have turned town halls into an alternative state. They have tried to build up a coterie of tight-knit groups, which are often dependent on the town hall. Such groups often work in a self-supporting circle.

I should like to quote the example of a constituent. Councillor Ben Stallman is a Liberal and I do not support everything that he says but, for many years, he worked satisfactorily for Barnsley borough council, which was Labour controlled. As soon as he became a Liberal councillor, he was hounded and finally forced to retire on grounds of ill health. I believe that he was denied his statutory rights. It is interesting that Barnsley borough council employed Mr. David Blunkett, now the Labour leader of Sheffield city council, and that the late Fred Lunn, Labour leader of Barnsley District Council, was employed by Sheffield.

The expenditure that such local authorities have engaged in is so well known that I do not need to go into detail. I have here a sheaf of paper detailing the grants that the Greater London council has made in the past year. The list includes £50,000 for the Troops Out movement, £2,000 for Song for Peace, £1 million for the biased free newspaper, *The Londoner* and £8,000 for the Peace Year



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D/S of S/PQ2959D

23rd July 1985

Dear Tim -

I enclose a copy of the latest draft statement which my Secretary of State proposes to make in the House this afternoon on the Royal Dockyards at Devonport and Rosyth.

A copy of this letter also goes to Rachel Lomax (Treasury), Callum McCarthy (Department of Trade and Industry), Len Appleyard (FCO), David Normington (Employment), John Graham (Scotland), Miss Janet Lewis-Jones (Lord President of the Council), David Beamish (House of Lords), David Morris (Lord Privy Seal).

*Yours,
D J Woodhead*

(D J WOODHEAD)

T Flesher Esq
10 Downing Street

DRAFT STATEMENT - 23RD JULY 1985

With permission, Mr Speaker, I should like to make a statement about the Royal Dockyards at Devonport and Rosyth.

On 17th April I outlined a number of options for the future management of the Dockyards.

They ranged from a trading fund in the public sector to full privatisation.

I said at the time that the Government preferred strategy was for a scheme of commercial management and I initiated a period of consultation with a view to a final decision before Parliament rose for the Summer Recess.

I have now had the opportunity to consider the many representations submitted during the consultative period.

There is almost unanimous agreement that a significant change is needed in the way that the Dockyards are run.

Indeed the House will be aware that action has been called for in reports associated with ? Mallabar Committee, with my Hon Friend the Member for Ashford and with the PAC only last year. But little has happened as a consequence of the reports in 1980 as there was no agreement as to how to proceed.

The option of a Trading Fund, would not in the Government's view go far enough in freeing management and work force from the restrictions and interference of Government.

Full privatisation today on the other hand would leave the Government with insufficient influence over a major establishment in the defence field.

Commercial management on the other hand has the advantage of freeing the local management from the more restrictive public sector constraints, of enabling the private sector to seek to expand the opportunities in the areas concerned whilst retaining a significant degree of accountability to the Royal Navy.

The option of commercial management remains therefore the Government's preferred solution and we intend to proceed along these lines.

I should tell the House that I am much influenced by the fact that this is also the preferred solution of the Navy itself.

The Government is convinced that the right way ahead is to retain ownership of the fixed assets and to bring in commercial management to run them.

I therefore intend to seek competitive tenders from competent British companies to manage the Dockyards.

These tenders, which would be for a period of some years, would be evaluated for their management and pricing proposals and would be expected to contain a strong incentive element.

I am very encouraged by the number of companies who have shown interest in these proposals, including those of the stature of Babcocks, Balfour Beatty, Costain, Plessey, Trafalgar House, the Weir Group and other major industrial concerns.

I hope to introduce the necessary legislation as early as possible with the intention of introducing commercial management no later than 1st April 1987.

Regardless of the management structure for the Dockyards there must be improvements in efficiency in the Dockyards.

These will involve reductions in jobs.

We believe that the vast majority of these will be achieved by means of natural wastage and voluntary redundancy.

Compulsory redundancies will be kept to the minimum possible.

In view of the extra work associated with the Trident programme the problems at Rosyth will be relatively small and shortlived. But there will be a special problem at Devonport.

We have already embarked on a programme to help.

We have set up a Devonport Development Unit which will be the focal point for the activity necessary to generate new jobs, and

I have announced our immediate intention to make available for development two small but significant areas of land in prime positions in the City.

My Department is also examining its expenditure profits with a view to identifying any opportunities for expanding local commercial activity.

We are also looking urgently at the potential of the historic and attractive site at Royal William Yard for development and the creation of employment.

It should also be possible to identify other opportunities for expansion.

Mr Speaker, each dockyard will have a core programme of essential work as the basis for its long term future.

What commercial management will ensure is that that work is carried out in as cost effective a way as possible and that, through greater efficiency, the dockyards are in a position to win orders in a wider market than at present and expand their activities.